News Release

19 February 2018

HSBC BANK CANADA
FULL YEAR AND FOURTH QUARTER 2017 RESULTS

Strong overall performance with profit before tax up 25% for the year

- Profit before income tax expense was $895m for the year ended 31 December 2017, an increase of $180m, or 25%, compared with 2016. Profit before income tax expense was $206m for the fourth quarter of 2017, a decrease of $45m, or 18%, compared with the fourth quarter of 2016.

- Profit attributable to the common shareholder was $630m for the year ended 31 December 2017, an increase of $144m, or 30%, compared with 2016. Profit attributable to the common shareholder was $142m for the fourth quarter of 2017, a decrease of $36m, or 20%, compared with the fourth quarter of 2016.

- Return on average common equity was 13.3% for the year ended 31 December 2017 and 11.7% for the fourth quarter of 2017 compared with 10.6% and 15.4% respectively for the same periods in 2016.

- The cost efficiency ratio was 62.2% for the year ended 31 December 2017 and 61.7% for the fourth quarter of 2017 compared with 60.4% and 63.5% respectively for the same periods in 2016.

- Total assets were $96.4bn at 31 December 2017, an increase of $1.7bn, or 1.8%, from 31 December 2016.

- As at 31 December 2017 the common equity tier 1 capital ratio was 10.5% (2016: 10.5%), the tier 1 ratio was 12.4% (2016: 12.5%) and the total capital ratio was 14.7% (2016: 13.5%).

- The HSBC Group took the top spot in *Euromoney's* annual global trade finance survey for 2018. Locally, HSBC's investments in trade finance products and services in 2017 have positioned the bank for further growth in this area.

- *The abbreviations '$m' and '$bn' represent millions and billions of Canadian dollars, respectively.*

This news release is issued by
HSBC Bank Canada

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Overview of annual results

HSBC Bank Canada reported a profit before income tax expense for 2017 of $895m, an increase of $180m, or 25%, compared with 2016.

The increase in profit before tax was primarily driven by net loan impairment recoveries of $108m, compared with net loan impairment charges of $107m in 2016, an improvement of $215m. This improvement on the prior year is due to active risk management and favourable credit conditions, primarily in the oil and gas industry. In addition, net interest income increased by $50m, or 4.4%, driven by growth in loans and advances, interest recovered on impaired loans and the impact of the Bank of Canada rate changes in July and September.

These gains were partially offset by a reduction in trading income of $65m, or 34%, compared with the prior year due to a one-off novation transaction and credit and funding valuation adjustments, both with a favourable impact to trading income in the prior year. Furthermore, total operating expenses increased by $34m, or 2.7%, reflecting strategic spending to drive future growth and reduce costs as well as continued investments in the implementation of risk and compliance initiatives.

Overview of global business performance

Commercial Banking strategic plan is focused on growing market share through expansion in the eastern region (particularly Ontario and Quebec), increasing productivity by deepening product penetration, streamlining processes, leveraging our differentiated product suite in Global Trade and Receivable Finance and Global Liquidity and Cash Management, and building on our position as the leading international bank with improved positioning in the US-Canada trade corridor. In 2017, we also launched technology to make it easier and more convenient for customers to electronically execute documentation, comply with our 'know your client' information needs, and connect with HSBC customers in other markets. We further expanded our product offering to include Receivables Finance, Supply Chain Finance, Corporate Cards and additional deposit instruments.

After weathering the energy sector downturn in previous years, we have regained momentum in 2017 with over $1 billion of lending balance growth since December 2016, driven mainly by new-to-bank loans and acceptances. Our international connectivity continues to be a key driver of growth, as evidenced by double-digit revenue growth rate in both our International Subsidiary Banking and Greater-China trade corridor.

Global Banking and Markets continues to pursue its well-established strategy to provide tailored financial solutions, aiming to be a top tier bank to our priority customers. This strategy has evolved to include a greater emphasis on connectivity between HSBC's global businesses across regions leveraging the HSBC Group’s extensive distribution network.

During 2017, Global Banking and Markets generated higher event fee revenues through increased advisory and debt capital markets activities by leveraging HSBC's global network on behalf of our clients. Growth has been focused on the North American trade corridors with double digit growth achieved year to date.

Retail Banking and Wealth Management had strong growth in total relationship balances (comprised of lending, deposits and wealth balances) of $5.9bn, or 7.8%, and growth in market share during 2017. The growth came through strong branding, innovation and strategic investments to make our bank simpler, faster and better for our clients. For example, we extended our branch hours, re-launched an enhanced self-directed brokerage platform (HSBC InvestDirect), introduced Apple Pay, Live Sign to enable remote signing of documents, mobile cheque deposit, live chat for online banking, and the new HSBC Premier World Elite MasterCard. The new card offers Canadian travellers attractive and flexible travel rewards, and is another example of new and innovative products and services available from HSBC Bank Canada. Customer satisfaction is also increasing as a result of these investments and is reflected in HSBC's results in the Ipsos Customer Service Excellence Syndicated Study. HSBC saw a statistically significant year-over-year improvement of 10 percentage points for Overall Customer Service Excellence in 2017.

Commenting on the results, Sandra Stuart, President and Chief Executive Officer of HSBC Bank Canada, said: "Profit before tax for the year increased more than 25% over 2016, driven by loan impairment recoveries, asset growth in both mortgages and commercial borrowing, targeted investments, tightly managed expenses and two Bank of Canada rate increases.

"Canada remains a priority growth market for HSBC, attracting significant investments to drive growth and improve efficiency, and for risk and compliance initiatives. This has clearly had an impact. There is good momentum in all of our business lines and revenues improved in both of the last two quarters. Revenue in Commercial Banking is up 2% through increased commercial borrowing as we expanded in Eastern Canada and deepened product penetration. Global Banking and Markets also had increased event fee revenue and double digit growth in the North American trade corridor. In Retail Banking and Wealth Management, record asset growth led to market share growth across core products and also resulted in a 5% increase in revenues from our on-going business.

"We also improved our ability to capture value from HSBC's international network - helping our clients to navigate the evolving trade environment and take greater advantage of Canada's many trade agreements."

Analysis of consolidated financial results for the year ended 31 December 2017

Net interest income was $1,177m, an increase of $50m, or 4.4%, compared with 2016. The increase was driven by growth in loans and advances, particularly mortgage balances, interest recovered on impaired loans and the impact of the Bank of Canada rate changes in July and September.

Net fee income was $653m, a decrease of $14m, or 2.1%, compared with 2016. Contributing to the decrease in net fee income were lower credit facilities fees, account services fees and other fees and commissions, which were partially offset by higher assets under management fees from growth in Wealth balances. Fee expenses increased by $8m, or 12%, due to higher charges from interbank and clearing fees, fees related credit card rewards and incentives paid to new customers.

Net trading income was $125m, a decrease of $65m, or 34%, compared with 2016. The decrease was mainly due to a one-off novation transaction and credit and funding valuation adjustments, due to the tightening of client and HSBC's own credit spreads, that both had a favourable impact on trading income in the prior year. Net interest from trading activities increased by $6m, or 35%, primarily due to higher interest income on debt securities due to fluctuation in yields and higher average trading balances.

Net expense from financial instruments designated at fair value remained unchanged from 2016 at $4m. The bank previously designated certain of its own subordinated debentures to be recorded at fair value. On 10 April 2017 the debentures were fully redeemed in accordance with their contractual terms.

Gains less losses from financial investments were $31m, an increase of $7m, or 29%, compared with 2016. The bank realizes gains and losses from financial investments from the disposal of available-for-sale financial investments driven by balance sheet management activities. During 2017, we benefitted from higher gains on the disposal of financial investments arising from the re-balancing of the bank's liquid asset portfolio.

Other operating income was $88m, an increase of $13m, or 17%, compared with 2016. The increase was mainly due to higher income from HSBC Group entities for software development activities performed by the bank.

Loan impairment charges and other credit risk provisions resulted in a recovery of $108m, an improvement of $215m compared with 2016. The net loan impairment recovery over the comparative period reflects active risk management and improvements in credit quality, primarily in the oil and gas industry.

Total operating expenses were $1,289m, an increase of $34m, or 2.7%, compared with 2016. The increase reflects strategic spending within the global businesses to drive future growth and reduce costs as well as continued investments in the implementation of risk and compliance initiatives.

Share of profit in associates was a $6m gain, compared with a loss of $2m in 2016. The share of profits represents changes in the value of the bank's investments in private equity funds.

Income tax expense. The effective tax rate for 2017 was 25.3%, which is lower than the statutory tax rate, due to the resolution of matters with the tax authorities. The effective tax rate for 2016 was 26.7%.

Movement in financial position

Assets

Total assets at 31 December 2017 were $96.4bn, an increase of $1.7bn, or 1.8%, from 31 December 2016. The increase in assets is partly due to growth in loans and advances to customers of $3.4bn compared with 2016. The increase is driven by growth in our residential mortgages portfolio, an increase in client lending activity in our Global Banking business and higher facility utilization in our commercial lending portfolio. Other assets increased by $0.5bn due to higher unsettled balances at year-end. Customers' liability under acceptances increased by $0.5bn due to an increase in the volume of acceptances. Cash and balances at central banks increased by $0.3bn due to the issuance of the Class 1, Series I preferred shares on 7 December 2017. Increased reverse repurchase activity led to a growth of $0.2bn.

The growth in loans and advances was partly funded by a decrease in financial investments of $2.3bn as part of Balance Sheet Management activities. Trading assets decreased by $0.9bn mainly due to a reduction in debt securities held for trading and a decrease in settlement accounts due to the timing of trades, which were partially offset by higher treasury and other eligible bills.

Liabilities

Total liabilities at 31 December 2017 were $90.7bn, an increase of $1.4bn, or 1.6%, from 31 December 2016. The increase in liabilities is partly due to growth in deposits by banks in money market and vostro accounts of $0.8bn. Debt securities in issue grew by $0.6bn due to an increase in short and medium term notes. Acceptances increased by $0.5bn which corresponds to the movement within assets. Customer accounts grew by $0.4bn due to increases in term deposits and current accounts within Retail Banking and Wealth Management and higher deposits from existing customers in Global Banking, which were offset in part by a decrease in Commercial Banking deposits.

These increases in liabilities were partially offset by a reduction in financial liabilities designated at fair value from $0.4bn in 2016 to nil in 2017 due to the redemption of subordinated debentures during the year. Other liabilities decreased by $0.4bn primarily due to the repayment of long term funding at the end of the year, which was partly offset by a higher short-term payable relating to the redemption of the Class 1 series C and D preference shares on 31 December 2017.

Equity

Total equity at 31 December 2017 was $5.7bn, an increase of $0.3bn, or 5.4%, from 31 December 2016, due to profits generated during the year net of dividends paid on common shares and preferred shares.

Results for the fourth quarter of 2017

Overview

HSBC Bank Canada reported a profit before income tax expense of $206m for the fourth quarter of 2017, a decrease of $45m, or 18%, compared with the fourth quarter of 2016.

Loan impairment charges and other credit risk provisions were $1m in 2017 due to specific charges in Commercial Banking. In the fourth quarter of 2016, reversal of impairments, primarily in the oil and gas sectors resulted in a recovery of $61m. Trading income in the fourth quarter decreased by $14m, or 31%, primarily due to a decrease in Rates derivatives product revenues in the current year and credit and funding fair value adjustments that had a favourable impact on the prior year. This was partially offset by an increase in net interest from trading activities. Net interest income increased by $36m, or 13%, due to higher loans and advances, the impact of the Bank of Canada interest rate increases in 2017 as well as higher interest recovered on impaired loans.

Performance by income and expense item

Net interest income was $318m, an increase of $36m, or 13%, compared with the fourth quarter of 2016, reflecting growth in loans and advances, the impact of the Bank of Canada interest rate hikes in 2017 as well as higher interest recoveries on impaired loans.

Net fee income was $159m, a decrease of $10m, or 6%, compared with the fourth quarter of 2016. The decrease was primarily due to a reduction in corporate finance fees, remittances, and account services fees. Fee expenses increased by $6m, or 35%, due to higher credit card rewards fees, incentives paid to new customers and higher brokerage expenses.

Net trading income was $31m, a decrease of $14m, or 31%, compared with the fourth quarter of 2016. Trading activity was $7m lower due to a decrease in Rates derivatives product revenues. Favourable credit and funding fair value adjustments in the prior year also led to a $9m decrease in net trading income. This was partially offset by higher net interest from trading activities of $5m driven by an increase in interest income on debt securities due to the fluctuation in yields and higher average trading balances.

Net expense from financial instruments designated at fair value was nil. This balance related to subordinated debentures that the bank previously had designated at fair value. On 10 April 2017 the bank fully redeemed the debentures.

Gains less losses from financial investments were $6m, an increase of $12m compared with the fourth quarter of 2016. Balance Sheet Management recognized higher gains on sale of available-for-sale debt securities arising from the continued re-balancing of the bank's liquid assets.

Other operating income was $26m, an increase of $3m, or 13%, compared with the same period in the prior year, primarily due to higher recoveries from HSBC Group for software development activities performed by the bank.

Loan impairment charges and other credit risk provisions were a charge $1m, compared with a recovery of $61m for the same period in the prior year. This was as a result of specific charges in the Commercial Banking business during the fourth quarter of 2017 and the reversal of impairments during the fourth quarter of 2016, primarily from the oil and gas sectors.

Operating expenses were $333m, an increase of $8m, or 2.5%, compared with the fourth quarter of 2016. This was largely due to strategic spending within the global businesses to drive future growth and implement risk and compliance initiatives.

Share of profit/loss in associates for the fourth quarter of 2017 decreased by $3m compared with the fourth quarter of 2016. The share of profits represents changes in the value of the bank's investments in private equity funds.

Income tax expense. The effective tax rate in the fourth quarter of 2017 was 26.1%, which is close to the statutory tax rate. The effective tax rate for the fourth quarter of 2016 was 25.0%.

Business performance in the year and the fourth quarter of 2017

Commercial Banking

Profit before income tax expense for 2017 was $590m, an increase of $203m, or 52%, compared with 2016. The increase was driven primarily by lower loan impairment charges reflecting improved credit quality in the energy sector and higher operating income driven by higher lending balances, interest recovered on impaired loans and the impact of the Bank of Canada rate changes in July and September.

Profit before income tax for the fourth quarter of 2017 was $139m, a decrease of $36m, or 21%, compared with the same period in the prior year. The reduction in profit before income tax was driven primarily by loan impairment recoveries during the fourth quarter of 2017 of $3m, compared with the fourth quarter of 2016 in which recoveries, mainly from the oil and gas sector, were $58m. This was partly offset by an increase in net interest income of $22m, or 17%, due to higher lending balances, interest recovered on impaired loans and the impact of Bank of Canada interest rate increases during the year.

Global Banking and Markets

Profit before income tax expense was $170m for 2017, a decrease of $36m, or 17% compared with 2016. The decrease was driven by a one-off novation transaction and credit and funding valuation adjustments, both with a favourable impact to trading income in the prior year. This was partially offset by higher revenues from advisory and debt underwriting activities and favorable loan impairment charges.

Profit before income tax expenses for the fourth quarter of 2017 was $30m, a decrease of $23m, or 43%, compared with the same period in the prior year. Loan impairment charges resulted in a $7m charge compared with a recovery of $2m in 2016 due to a specific impairment taken on a client in the fourth quarter. Trading income decreased by $8m, or 32%, due to favourable credit and funding fair value adjustments in the prior year. Net fee income decreased by $7m, or 17%, driven by lower equity capital market fees, mainly due to the timing of transactions, which were partially offset by an increase in advisory fees. Net interest income increased by $3m, or 14%, due to the impact of the Bank of Canada rate increases during the year.

Retail Banking and Wealth Management

Profit before income tax expense for the year was $80m, an increase of $20m, or 33%, compared with 2016, primarily due to higher revenues and loan impairment recoveries, partly offset by higher investments in strategic initiatives.

Profit before income tax expenses for the fourth quarter of 2017 was $29m, a $20m increase compared with the same period in the prior year. The increase was largely due to higher net interest income of $17m, or 17%, compared to the same period in the prior year driven by volume growth and higher spreads on lending and deposits. Loan impairment recoveries were $2m higher due to improving credit conditions and reduced collectively assessed provisions.

Corporate Centre

Profit before tax for 2017 was $55m, a decrease of $7m, or 11%, compared with 2016. Operating expenses increased by $17m, or 12%, due to strategic spending to reduce costs over the longer term. Spending on technology and operations related to services for other HSBC Group entities also increased (with a related increase in other operating income). Net interest income decreased by $16m, or 13%, due to lower yields on investment products versus the prior year. These movements were partially offset by an $8m increase in share of profit in associates from the bank's investments in private equity funds. Gains less losses from financial investments increased by $7m, or 32%, resulting from higher gains on the disposal of financial investments arising from the re-balancing of the bank’s liquid asset portfolio. Other operating income increased by $7m, or 14%, mainly due to higher income from Group entities for activities performed by the bank.

Profit for the fourth quarter of 2017 was $8m, a decrease of $6m, or 43%, compared with the same period in 2016. Net interest income decreased by $6m, or 17%, due to lower yields on investment products. Gain less losses from financial investments were a $6m gain compared with a $7m loss during the same period in the prior year, resulting from higher gains on the disposal of financial investments as part of Balance Sheet Management activities. Share of profit from associates decreased by $3m relating to changes in the value of the bank's investments in private equity funds.

Dividends

During the year, the bank declared and paid $235m in dividends on HSBC Bank Canada common shares, a decrease of $106m compared with the prior year, and $38m in dividends on HSBC Bank Canada Class 1 preferred shares Series C, D and G, consistent with the prior year. No dividends have been declared in 2017 on HSBC Bank Canada Class 1 preferred shares Series I that were issued on 7 December 2017.

Common share dividends of $200m have been declared on HSBC Bank Canada common shares and will be paid on or before 30 March 2018 to the shareholder of record on 15 February 2018.

Regular quarterly dividends have been declared on HSBC Bank Canada Class 1 preferred shares Series G. An initial dividend of $5m has been declared on HSBC Bank Canada Class 1 preferred shares Series I. The dividends will be paid in accordance with their terms in the usual manner on 31 March 2018 or the first business day thereafter to shareholders of record on 15 March 2018.

Use of non-IFRS financial measures

In measuring our performance, the financial measures that we use include those which have been derived from our reported results. However, these are not presented within the Financial Statements and are not defined under IFRS. These are considered non-IFRS financial measures and are unlikely to be comparable to similar measures presented by other companies. The following non-IFRS financial measures are used throughout this document and their purposes and definitions are discussed below.

Financial position ratios

These measures are indicators of the stability of the bank's balance sheet and the degree to which funds are deployed to fund assets.

Ratio of customer advances to customer accounts is calculated by dividing loans and advances to customers by customer accounts using year-end balances.

Average total shareholders' equity to average total assets is calculated by dividing average total shareholders' equity for the year (determined using month-end balances) with average total assets for the year (determined using month-end balances).

Return ratios

Return ratios are useful for management to evaluate profitability on equity, assets and risk-weighted assets.

Return on average common shareholder's equity is calculated as annual profit attributable to the common shareholder divided by average common equity (determined using month-end balances).

Post-tax return on average total assets is calculated as annual profit attributable to common shareholders divided by average assets (determined using month-end balances).

Pre-tax return on average risk-weighted assets is calculated as the profit before income tax expense divided by the average monthly balances of risk-weighted assets for the year. Risk-weighted assets are calculated using guidelines issued by OSFI in accordance with the Basel III capital adequacy framework.

Credit coverage ratios

Credit coverage ratios are useful to management as a measure of the extent of incurred loan impairment charges relative to the bank's performance and size of its customer loan portfolio during the year.

Loan impairment charges to total operating income is calculated as annual loan impairment charges and other credit provisions, as a percentage of total operating income for the year.

Loan impairment charges to average gross customer advances and acceptances is calculated as annual loan impairment charges and other credit provisions for the year as a percentage of average gross customer advances and acceptances (determined using month-end balances during the year).

Total impairment allowances to impaired loans and acceptances at year-end is calculated as total impairment allowances as a percentage of impaired loans and acceptances using year-end balances.

Efficiency and revenue mix ratios

Efficiency and revenue mix ratios are measures of the bank's efficiency in managing its operating expenses to generate revenue and demonstrates the contribution of each of the primary revenue streams to total income.

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

Adjusted cost efficiency ratio is calculated similar to the cost efficiency ratio; however, annual total operating income excludes annual gains and losses from financial instruments designated at fair value, as the movement in value of the bank's own subordinated debt issues are primarily driven by changes in market rates and are not under the control of management.

Net interest income, net fee income and net trading income as a percentage of total operating income is calculated as annual net interest income, annual net fee income and annual net trading income divided by annual total operating income.

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 internationally through three global business lines: Commercial Banking, Global Banking and Markets, and Retail Banking and Wealth Management. Canada is a priority market for the HSBC Group – one of the world's largest banking and financial services groups with assets of US$2,522bn at 31 December 2017. Linked by advanced technology, HSBC serves customers worldwide through an international network of around 3,900 offices in 67 countries and territories in Europe, Asia, North and Latin America, and the Middle East and North Africa. For more information visit www.hsbc.ca or follow us on Twitter: @hsbc_ca or Facebook: @HSBCCanada

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($ millions, except where otherwise stated)	Quarter ended		Year ended	
	31 December 2017	31 December 2016	**31 December 2017**	31 December 2016
Finance performance for the period				
Total operating income	**540**	512	**2,070**	2,079
Profit before income tax expense	**206**	251	**895**	715
Profit attributable to the common shareholder	**142**	178	**630**	486
Basic earnings per common share ($)	**0.28**	0.36	**1.26**	0.97
Performance ratios (%)[1]				
Return ratios (%)				
Return on average common shareholders' equity	**11.7**	15.4	**13.3**	10.6
Post-tax return on average total assets	**0.59**	0.73	**0.66**	0.51
Pre-tax return on average risk-weighted assets[2]	**1.8**	2.4	**2.1**	1.7
Credit coverage ratios (%)				
Loan impairment charges to total operating income	**0.2**	n/a	**n/a**	5.1
Loan impairment charges to average gross customer advances and acceptances	**—**	n/a	**n/a**	0.2
Total impairment allowances to impaired loans and acceptances at year end	**73.4**	56.7	**73.4**	56.7
Efficiency and revenue mix ratios (%)				
Cost efficiency ratio	**61.7**	63.5	**62.2**	60.4
Adjusted cost efficiency ratio	**61.7**	63.5	**62.1**	60.2
As a percentage of total operating income:				
- net interest income	**58.9**	55.1	**56.9**	54.2
- net fee income	**29.4**	33.0	**31.5**	32.1
- net trading income	**5.7**	8.8	**6.0**	9.1

	Year ended	
	31 December 2017	31 December 2016
Financial position at period-end		
Loan and advances to customers	**50,337**	46,907
Customer accounts	**57,054**	56,674
Ratio of customer advances to customer accounts (%)[1]	**88.2**	82.8
Shareholders' equity	**5,710**	5,415
Average total shareholders' equity to average total assets (%)[1]	**5.9**	5.7
Capital measures[2]		
Common equity tier 1 capital ratio (%)	**10.5**	10.5
Tier 1 ratio (%)	**12.4**	12.5
Total capital ratio (%)	**14.7**	13.5
Leverage ratio (%)	**4.9**	4.7
Risk-weighted assets ($m)	**45,035**	42,005

1 *Refer to the 'Use of non-IFRS financial measures' section of this document for a discussion of non-IFRS financial measures.*

2 *The bank assesses capital adequacy against standards established in guidelines issued by OSFI in accordance with the Basel III capital adequacy framework.*

(Figures in $m, except per share amounts)	Quarter ended		Year ended	
	31 December 2017	31 December 2016	**31 December 2017**	31 December 2016
	$m	$m	**$m**	$m
Interest income	**526**	445	**1,910**	1,744
Interest expense	**(208)**	(163)	**(733)**	(617)
Net interest income	**318**	282	**1,177**	1,127
Fee income	**182**	186	**729**	735
Fee expense	**(23)**	(17)	**(76)**	(68)
Net fee income	**159**	169	**653**	667
Trading income excluding net interest income	**23**	42	**102**	173
Net interest income on trading activities	**8**	3	**23**	17
Net trading income	**31**	45	**125**	190
Net expense from financial instruments designated at fair value	**—**	(1)	**(4)**	(4)
Gains less losses from financial investments	**6**	(6)	**31**	24
Other operating income	**26**	23	**88**	75
Total operating income	**540**	512	**2,070**	2,079
Loan impairment (charges)/recoveries and other credit risk provisions	**(1)**	61	**108**	(107)
Net operating income	**539**	573	**2,178**	1,972
Employee compensation and benefits	**(168)**	(166)	**(705)**	(662)
General and administrative expenses	**(149)**	(146)	**(537)**	(550)
Depreciation of property, plant and equipment	**(10)**	(10)	**(33)**	(33)
Amortization and impairment of intangible assets	**(6)**	(3)	**(14)**	(10)
Total operating expenses	**(333)**	(325)	**(1,289)**	(1,255)
Operating profit	**206**	248	**889**	717
Share of profit/(loss) in associates	**—**	3	**6**	(2)
Profit before income tax expense	**206**	251	**895**	715
Income tax expense	**(54)**	(63)	**(227)**	(191)
Profit for the year	**152**	188	**668**	524
Profit attributable to the common shareholder	**142**	178	**630**	486
Profit attributable to preferred shareholders	**10**	10	**38**	38
Profit attributable to shareholders	**152**	188	**668**	524
Average number of common shares outstanding (000's)	**498,668**	498,668	**498,668**	498,668
Basic earnings per common share	**$ 0.28**	$ 0.36	**$ 1.26**	$ 0.97

(Figures in $m)	Year ended 31 December 2017	31 December 2016
ASSETS		
Cash and balances at central banks	**411**	66
Items in the course of collection from other banks	**25**	58
Trading assets	**5,373**	6,288
Derivatives	**3,675**	3,850
Loans and advances to banks	**1,221**	1,071
Loans and advances to customers	**50,337**	46,907
Reverse repurchase agreements – non-trading	**6,153**	5,938
Financial investments	**22,913**	25,231
Other assets	**899**	417
Prepayments and accrued income	**213**	186
Customers' liability under acceptances	**4,801**	4,322
Current tax assets	**44**	30
Property, plant and equipment	**106**	104
Goodwill and intangible assets	**90**	70
Deferred taxes	**118**	119
Total assets	**96,379**	94,657
LIABILITIES AND EQUITY		
Liabilities		
Deposits by banks	**1,696**	946
Customer accounts	**57,054**	56,674
Repurchase agreements – non-trading	**4,604**	4,345
Items in the course of transmission to other banks	**299**	82
Trading liabilities	**3,701**	3,784
Financial liabilities designated at fair value	**—**	403
Derivatives	**3,516**	3,838
Debt securities in issue	**10,820**	10,256
Other liabilities	**2,217**	2,610
Acceptances	**4,801**	4,322
Accruals and deferred income	**475**	475
Retirement benefit liabilities	**346**	342
Subordinated liabilities	**1,039**	1,039
Provisions	**61**	116
Current tax liabilities	**40**	10
Total liabilities	**90,669**	89,242
Equity		
Common shares	**1,225**	1,225
Preferred shares	**850**	850
Other reserves	**(61)**	27
Retained earnings	**3,696**	3,313
Total shareholders' equity	**5,710**	5,415
Total equity and liabilities	**96,379**	94,657

	Year ended	
	31 December 2017	31 December 2016
Cash flows generated from/(used in):		
Operating activities	**(1,054)**	(87)
Investing activities	**2,278**	(1,338)
Financing activities	**(994)**	1,092
Increase/decrease in cash and cash equivalents	**230**	(333)
Cash and cash equivalents at the beginning of the year	**1,650**	1,983
Cash and cash equivalents at the end of the year	**1,880**	1,650
Represented by:		
Cash and balances at central bank[1]	**411**	66
Items in the course of collection from other banks, net	**(274)**	(24)
Loans and advances to banks of one month or less	**1,221**	1,071
Reverse repurchase agreements with banks of one month or less	**414**	443
T-Bills and certificates of deposits – three months or less	**108**	94
Cash and cash equivalents, end of year	**1,880**	1,650

1 *At 31 December 2017, $355m of cash is restricted for redemption at principal ($350m) and dividends ($5m) of Preferred shares Class 1, Series C & D, payable on the next business day.*

(Figures in $m)	Quarter ended		Year ended	
	31 December 2017	31 December 2016	**31 December 2017**	31 December 2016
Commercial Banking				
Net interest income	**150**	128	**545**	525
Net fee income	**75**	74	**286**	293
Net trading income	**7**	8	**32**	31
Gains less losses from financial investments	**—**	—	**1**	2
Other operating income	**5**	4	**21**	18
Total operating income	**237**	214	**885**	869
Loan impairment recoveries/(charges) and other credit risk provisions	**3**	58	**93**	(90)
Net operating income	**240**	272	**978**	779
Total operating expenses	**(101)**	(97)	**(388)**	(392)
Profit before income tax expense	**139**	175	**590**	387
Global Banking and Markets				
Net interest income	**24**	21	**98**	75
Net fee income	**34**	41	**152**	158
Net trading income	**17**	25	**52**	124
Gains less losses from financial investments	**—**	—	**—**	(1)
Other operating income	**—**	—	**—**	(6)
Total operating income	**75**	87	**302**	350
Loan impairment (charges)/recoveries and other credit risk provisions	**(7)**	2	**6**	(10)
Net operating income	**68**	89	**308**	340
Total operating expenses	**(38)**	(36)	**(138)**	(134)
Profit before income tax expense	**30**	53	**170**	206
Retail Banking and Wealth Management				
Net interest income	**114**	97	**425**	402
Net fee income	**50**	54	**215**	216
Net trading income	**7**	6	**24**	22
Gains less losses from financial investments	**—**	1	**1**	1
Other operating income	**6**	1	**10**	13
Total operating income	**177**	159	**675**	654
Loan impairment recoveries/(charges) and other credit risk provisions	**3**	1	**9**	(7)
Net operating income	**180**	160	**684**	647
Total operating expenses	**(151)**	(151)	**(604)**	(587)
Profit before income tax expense	**29**	9	**80**	60
Corporate Centre				
Net interest income	**30**	36	**109**	125
Net trading income	**—**	6	**17**	13
Net expense from financial instruments designated at fair value	**—**	(1)	**(4)**	(4)
Gains less losses from financial instruments	**6**	(7)	**29**	22
Other operating income	**15**	18	**57**	50
Total operating income	**51**	52	**208**	206
Total operating expenses	**(43)**	(41)	**(159)**	(142)
Operating profit	**8**	11	**49**	64
Share of profit/(loss) in associates	**—**	3	**6**	(2)
Profit before income tax expense	**8**	14	**55**	62