HSBC

News Release

29 October 2023

HSBC BANK CANADA
THIRD QUARTER 2023 RESULTS

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

"Performance in the third quarter remained resilient. Core business activity remained strong with increased average loan and deposit balances positively impacting the quarter. Total operating income dropped slightly compared to the third quarter of 2022 due to the impact of higher cost of liabilities from rising interest rates and more challenging market conditions. Total operating income increased 10% for the year-to-date.

"While inflation is moderating, and we expect a soft landing for the economy, financial headwinds are getting stronger. As we have for over 40 years, we'll continue to provide the support that our clients have come to expect through both good and challenging times."

Highlights[3] financial performance (3Q23 vs 3Q22)

- **Profit before income tax expense was $282m, down $16m or 5.4%** primarily driven by costs related to the agreed sale[2] of HSBC Bank Canada, partly offset by a lower charge in ECL.
- **Total operating income remained resilient at $660m, down slightly by $5m or 0.8%.**
- **Change in expected credit losses ('ECL') was a charge of $26m** compared to a charge of $42m in the prior year. The charge in the current quarter was primarily driven by new charges in non-performing loans and the impact of rising interest rates on the mortgage portfolio.
- **Total operating expenses were up by $27m or 8.3%** mainly due to costs related to the agreed sale[2] of HSBC Bank Canada, partly offset by lower investment spend in 2023.

Highlights[3] financial performance (YTD 23 vs YTD 22)

- **Profit before income tax expense was strong at $893m, up $105m or 13%** with operating income up $184m or 10%, and a lower ECL charge. Total operating expenses were up $120m or 12% mainly due to costs related to the agreed sale[2] of HSBC Bank Canada, partly offset by lower investment spend in 2023.
- **All business segments were profitable** with increases in profit before tax expense and total operating income across three of our four business segments.
- **Total assets were $120.5bn, down $7.9bn or 6.1%,** from 31 December 2022.
- **Common equity tier 1 capital ratio[4] of 13.8%, up 220 bps** from 31 December 2022.
- **Return on average common equity[5] of 15.2%, up 70 bps** from 31 December 2022.

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. *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 the 'Agreed sale of HSBC Bank Canada' section of this document.*
3. *For the quarter and year-to-date ended 30 September 2023 compared with the same periods in the prior year (unless otherwise stated). The abbreviations '$m' and '$bn' represent millions and billions of Canadian dollars, respectively.*
4. *Capital ratios and risk weighted assets are calculated using the Office of the Superintendent of Financial Institutions Canada's ('OSFI') Capital Adequacy Requirements ('CAR') guideline, 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 third quarter ended 30 September 2023[1]

Net interest income was $428m for the quarter, a decrease of $21m or 4.7% as a result of higher cost of liabilities due to rising interest rates and change in deposit mix, partly offset by increased asset yields. Net interest income was $1,322m for the year-to-date, an increase of $167m or 14%. This was due to the impact of the central bank rate increases over the past year and higher average loans and advances to customers compared to the first nine months of 2022, partly offset by the same factors described in the quarter.

Net fee income was $187m for the quarter, a decrease of $7m or 3.6% driven by the continued challenging market conditions, resulting in lower credit facility fees from fewer originations and lower brokerage volumes in our Global Banking business. These decreases were partly offset by increased activity in remittances and cards.

For the year-to-date, net fee income was $570m, a decrease of $17m or 2.9% as the challenging market conditions resulted in lower fees on investment funds under management in Wealth and Personal Banking. This was coupled with lower credit facility fees, underwriting fees and brokerage commissions in our Global Banking business. These decreases were partly offset by increased activity in cards and increased transactions in account services across our businesses and higher credit facility fees in Commercial Banking from higher volumes of bankers' acceptances.

Net income from financial instruments held for trading was $37m for the quarter, an increase of $22m or 147%. The increase was mainly from a favourable change in cash flow hedge instruments and higher income from trading activities.

Net income from financial instruments held for trading was $104m for the year-to-date, an increase of $38m or 58%. The increase was driven by the same factors as in the quarter, coupled with an increase in net interest income from trading activities due to the higher interest rate environment. These increases were partly offset by lower favourable movements in credit and funding fair valuation adjustments compared to the prior year.

The change in ECL for the quarter resulted in a charge of $26m primarily driven by new charges in non-performing loans and the impact of rising interest rates on the mortgage portfolio. This compares to a charge in 2022 of $42m primarily driven by the continued adverse movement in forward-looking macro-economic variables on performing loans at that time.

ECL for the year-to-date resulted in a charge of $41m compared to a charge of $82m in 2022. The charge for the year-to-date was driven by the same factors as in the quarter, partly offset by a release in performing loans due to a relative improvement in forward-looking macro-economic variables. In 2022, the ECL was driven by a significant charge for a material stage 3 loan in the first half of 2022. ECL for performing loans resulted in a release mainly from COVID-19 related allowances in the first quarter, partly offset by a charge driven by an adverse shift in forward-looking macro-economic variables in the second and third quarters of 2022.

Total operating expenses were $352m for quarter, an increase of $27m or 8.3%, and $1,084m for the year-to-date, an increase of $120m or 12%. The increase for both the quarter and year-to-date was mainly due to costs relating to the agreed sale[2] of HSBC Bank Canada which includes the re-assessment of the useful life and impairment of intangible assets. Higher staff-related costs also contributed to the increase. This was partly offset by lower investment spend in 2023.

Income tax expense: the effective tax rate for the third quarter of 2023 was 28.0%. 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 increase in tax liabilities. The effective tax rate for the third quarter of 2022 was 26.6%.

1. *For the quarter and year-to-date ended 30 September 2023 compared with the same periods in the prior year (unless otherwise stated).*
2. *On 29 November 2022, the 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 the 'Agreed sale of HSBC Bank Canada' section of this document.*

Dividends

Dividends declared in the third quarter 2023

During the third quarter of 2023, the bank declared regular quarterly dividends of $19m 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 the third quarter of 2023.

Deemed dividend recorded in the third quarter 2023

On 18 September 2023, HSBC Global Services (Canada) Limited (‘ServCo’), which is an indirect wholly-owned subsidiary of HSBC Holdings, transferred certain shared services to the bank. The transfer was not designed to deliver economic benefits from changes in business activities, but represents a rearrangement of the organization of business activities across legal entities under the common control of HSBC Holdings plc in its capacity as the ultimate shareholder. The transfer of people and other supporting assets have no significant impact on the overall financial results, position or operations of the bank.

The consideration paid to ServCo as part of the transaction was $2m. The combination of the net liabilities assumed and the consideration paid is recognized in equity as a deemed dividend of $4m to the ultimate shareholder.

Dividends declared in the fourth quarter 2023

On 26 October 2023, the bank declared regular quarterly dividends for the fourth 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 31 December 2023 or the first business day thereafter to the shareholder of record on 15 December 2023.

As the quarterly dividends on preferred shares for the fourth quarter of 2023 were declared after 30 September 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 fourth quarter.

Business performance in the third quarter ended 30 September 2023[1]

Commercial Banking ('CMB')

Profit before income tax expense for the quarter was $185m, a decrease of $10m or 5.1% mainly due to increased charges in ECL compared to the prior year and a decrease in net interest income. Profit before income tax expense for the year-to-date was $587m, an increase of $59m or 11% primarily due to an increase in operating income and lower charges in ECL compared to the prior year.

Total operating income for the quarter was $304m, a decrease of $4m or 1.3% and $925m for the year-to-date, an increase of $44m or 5%. CMB has maintained positive momentum in 2023 with average loan balances increasing by $2.5bn or 7.2% and average deposit balances increasing by $1.3bn or 4.8% compared to the first nine months of 2022. For the quarter, the decrease was a result of lower net interest income as a result of higher cost of liabilities due to rising interest rates and change in deposit mix, partly offset by increased asset yields. For the year-to-date, net interest income improved due to the impact of the central bank rate increases over the past year and higher average loan 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 for the quarter was $98m, an increase of $15m or 18% due to higher operating income and lower charge in ECL, partly offset by higher operating expenses. Profit before income tax expense for the year-to-date was a record[2] $307m, an increase of $99m or 48% primarily a result of record[2] operating income, which was partly offset by higher operating expenses and higher ECL.

Total operating income for the quarter was $279m, an increase of $9m or 3.3% and a record[2] $855m for the year-to-date, an increase of $136m or 19%. The increase in both periods was driven by improved margins as a result of the central bank rate increases over the past year, growth in average deposit balances and higher income from our online brokerage business, partly offset by changes in deposit mix and lower treasury related income.

Global Banking ('GB')

Profit before income tax expense for the quarter remained flat at $32m. Profit before income tax expense for the year-to-date was $107m, an increase of $37m or 53% as a result of higher operating income and a favourable change in ECL.

Total operating income for the quarter was $49m, a decrease of $9m or 16% mainly due to higher cost of liabilities due to rising interest rates and change in deposit mix decreasing net interest income. Total operating income for the year-to-date was $158m, an increase of $14m or 9.7%. Results from transaction banking activities remain strong, due mainly to higher spreads and higher income from trading activities compared to the adverse movement in the value of a loan syndication facility in the prior year. These increases were 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 for the quarter remained flat at $13m and $30m for the year-to-date, a decrease of $14m or 32% mainly due to lower operating income.

Total operating income for the quarter was $24m, a decrease of $2m or 7.7% and $66m for the year-to-date, a decrease of $17m or 20%. The decrease was driven mainly by fixed income trading, partly offset by higher net interest income driven by the central bank rate increases over the past year.

Corporate Centre[3]

Profit before income tax expense for the quarter was a loss of $46m, compared to a loss of $25m in the prior year. Profit before income tax for the year-to-date was a loss of $138m, compared to a loss of $62m for the same period in the prior year. This was mainly due to increased costs relating to the agreed sale[4] of HSBC Bank Canada which includes the re-assessment of the useful life and impairment of intangible assets. This was partly offset by lower investment spend in 2023 and higher non-interest income.

1. *For the quarter and year-to-date ended 30 September 2023 compared with the same periods in the prior year (unless otherwise stated).*
2. *Record for the nine months 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, the 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 the '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 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		Nine months ended	
	30 Sep 2023	30 Sep 2022	**30 Sep 2023**	30 Sep 2022
Financial performance for the period				
Total operating income	**660**	665	**2,018**	1,834
Profit before income tax expense	**282**	298	**893**	788
Profit attributable to the common shareholder	**184**	206	**587**	542
Change in expected credit losses and other credit impairment charges - (charge)	**(26)**	(42)	**(41)**	(82)
Operating expenses	**(352)**	(325)	**(1,084)**	(964)
Basic and diluted earnings per common share ($)	**0.33**	0.38	**1.07**	0.99
Financial ratios %[1]				
Return on average common shareholder's equity	**13.8**	17.6	**15.2**	14.5
Return on average risk-weighted assets	**2.6**	2.7	**2.7**	2.5
Cost efficiency ratio	**53.3**	48.9	**53.7**	52.6
Operating leverage ratio[2]	**n/a**	18.1	**n/a**	12.1
Net interest margin	**1.58**	1.62	**1.62**	1.42
Change in expected credit losses to average gross loans and advances and acceptances	**0.13**	0.21	**0.07**	0.14
Change in expected credit losses on stage 3 loans and advances and acceptances to average gross loans and advances and acceptances	**0.12**	0.08	**0.12**	0.15
Total stage 3 allowance for expected credit losses to gross stage 3 loans and advances and acceptances	**32.0**	29.0	**32.0**	29.0
Net write-offs as a percentage of average loans and advances and acceptances	**—**	0.01	**0.01**	0.23

Financial and capital measures

	At	
	30 Sep 2023	31 Dec 2022
Financial position at period end		
Total assets	**120,452**	128,302
Loans and advances to customers	**73,721**	74,862
Customer accounts	**80,057**	82,253
Ratio of customer advances to customer accounts (%)[1]	**92.1**	91.0
Common shareholder's equity	**5,398**	4,818
Capital, leverage and liquidity measures		
Common equity tier 1 capital ratio (%)[3]	**13.8**	11.6
Tier 1 ratio (%)[3]	**16.3**	14.1
Total capital ratio (%)[3]	**18.7**	16.4
Leverage ratio (%)[3]	**5.4**	4.7
Risk-weighted assets ($m)[3]	**43,216**	44,656
Liquidity coverage ratio (%)[4]	**156**	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 ratio has resulted 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 $m, except per share amounts)	Quarter ended		Nine months ended	
	30 Sep 2023	30 Sep 2022	**30 Sep 2023**	30 Sep 2022
Interest income	**1,322**	934	**3,869**	2,035
Interest expense	**(894)**	(485)	**(2,547)**	(880)
Net interest income	**428**	449	**1,322**	1,155
Fee income	**218**	223	**664**	669
Fee expense	**(31)**	(29)	**(94)**	(82)
Net fee income	**187**	194	**570**	587
Net income from financial instruments held for trading	**37**	15	**104**	66
Changes in fair value of other financial instruments mandatorily measured at fair value through profit and loss	**—**	—	**—**	(1)
Gains less losses from financial investments	**4**	—	**6**	2
Other operating income	**4**	7	**16**	25
Total operating income	**660**	665	**2,018**	1,834
Change in expected credit losses and other credit impairment charges - (charge)	**(26)**	(42)	**(41)**	(82)
Net operating income	**634**	623	**1,977**	1,752
Employee compensation and benefits	**(173)**	(148)	**(504)**	(451)
General and administrative expenses	**(141)**	(146)	**(435)**	(426)
Depreciation and impairment of property, plant and equipment	**(14)**	(18)	**(42)**	(49)
Amortization and impairment of intangible assets	**(24)**	(13)	**(103)**	(38)
Total operating expenses	**(352)**	(325)	**(1,084)**	(964)
Profit before income tax expense	**282**	298	**893**	788
Income tax expense	**(79)**	(79)	**(249)**	(210)
Profit for the period	**203**	219	**644**	578
Profit attributable to the common shareholder	**184**	206	**587**	542
Profit attributable to the preferred shareholder	**19**	13	**57**	36
Profit attributable to shareholder	**203**	219	**644**	578
Average number of common shares outstanding (000's)	**548,668**	548,668	**548,668**	548,668
Basic and diluted earnings per common share ($)	**0.33**	0.38	**1.07**	0.99

(Figures in $m)	At 30 Sep 2023	At 31 Dec 2022
ASSETS		
Cash and balances at central bank	**4,828**	6,326
Items in the course of collection from other banks	**26**	9
Trading assets	**2,408**	4,296
Other financial assets mandatorily measured at fair value through profit or loss	**20**	18
Derivatives	**6,081**	6,220
Loans and advances to banks	**331**	344
Loans and advances to customers	**73,721**	74,862
Reverse repurchase agreements – non-trading	**3,437**	6,003
Financial investments	**22,904**	23,400
Other assets	**2,885**	2,591
Prepayments and accrued income	**407**	351
Customers' liability under acceptances	**2,916**	3,147
Current tax assets	**38**	172
Property, plant and equipment	**334**	332
Goodwill and intangible assets	**57**	160
Deferred tax assets	**59**	71
Total assets	**120,452**	128,302
LIABILITIES AND EQUITY		
Liabilities		
Deposits by banks	**572**	712
Customer accounts	**80,057**	82,253
Repurchase agreements – non-trading	**4,335**	4,435
Items in the course of transmission to other banks	**654**	227
Trading liabilities	**1,639**	3,732
Derivatives	**6,602**	6,575
Debt securities in issue	**10,493**	15,735
Other liabilities	**4,291**	3,577
Acceptances	**2,919**	3,156
Accruals and deferred income	**1,070**	713
Retirement benefit liabilities	**190**	203
Subordinated liabilities	**1,011**	1,011
Provisions	**42**	54
Current tax liabilities	**78**	—
Deferred tax liability	**1**	1
Total liabilities	**113,954**	122,384
Equity		
Common shares	**1,125**	1,125
Preferred shares	**1,100**	1,100
Other reserves	**(803)**	(786)
Retained earnings	**5,076**	4,479
Total shareholder's equity	**6,498**	5,918
Total liabilities and equity	**120,452**	128,302

(Figures in $m)	Quarter ended		Nine months ended	
	30 Sep 2023	30 Sep 2022	**30 Sep 2023**	30 Sep 2022
Commercial Banking				
Net interest income	**183**	187	**556**	522
Non-interest income	**121**	121	**369**	359
Total operating income	**304**	308	**925**	881
Change in expected credit losses charges - (charge)	**(19)**	(14)	**(21)**	(51)
Net operating income	**285**	294	**904**	830
Total operating expenses	**(100)**	(99)	**(317)**	(302)
Profit before income tax expense	**185**	195	**587**	528
Wealth and Personal Banking				
Net interest income	**201**	202	**617**	499
Non-interest income	**78**	68	**238**	220
Total operating income	**279**	270	**855**	719
Change in expected credit losses charges - (charge)	**(10)**	(22)	**(29)**	(22)
Net operating income	**269**	248	**826**	697
Total operating expenses	**(171)**	(165)	**(519)**	(489)
Profit before income tax expense	**98**	83	**307**	208
Global Banking				
Net interest income	**35**	45	**112**	99
Non-interest income	**14**	13	**46**	45
Total operating income	**49**	58	**158**	144
Change in expected credit losses charges - release/(charge)	**3**	(6)	**9**	(9)
Net operating income	**52**	52	**167**	135
Total operating expenses	**(20)**	(20)	**(60)**	(65)
Profit before income tax expense	**32**	32	**107**	70
Markets and Securities Services				
Net interest income	**12**	12	**43**	31
Non-interest income	**12**	14	**23**	52
Net operating income	**24**	26	**66**	83
Total operating expenses	**(11)**	(13)	**(36)**	(39)
Profit before income tax expense	**13**	13	**30**	44
Corporate Centre[1]				
Net interest income	**(3)**	3	**(6)**	4
Non-interest income	**7**	—	**20**	3
Net operating income	**4**	3	**14**	7
Total operating expenses	**(50)**	(28)	**(152)**	(69)
Profit/(loss) before income tax expense	**(46)**	(25)	**(138)**	(62)

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 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. On 1 September 2023, the Competition Bureau of Canada issued its report and finding of no competition concerns regarding the proposed sale - the first of several reviews needed to close the transaction and complete the sale. Subject to remaining regulatory and governmental review and approvals, we expect the sale to complete in the first quarter of 2024.

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.*

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$3,021bn at 30 September 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 X: @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') including 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, 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 HSBC Group to Royal Bank of Canada ('RBC'). On 1 September 2023, the Competition Bureau of Canada *issued its report and finding of no competition concerns regarding the proposed sale - the first of several reviews needed to close the transaction and complete the sale. Subject to remaining regulatory and governmental review and approvals, we expect the sale to complete in the first quarter of 2024. 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.*