HSBC

News Release

20 February 2024

HSBC BANK CANADA
FULL YEAR AND FOURTH QUARTER 2023 RESULTS

Another year of record[1] results

Linda Seymour, President and Chief Executive Officer of HSBC Bank Canada[2], said:

"Our 2023 profit before tax and total operating income improved, continuing a trend begun in 2020. In fact, they are the highest recorded[1] in our history. This is a testament to the commitment of our teams and the very strong relationships they have built with our clients over the years.

"We expect our sale to RBC to be completed in just a few weeks, on 28 March 2024. It has been our pleasure to serve all our valued clients in Canada and in their international endeavors for the last 40 years. Our team looks forward to continuing to serve you in the coming years at RBC. As we close out this chapter in HSBC's history, I want to express my personal thanks to our employees for their engagement and resilience, and to our clients for the trust they have placed in us."

Highlights[3] 2023 financial performance (vs 2022)

- **Profit before income tax expense was at a record[1] $1,121m, up $41m or 3.8%.** The increase was largely due to our highest recorded[1] total operating income of $2,654m, up $106m or 4.2%, and lower charges in expected credit losses ('ECL'). Operating expenses were up $112m or 8.2% mainly due to the agreed sale[4] of HSBC Bank Canada, partly offset by lower investment spend in 2023.
- **All business segments were profitable** with increases in profit before income tax expense across three of our four business segments.
- **Total assets were $119.7bn, down $8.6bn or 6.7%** mainly due to reduced trading activities and market movements in our markets and trading book.
- **Common equity tier 1 capital ratio[5] of 14.2%,** up 260 bps from 2022.
- **Return on average common equity[5] of 14.1%,** down 90 bps from 2022.

Highlights[3] 4Q23 financial performance (vs 4Q22)

- **Profit before income tax expense was $228m, down $64m or 22%** mainly due to lower net interest income and net fee income. These decreases were primarily driven by higher cost of liabilities due to rising interest rates and change in deposit mix while asset yields increased; and the continued challenging market conditions, resulting in lower credit facility fees and fees from investment funds under management. This was partly offset by higher trading income, lower operating expenses and lower charges in ECL.

1. *Record profit before income tax expense and total operating income for the year, surpassing the highest previously reported in 2022.*
2. *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'.*
3. *For the quarter and year ended 31 December 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. *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'). On 21 December 2023, the Federal Minister of Finance approved the proposed acquisition, allowing the sale to proceed. For further information, refer to 'Agreed sale of HSBC Bank Canada' section of this document.*
5. *For further information on these financial measures refer to the 'Use of supplementary financial measures' and 'Financial highlights' sections of this document.*

Analysis of consolidated financial results for the quarter and year ended 31 December 2023[1]

Net interest income for the quarter was $399m, a decrease of $80m or 17% 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 $1,721m for the year, an increase of $87m or 5.3%. This was due to the impact of the central bank rate increases over the year and higher average loans and advances to customers compared to 2022, partly offset by the same factors described in the quarter.

Net fee income was $183m, a decrease of $9m or 4.7% for the quarter driven by the continued challenging market conditions, resulting in lower credit facility fees from fewer originations in our Global Banking business and lower fees from investment funds under management in Wealth and Personal Banking. These decreases were partly offset by higher underwriting fees and brokerage commissions in our Global Banking business and increased activity in cards.

Net fee income was $753m for the year, a decrease of $26m or 3.3%. This was mainly driven by the challenging market conditions which resulted in lower fees from investment funds under management in Wealth and Personal Banking. This was coupled with lower credit facility fees and brokerage commissions in our Global Banking business and higher fee expense relating to interbank clearing fees. 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 for the quarter was $45m, an increase of $12m or 36%. The increase was mainly from higher income from trading activities and higher net interest income as a result of the higher interest rate environment.

Net income from financial instruments held for trading was $149m for the year, an increase of $50m or 51%. The increase was driven by the same factors as in the quarter, coupled with higher income from trading activities as a result of the prior year's adverse movement in the value of a loan syndication facility and a favourable change in hedge ineffectiveness mainly attributed to cash flow hedge instruments.

The change in ECL for the quarter was a charge of $22m 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 of $28m in the fourth quarter of 2022, primarily driven by the continued adverse movement in forward-looking macro-economic variables on performing loans at that time.

ECL for the year was a charge of $63m compared to a charge of $110m in 2022. The charge for the year 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 net charge driven by an adverse movement in forward-looking macro-economic variables in the last nine months of 2022, partly offset by a release in performing loans mainly from COVID-19 related allowances in the first quarter of 2022.

Total operating expenses for the quarter were $386m, a decrease of $8m or 2% mainly due to prior year's impairment of intangible assets relating to the agreed sale[2] of HSBC Bank Canada, in addition to lower investment spend in 2023. This was partly offset by higher costs relating to the agreed sale[2] and higher staff-related costs.

Total operating expenses were $1,470m for the year, an increase of $112m or 8.2%. The increase was mainly due to costs relating to the agreed sale[2] which includes the re-assessment of the useful life 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 quarter was 19.0%, compared with 26.7% for the same period in the prior year. The difference in the effective tax rate was primarily due to a decrease in our future tax liabilities and a refund of taxes related to prior years.

The effective tax rate for the year was 26.1%, compared with 26.7% in 2022. The tax rate for the year is effectively the bank's statutory tax rate, adjusted for a decrease in tax liabilities. The statutory tax rate was 27.8% in 2023, compared to 26.5% in 2022. The 2023 rates incorporate the additional 1.5% tax announced in April 2022 for banks and life insurance groups when its taxable income is above $100m.

1. *For the quarter and year ended 31 December 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'). On 21 December 2023, the Federal Minister of Finance approved the proposed acquisition, allowing the sale to proceed. For further information, refer to 'Agreed sale of HSBC Bank Canada' section of this document.*

Movement in financial position

Assets

Total assets at 31 December 2023 were $119.7bn, a decrease of $8.6bn or 6.7% from 31 December 2022. This was mainly due to reduced balance sheet use for trading activities resulting in a decrease in reverse repurchase agreements of $2.4bn and trading assets of $1.0bn. Derivatives were also lower by $2.3bn as a result of market movements. Volumes of loans and acceptances to customers decreased mainly in mortgages and commercial lending as result of current market conditions; lowering loans and advances, customers' liability under acceptances, and other assets.

Liabilities

Total liabilities at 31 December 2023 were $112.7bn, a decrease of $9.7bn or 7.9% from 31 December 2022. The decrease was primarily from net maturities in debt securities in issue of $5.6bn. The decrease in derivatives of $2.5bn and trading liabilities of $1.9bn corresponds with the movement in the respective assets. These decreases were partly offset with higher volumes in deposits mainly from customer accounts of $1.0bn in Wealth and Personal Banking, and Global Banking.

Equity

Total equity at 31 December 2023 was $7.0bn, an increase of $1.1bn or 19%, from 31 December 2022. The increase was primarily from profits after tax of $0.8bn generated in the year and other comprehensive income of $0.4bn largely as a result of net gains mainly from favourable interest rate market movements in cash flow hedges. This was partly offset by dividends paid on preferred shares of $0.1bn.

Dividends

Dividends declared in 2023

During the year, the bank declared $78m in dividends on all series of 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 in 2023.

Dividends declared in 2024

At this time, no dividends have been declared on HSBC Bank Canada shares during the first quarter of 2024.

Business performance for the quarter and year ended 31 December 2023[1]

Commercial Banking ('CMB')

Profit before income tax for the quarter was $170m, a decrease of $15m or 8.1% mainly due to higher operating expenses and lower net fee income. Profit before income tax for the year was $757m, up $44m or 6.2% primarily due higher operating income and lower charges in ECL compared to the prior year.

Total operating income was $310m for the quarter, a decrease of $6m or 1.9% and $1.2bn for the year, an increase of $38m or 3.2%. CMB has maintained positive momentum in 2023 with average loan balances increasing by $1.7bn or 4.8% and average deposit balances increasing by $0.7bn or 2.5% compared to 2022. For the quarter, the decrease in total operating income was mainly due to lower net fee income. For the year, net interest income improved due to the impact of the central bank rate increases over the year and higher average loan volumes. Non-interest income has similarly improved with an increase in foreign exchange transaction income, higher volumes of bankers' acceptances and increased activity in corporate credit cards.

Wealth and Personal Banking ('WPB')

WPB delivered record[2] operating income and profit before income tax for the year, surpassing the highest results previously reported in 2022.

Profit before income tax for the quarter was $57m, a decrease of $49m or 46% mainly due to lower net interest income and higher operating expenses. Profit before income tax for the year was a record[2] $364m, an increase of $50m or 16% primarily as 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 $259m, a decrease of $32m or 11% mainly due to lower net interest income as a result of lower treasury-related income and changes in deposit mix, partly offset by improved margins as a result of central bank rate increases and higher average deposit balances. For the year, WPB delivered record[2] operating income of $1.1bn, an increase of $104m or 10%. The increase was driven by improved margins, 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 for the quarter was $26m, a decrease of $35m or 57% primarily due to lower net interest income as described below. Profit before income tax for the year was $133m, an increase of $2m or 1.5% mainly resulting from a favourable change in expected credit losses and lower operating expenses, partly offset by lower operating income.

Total operating income for the quarter was $48m, a decrease of $31m or 39% 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 was $206m, a decrease of $17m or 7.6% as a result of the same factors described in the quarter, coupled with lower revenues from capital markets reflecting slower client activity levels and challenging market conditions. These decreases were partly offset by strong results from transaction banking activities, due mainly to higher spreads. Trading income also increased compared to prior year's adverse movement in the value of a loan syndication facility.

Markets and Securities Services ('MSS')

Profit before income tax for the quarter was a loss of $1m, a decrease of $10m. Profit before income tax was $29m for the year, down $24m. The decrease in both the quarter and year was mainly due to lower operating income.

Total operating income for the quarter was $13m, a decrease of $8m mainly due to lower net interest income as a result of compression on asset spreads due to the rising interest rate environment, partly offset by higher trading income. Total operating income for the year was $79m, down $25m driven mainly by fixed income trading and lower net interest income.

Corporate Centre[3]

Profit before income tax for the quarter was a loss of $24m, compared to a loss of $69m in the prior year. Profit before income tax for the year was a loss of $162m, compared to a loss of $131m in the prior year. The decrease 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 of intangible assets. This was partly offset by lower investment spend in 2023 and higher non-interest income.

1. *For the quarter and year ended 31 December 2023 compared with the same periods in the prior year (unless otherwise stated).*
2. *Record year since inception of WPB (previously Retail Banking and Wealth Management ('RBWM')) as a single global business in 2011.*
3. *Corporate Centre is not an operating segment of the bank. The numbers included above provide a reconciliation between operating segments and the entity results.*
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'). On 21 December 2023, the Federal Minister of Finance approved the proposed acquisition, allowing the sale to proceed. 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 issued by the International Accounting Standards Board ('IFRS® Accounting Standards') figures. Following is a glossary of the relevant measures used throughout this document but not presented within the consolidated financial statements.

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

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

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

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

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

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

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

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

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

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

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

(Figures in $m, except where otherwise stated)

Financial performance and position

	Quarter ended		Year ended	
	31 Dec 2023	31 Dec 2022	**31 Dec 2023**	31 Dec 2022
Financial performance for the period				
Total operating income	**636**	714	**2,654**	2,548
Profit before income tax expense	**228**	292	**1,121**	1,080
Profit attributable to the common shareholder	**163**	199	**750**	741
Change in expected credit losses and other credit impairment charges - (charge)	**(22)**	(28)	**(63)**	(110)
Operating expenses	**(386)**	(394)	**(1,470)**	(1,358)
Basic and diluted earnings per common share ($)	**0.30**	0.36	**1.37**	1.35
Financial ratios %[1]				
Return on average common shareholder's equity	**11.4**	16.7	**14.1**	15.0
Return on average risk-weighted assets	**2.1**	2.6	**2.5**	2.5
Cost efficiency ratio	**60.7**	55.2	**55.4**	53.3
Operating leverage ratio[2]	**1.3**	8.8	**n/a**	11.2
Net interest margin	**1.46**	1.70	**1.58**	1.50
Change in expected credit losses to average gross loans and advances and acceptances	**0.11**	0.14	**0.08**	0.14
Change in expected credit losses on stage 3 loans and advances and acceptances to average gross loans and advances and acceptances	**0.10**	0.05	**0.11**	0.12
Total stage 3 allowance for expected credit losses to gross stage 3 loans and advances and acceptances	**21.8**	26.8	**21.8**	26.8
Net write-offs as a percentage of average loans and advances and acceptances	**0.30**	0.05	**0.13**	0.19

Financial and capital measures

	At	
	31 Dec 2023	31 Dec 2022
Financial position at period end		
Total assets	**119,710**	128,302
Loans and advances to customers	**74,093**	74,862
Customer accounts	**83,236**	82,253
Ratio of customer advances to customer accounts (%)[1]	**89.0**	91.0
Common shareholder's equity	**5,935**	4,818
Capital, leverage and liquidity measures		
Common equity tier 1 capital ratio (%)[3]	**14.2**	11.6
Tier 1 ratio (%)[3]	**16.8**	14.1
Total capital ratio (%)[3]	**18.6**	16.4
Leverage ratio (%)[3]	**5.5**	4.7
Risk-weighted assets ($m)[3]	**43,416**	44,656
Liquidity coverage ratio (%)[4]	**170**	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, the Leverage ratio is calculated using OSFI's Leverage Requirements ('LR') guideline. The CAR and LR guidelines are based on the Basel III guidelines.*
4. *The Liquidity coverage ratio is calculated using OSFI's Liquidity Adequacy Requirements ('LAR') guideline, which incorporates the Basel liquidity standards. The LCR in this table has been calculated using averages of the three month-end figures in the quarter.*

(Figures in $m, except per share amounts)	Quarter ended		Year ended	
	31 Dec 2023	31 Dec 2022	**31 Dec 2023**	31 Dec 2022
Interest income	**1,365**	1,184	**5,234**	3,219
Interest expense	**(966)**	(705)	**(3,513)**	(1,585)
Net interest income	**399**	479	**1,721**	1,634
Fee income	**222**	222	**886**	891
Fee expense	**(39)**	(30)	**(133)**	(112)
Net fee income	**183**	192	**753**	779
Net income from financial instruments held for trading	**45**	33	**149**	99
Changes in fair value of other financial instruments mandatorily measured at fair value through profit and loss	**—**	(1)	**—**	(2)
Gains less losses from financial investments	**—**	—	**6**	2
Other operating income	**9**	11	**25**	36
Total operating income	**636**	714	**2,654**	2,548
Change in expected credit losses and other credit impairment charges - (charge)	**(22)**	(28)	**(63)**	(110)
Net operating income	**614**	686	**2,591**	2,438
Employee compensation and benefits	**(196)**	(156)	**(700)**	(607)
General and administrative expenses	**(151)**	(174)	**(586)**	(600)
Depreciation and impairment of property, plant and equipment	**(14)**	(14)	**(56)**	(63)
Amortization and impairment of intangible assets	**(25)**	(50)	**(128)**	(88)
Total operating expenses	**(386)**	(394)	**(1,470)**	(1,358)
Profit before income tax expense	**228**	292	**1,121**	1,080
Income tax expense	**(44)**	(78)	**(293)**	(288)
Profit for the period	**184**	214	**828**	792
Profit attributable to the common shareholder	**163**	199	**750**	741
Profit attributable to the preferred shareholder	**21**	15	**78**	51
Profit attributable to shareholders	**184**	214	**828**	792
Average number of common shares outstanding (000's)	**548,668**	548,668	**548,668**	548,668
Basic and diluted earnings per common share ($)	**$ 0.30**	$ 0.36	**$ 1.37**	$ 1.35

(Figures in $m)	At 31 Dec 2023	31 Dec 2022
ASSETS		
Cash and balances at central banks	**7,089**	6,326
Items in the course of collection from other banks	**12**	9
Trading assets	**3,253**	4,296
Other financial assets mandatorily measured at fair value through profit or loss	**20**	18
Derivatives	**3,964**	6,220
Loans and advances to banks	**393**	344
Loans and advances to customers	**74,093**	74,862
Reverse repurchase agreements – non-trading	**3,595**	6,003
Financial investments	**22,420**	23,400
Other assets	**1,422**	2,591
Prepayments and accrued income	**367**	351
Customers' liability under acceptances	**2,595**	3,147
Current tax assets	**41**	172
Property, plant and equipment	**325**	332
Goodwill and intangible assets	**32**	160
Deferred tax assets	**89**	71
Total assets	**119,710**	128,302
LIABILITIES AND EQUITY		
Liabilities		
Deposits by banks	**360**	712
Customer accounts	**83,236**	82,253
Repurchase agreements – non-trading	**3,654**	4,435
Items in the course of transmission to other banks	**524**	227
Trading liabilities	**1,870**	3,732
Derivatives	**4,095**	6,575
Debt securities in issue	**10,174**	15,735
Other liabilities	**3,616**	3,577
Acceptances	**2,599**	3,156
Accruals and deferred income	**1,180**	713
Retirement benefit liabilities	**210**	203
Subordinated liabilities	**1,011**	1,011
Provisions	**46**	54
Current tax liabilities	**100**	—
Deferred tax liability	**—**	1
Total liabilities	**112,675**	122,384
Equity		
Common shares	**1,125**	1,125
Preferred shares	**1,100**	1,100
Other reserves	**(424)**	(786)
Retained earnings	**5,234**	4,479
Total equity	**7,035**	5,918
Total liabilities and equity	**119,710**	128,302

(Figures in $m)	Year ended	
	31 Dec 2023	31 Dec 2022
Profit before tax	**1,121**	1,080
Adjustments for:		
– non-cash items included in profit before tax	**277**	277
Changes in operating assets and liabilities		
– change in operating assets	**3,030**	(9,051)
– change in operating liabilities	**(5,872)**	5,789
– tax paid	**(222)**	(27)
Net cash from operating activities	**(1,666)**	(1,932)
Purchase of financial investments	**(4,379)**	(10,747)
Proceeds from the sale and maturity of financial investments	**5,511**	2,008
Purchase of intangibles and property, plant and equipment	**(11)**	(117)
Net cash from investing activities	**1,121**	(8,856)
Return of capital to parent	**—**	(600)
Dividends paid to shareholder	**(58)**	(416)
Lease principal payments	**(42)**	(48)
Net cash from financing activities	**(100)**	(1,064)
Net increase in cash and cash equivalents	**(645)**	(11,852)
Cash and cash equivalents at 1 Jan	**7,907**	19,759
Cash and cash equivalents at 31 Dec	**7,262**	7,907
Interest		
Interest paid	**(3,084)**	(1,250)
Interest received	**5,207**	3,056

(Figures in $m)	Quarter ended		Year ended	
	31 Dec 2023	31 Dec 2022	**31 Dec 2023**	31 Dec 2022
Commercial Banking				
Net interest income	**191**	190	**747**	712
Non-interest income	**119**	126	**488**	485
Total operating income	**310**	316	**1,235**	1,197
Change in expected credit losses - (charge)	**(12)**	(22)	**(33)**	(73)
Net operating income	**298**	294	**1,202**	1,124
Total operating expenses	**(128)**	(109)	**(445)**	(411)
Profit before income tax expense	**170**	185	**757**	713
Wealth and Personal Banking				
Net interest income	**183**	210	**800**	709
Non-interest income	**76**	81	**314**	301
Total operating income	**259**	291	**1,114**	1,010
Change in expected credit losses - (charge)	**(10)**	(11)	**(39)**	(33)
Net operating income	**249**	280	**1,075**	977
Total operating expenses	**(192)**	(174)	**(711)**	(663)
Profit before income tax expense	**57**	106	**364**	314
Global Banking				
Net interest income	**31**	61	**143**	160
Non-interest income	**17**	18	**63**	63
Total operating income	**48**	79	**206**	223
Change in expected credit losses - release/(charge)	**—**	5	**9**	(4)
Net operating income	**48**	84	**215**	219
Total operating expenses	**(22)**	(23)	**(82)**	(88)
Profit before income tax expense	**26**	61	**133**	131
Markets and Securities Services				
Net interest income	**(2)**	18	**41**	49
Non-interest income	**15**	3	**38**	55
Total operating income	**13**	21	**79**	104
Total operating expenses	**(14)**	(12)	**(50)**	(51)
Profit/(loss) before income tax expense	**(1)**	9	**29**	53
Corporate Centre[1]				
Net interest income	**(4)**	—	**(10)**	4
Non-interest income	**10**	7	**30**	10
Net operating income	**6**	7	**20**	14
Total operating expenses	**(30)**	(76)	**(182)**	(145)
Profit/(loss) before income tax expense	**(24)**	(69)	**(162)**	(131)

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

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) to Royal Bank of Canada ('RBC') for a purchase price of $13.5bn; as well as all the existing preferred shares and subordinated debt of HSBC Bank Canada held by the HSBC Group at par value. On 1 September 2023, the Competition Bureau of Canada issued its report and finding of no competition concerns regarding the proposed sale. On 21 December 2023, the Federal Minister of Finance approved the proposed acquisition, allowing the sale to proceed. We expect the sale to close on 28 March 2024, subject to customary closing conditions.

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$3,039bn at 31 December 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 2023 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) to Royal Bank of Canada ('RBC') for a purchase price of $13.5bn; as well as all the existing preferred shares and subordinated debt of HSBC

Bank Canada held by the HSBC Group at par value. On 1 September 2023, the Competition Bureau of Canada issued its report and finding of no competition concerns regarding the proposed sale. On 21 December 2023, the Federal Minister of Finance approved the proposed acquisition, allowing the sale to proceed. We expect the sale to close on 28 March 2024, subject to customary closing conditions. 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. As well, there are inherent acquisition risks where the timings could be subject to change depending on the extent of progress achieved on preparatory activities that may affect the close date. 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 2023 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.