HSBC

20 February 2017

HSBC BANK CANADA
FULL YEAR AND FOURTH QUARTER 2016 RESULTS

- Profit before income tax expense was $715m for the year ended 31 December 2016, an increase of $98m or 15.9%, compared with 2015. Profit before income tax expense was $251m for the fourth quarter of 2016, an increase of $279m compared with the fourth quarter of 2015.
- Profit attributable to the common shareholder was $486m for the year ended 31 December 2016, an increase of $72m or 17.4%, compared with 2015. Profit attributable to the common shareholder was $178m for the fourth quarter of 2016, an increase of $216m compared with the fourth quarter of 2015.
- Return on average common equity was 10.6% for the year ended 31 December 2016 and 15.4% for the fourth quarter of 2016 compared with 9.6% and (0.9%) respectively for the same periods in 2015.
- The cost efficiency ratio was 60.4% for the year ended 31 December 2016 and 63.5% for the fourth quarter of 2016 compared with 58.2% and 69.4% respectively for the same periods in 2015.
- Total assets were $94.7bn at 31 December 2016 compared with $94.0bn at 31 December 2015.
- Common equity tier 1 capital ratio was 10.5%, the tier 1 ratio was 12.5% and the total capital ratio was 13.5% at 31 December 2016. Respectively the common equity tier 1 capital ratio was 10.1%, the tier 1 ratio was 12.1% and the total capital ratio was 13.5% at 31 December 2015.

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

This news release is issued by
HSBC Bank Canada

Overview

HSBC Bank Canada reported a profit before income tax expense for 2016 of $715m, an increase of $98m, or 15.9% compared with 2015.

The increase from 2015 was primarily due to:

- favourable trading performance in the rates business and favourable changes to the Credit Valuation Adjustment ('CVA') on derivative contracts due to the tightening of customer credit spreads; and
- lower loan impairment charges, primarily in the oil and gas sector, as improving economic conditions (including higher oil prices) resulted in higher collateral values and improvements in credit quality.

This was partially offset by continued investment supporting the implementation of risk and compliance initiatives and strategic spending by the global businesses to enable future growth and reduce costs.

Commercial Banking remains focused on enhancing and simplifying its delivery model, improving productivity for the benefit of its customers and employees, despite headwinds from sustained low energy and commodity prices. We continue to focus on international subsidiary banking as a driver of growth through North American and China trade corridors and leverage our global trade and cash management product platform to generate new-to-bank clients, fee income and liquidity.

Our Global Banking and Markets increased trading revenues in their rates and credit business. Client led financing increased with a strong year in capital markets resulting in increased fees from our global clients. The business continued to leverage our global network to deliver cross border financing solutions.

Retail Banking and Wealth Management continued to achieve sustainable and balanced growth in residential mortgages and deposits and benefited from increases in wealth balances during the first half of the year. The business continues to deliver a resilient performance given that spread compression in the highly competitive low interest rate environment is impacting margins.

Commenting on the results, Sandra Stuart, President and Chief Executive Officer of HSBC Bank Canada, said: “After a difficult end to 2015, HSBC Bank Canada delivered steady improvements in 2016 with reported profit before tax (PBT) for the year of $715m, a year over year increase of nearly 16%. Loan impairment charges were down significantly as a result of our actions to proactively manage the portfolio. This, along with rigorous cost control and efficiency initiatives, resulted in a year over year 29% increase in profits before tax in our largest business, Commercial Banking. In Global Banking and Markets, our rates business and increased equity capital market fees drove a 63% year over year increase in PBT. Revenue grew in Retail Banking and Wealth Management business with sustainable and balanced growth in residential mortgages and deposits, and, in the first half of the year, wealth balances. With Canada continuing to be a priority market for the HSBC Group, we are making significant investments in our retail business, building products and services to meet changing customer demand, especially for more digital access, and simplifying processes so they can do business with us more easily. While geopolitical changes and speculation about trade may be distracting, we are focused on helping our clients find opportunities in this shifting environment and growing our business.”

Analysis of consolidated financial results for the year ended 31 December 2016

Net interest income was $1,127m, a decrease of $16m, or 1.4%, compared with 2015. The decrease was mainly as a result of the continued run-off of the consumer finance portfolio and increased interest expense from long term borrowing entered into with HSBC Group in 2016. This was partially offset by residential mortgage growth and higher yield on financial investments.

Net fee income was $667m, a decrease of $16m, or 2.3%, compared with 2015. The decrease in net fee income was primarily due to lower volumes in credit facilities and account service fees.

Net trading income was $190m, an increase of $109m, or 134.6%, compared with 2015. The increase was mainly due to favourable trading performance in the rates business and favourable changes to the CVA on derivative contracts due to the tightening of counterparty credit spreads. The comparative period for 2015 includes the impact of negative mark-to-market on economic hedges not qualifying for hedge accounting recycled to the income statement and unfavourable changes to CVA on derivative contracts due to the widening of counterparty credit spreads.

Net expense from financial instruments designated at fair value was $4m compared with net income of $3m in 2015. The net expense from financial instruments designated at fair value was from marginal narrowing of the bank's own credit spread which increased the fair value of these subordinated debentures. This compares with income recorded in 2015 which arose from the widening of the bank's own credit spread.

Gains less losses from financial investments were $24m, a decrease of $39m, or 61.9%, compared with 2015. Balance Sheet Management recognized lower gains on sale of available-for-sale debt securities arising from the continued re-balancing of the Balance Sheet Management portfolio.

Other operating income was $75m, an increase of $11m, or 17.2%, compared with 2015. The increase was mainly due to higher inter-company activities, partially offset by losses on the sale of specific commercial loans and non-recurring recoveries recognized in 2015.

Loan impairment charges and other credit risk provisions were $107m, a decrease of $127m, or 54.3%, compared with 2015. The decrease in impairment charges was driven by improved market conditions, primarily due to recovering oil prices. Collectively assessed allowances and other credit provisions decreased in the year, as exposures moved to impaired status in the year, resulting in increases to specifically assessed allowances. Improved customer credit quality and higher collateral values were the main factors that resulted in the net reduction in loan impairment charges.

Total operating expenses were $1,255m, an increase of $69m or 5.8% compared with 2015. This is due to continued investments in the implementation of risk and compliance initiatives as well as strategic spending within the global businesses to drive future growth and reduce costs. Additionally, the lower Canadian dollar had an adverse impact on expenses denominated in foreign currencies.

Share of profit in associates represents changes in the value of the bank's investment in certain private equity funds. Share of profit in associates was a $2m loss, a decrease of $2m compared with 2015.

Income tax expense. The effective tax rate for 2016 was 26.7%, compared to 27.8% in 2015.

Movement in financial position

Total assets at 31 December 2016 were $94.7bn, an increase of $0.6bn from 31 December 2015. Trading assets increased by $2.4bn due to increased trading in debt securities, largely in government bonds. The increased liquidity of the bank is reflected in the increased financial investments of $1.3bn. Customers' liabilities under acceptances increased by $0.5bn due to higher demand.These increases were balanced by a decrease of $1.5bn to loans and advances to customers, largely driven by the contraction in investment activities in the energy sector and lower credit facility utilization. Derivatives decreased $1.1bn due to lower foreign exchange and commodity contracts.

Total liabilities at 31 December 2016 were $89.2bn, an increase of $0.6bn from 31 December 2015. Trading liabilities increased by $2.1bn largely due to an increase in short positions, which is consistent with the increase in trading assets. Customer accounts increased by $1.6bn mainly due to the business focus on growing deposits through multiple initiatives in different markets. Acceptances increased by $0.5bn due to higher demand and other liabilities increased by $0.9bn largely due to increases in loans payable and subordinated liabilities. Balance Sheet Management activities and funding requirement of the trading book decreased deposits by banks and repurchase agreements by $1.1bn and $2.3bn respectively. Derivatives decreased $1.2bn due to lower foreign exchange and commodity contracts. In addition, debt securities in issue decreased by $0.6bn.

Total equity at 31 December 2016 was $5.4bn, remaining relatively flat from 31 December 2015. Profits generated during the year were used to distribute increased dividends on common shares and preferred shares.

Results for the fourth quarter of 31 December 2016

Overview

The bank reported a profit before income tax expense of $251m for the fourth quarter of 2016, an increase of $279m compared with the fourth quarter of 2015.

Performance by income and expense item

Net interest income was $282m, which was in line with the fourth quarter of 2015. Interest income increased compared to the same period in 2015 primarily due to increased loans and advances balances, offset by a corresponding increase in interest expense on customer accounts and long term borrowing entered into with HSBC Group in 2016.

Net fee income was $169m, an increase of $4m, or 2.4% compared with the fourth quarter of 2015 . The increase was primarily due to increases in fees from corporate finance, remittances, and funds under management.

Net trading income was $45m, an increase of $68m compared with the fourth quarter of 2015. The increase in trading income was mainly due to favourable trading performance in the rates business and the negative impact of CVA on derivative contracts due to the widening of customer credit spreads in the fourth quarter of 2015.

Net expense from financial instruments designated at fair value was $1m, same as compared with the fourth quarter of 2015.

Losses from financial investments were $6m, a decline of $13m compared with the fourth quarter of 2015. Balance Sheet Management recognized lower gains on sale of available-for-sale debt securities arising from the continued re-balancing of the Balance Sheet Management portfolio.

Other operating income was $23m, an increase of $5m compared with the fourth quarter of 2015, mainly due to higher recoveries from HSBC Group for activities performed by the bank.

Loan impairment charges and other credit risk provisions ended in a $61m recovery position, an improvement of $225m compared with the fourth quarter of 2015. Improved customer credit quality and higher collateral values were the main factors that resulted in a strong level of recoveries and lower specific impairment charges, particularly in the last quarter of the year. We were also able to reduce collectively assessed allowances relating to the energy sector, primarily in oil and gas.

Operating expenses were $325m, an increase of $14m, or 4.5%, compared with the fourth quarter of 2015. This was largely due to continued investments in the implementation of risk and compliance initiatives as well as strategic spending within the global businesses to ensure they have the tools to drive future growth and reduce costs. Additionally, the lower Canadian dollar had an adverse impact on expenses denominated in foreign currencies.

Share of profit/loss in associates was $3m, an increase of $4m compared with the $1m loss in the fourth quarter of 2015. This is due to the increase in the fair values of the underlying investments in private equity funds.

Income tax expense. The effective tax rate in the fourth quarter of 2016 was 25.1%, compared with 0.2% in the fourth quarter of 2015. The effective tax rate in the fourth quarter of 2016 was near to the statutory rate. The rate in the fourth quarter of 2015 reflects a loss in that period which was offset by in increase in taxes due to a provincial tax liability.

Business performance in the year and the fourth quarter of 2016

During 2016, the following changes in internal reporting resulted in amendments to the global business segments used by management to allocate resources and assess performance, comparative data have been re-presented accordingly:

- Customer realignment: HSBC conducted a number of internal reviews aligning customer requirements to those global businesses best suited to service their respective needs, resulting in the transfer of a portfolio of customers from CMB to GB&M during the year.
- Creation of a Corporate Centre: During 2016 management made the decision to realign certain functions to a Corporate Centre. These include balance sheet management and interests in associates and joint ventures.
- Allocation of costs: HSBC has reviewed certain functional costs previously reported in Other and allocated these costs to the global businesses.

Commercial Banking

Profit before income tax expense for 2016 was $387m, an increase of $88m, or 29%, compared with 2015. The increase was driven primarily by lower loan impairment charges reflecting improved credit quality in the energy sector and lower operating expenses driven by business streamlining and prudent cost management, offset partially by lower revenue from lower outstanding loans and advances and higher funding costs.

Global Banking and Markets

Profit before income tax expense was $206m for 2016, an increase of $80m, or 63% compared with 2015. This resulted from the favourable trading performance of the rates business, the positive impact of CVA on derivative contracts resulting from the tightening in counterparty risk and an increase in equity capital market fees.

Retail Banking and Wealth Management

Profit before income tax expense was $60m for 2016, a decrease of $15m, or 20%, compared with 2015. Profit before income tax expense relating to ongoing business (excluding the run-off consumer finance portfolio) was $33m for 2016, a decrease of $5m, or 13%, compared with 2015. Profit before income tax expense relating to ongoing business declined from last year primarily due to increased expenses from the investment in strategic initiatives to streamline processes and enhance the customer experience and implementation of Global Standards and risk and compliance activities, partially offset by increased revenues.

Profit before income tax expense relating to the consumer finance portfolio was $27m, compared with $37m for 2015. This was a result of lower interest income on declining balances of the run-off portfolio, partially offset by a reduction of loan loss provisions and lower operating expenses.

Corporate Centre

Profit before income tax expense was $62m for the year ended 31 December 2016, compared with $119m for 2015. The decrease was mainly due to higher investments in strategic initiatives to reduce run rate costs. This was partially offset by an increase to interest income from higher net yields from financial investments. Additionally, the trading income in 2015 includes the impact of negative mark-to-market on economic hedges not qualifying for hedge accounting, recycled to the income statement. Gains less losses from financial instruments decreased due to lower sales of available-for-sale investments as part of Balance Sheet Management activities.

Dividends

During the year, the bank declared $341m in dividends on HSBC Bank Canada common shares, an increase of $9m compared with the prior year, and $38m in dividends on all series of HSBC Bank Canada Class 1 preferred shares, an increase of $10m compared with the prior year.

Common share dividends of $47m have been declared on HSBC Bank Canada common shares and will be paid on or before 30 March 2017 to the holder of record on 16 February 2017.

Regular quarterly dividends have been declared on all series of HSBC Bank Canada Class 1 preferred shares in the amounts of $0.31875, $0.3125 and $0.25 for Series C, Series D and Series G respectively and will be paid on 31 March 2017 for shareholders of record on 15 March 2017.

Use of non-IFRSs 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 IFRSs. These are considered non-IFRSs financial measures and are unlikely to be comparable to similar measures presented by other companies. The following non-IFRSs financial measures are used throughout this document and their purposes and definitions are discussed below:

<u>Financial position ratios</u>

These measures are indicators of the stability of the bank's balance sheet and the degree 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 with average total assets (determined using month-end balances) for the year.

<u>Return ratios</u>

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 profit attributable to the common shareholder for the period divided by average common equity (determined using month-end balances during the year).

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

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 period. Risk-weighted assets are calculated using guidelines issued by OSFI in accordance with the Basel III capital adequacy framework.

<u>Credit coverage ratios</u>

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

Total impairment allowances to impaired loans at period-end is calculated as total impairment allowances as a percentage of impaired loans 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 expense to generate revenue and demonstrates the contribution of each of the primary revenue streams to total income.

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

Adjusted cost efficiency ratio is calculated similar to the cost efficiency ratio; however, total operating income excludes 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 net interest income, net fee income and net trading income divided by total operating income for the year.

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.

HSBC Holdings plc, the parent company of the HSBC Group, is headquartered in London. The Group serves customers worldwide from around 4,000 offices in 70 countries and territories in Europe, Asia, North and Latin America, and the Middle East and North Africa. With assets of US$2,375bn at 31 December 2016, HSBC is one of the world's largest banking and financial services organizations.

For more information visit www.hsbc.ca or follow us on Twitter @HSBC_CA

Media enquiries:

Sharon Wilks	416-868-3878	sharon_wilks@hsbc.ca
Aurora Bonin	604-641-1905	aurora.f.bonin@hsbc.ca

Copies of HSBC Bank Canada's Annual Report and Accounts 2016 will be sent to shareholders in March 2017.

($ millions, except where otherwise stated)	Quarter ended		Year ended	
	31 December 2016	31 December 2015	**31 December 2016**	31 December 2015
Finance performance for the period				
Total operating income	**512**	448	**2,079**	2,037
Profit before income tax expense	**251**	(28)	**715**	617
Profit attributable to the common shareholder	**178**	(38)	**486**	414
Basic earnings per common share ($)	**0.36**	(0.08)	**0.97**	0.83
Performance ratios (%)[1]				
Return ratios (%)[1]				
Return on average common shareholders' equity	**15.4**	(0.9)	**10.6**	9.6
Post-tax return on average total assets	**0.73**	(0.16)	**0.51**	0.45
Pre-tax return on average risk-weighted assets[2]	**2.4**	(0.3)	**1.7**	1.4
Credit coverage ratios (%)[1]				
Loan impairment charges to total operating income	**n/a**	36.6	**5.1**	11.5
Loan impairment charges to average gross customer advances and acceptances	**n/a**	1.5	**0.2**	0.6
Total impairment allowances to impaired loans and advances at period-end	**56.7**	83.4	**56.7**	83.4
Efficiency and revenue mix ratios (%)[1]				
Cost efficiency ratio	**63.5**	69.4	**60.4**	58.2
Adjusted cost efficiency ratio	**63.5**	69.3	**60.2**	58.3
As a percentage of total operating income:				
- net interest income	**55.1**	62.9	**54.2**	56.1
- net fee income	**33.0**	36.8	**32.1**	33.5
- net trading income	**8.8**	(5.1)	**9.1**	4.0

	At period ended	
	31 December 2016	31 December 2015
Financial position at period-end		
Loan and advances to customers	**46,907**	48,378
Customer accounts	**56,674**	55,089
Ratio of customer advances to customer accounts (%)[1]	**82.8**	87.8
Shareholders' equity	**5,415**	5,376
Average total shareholders' equity to average total assets (%)[1]	**5.7**	5.7
Capital measures[2]		
Common equity tier 1 capital ratio (%)	**10.5**	10.1
Tier 1 ratio (%)	**12.5**	12.1
Total capital ratio (%)	**13.5**	13.5
Leverage ratio (%)	**4.7**	4.7
Risk-weighted assets	**42,005**	42,846

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

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

(Figures in $m, except per share amounts)	Quarter ended		Year ended	
	31 December 2016	31 December 2015	**31 December 2016**	31 December 2015
Interest income	**445**	417	**1,744**	1,700
Interest expense	**(163)**	(135)	**(617)**	(557)
Net interest income	**282**	282	**1,127**	1,143
Fee income	**187**	183	**735**	758
Fee expense	**(18)**	(18)	**(68)**	(75)
Net fee income	**169**	165	**667**	683
Trading income excluding net interest income	**42**	(34)	**173**	41
Net interest income on trading activities	**3**	11	**17**	40
Net trading income	**45**	(23)	**190**	81
Net (expense)/income from financial instruments designated at fair value	**(1)**	(1)	**(4)**	3
Gains less losses from financial investments	**(6)**	7	**24**	63
Other operating income	**23**	18	**75**	64
Total operating income	**512**	448	**2,079**	2,037
Loan impairment charges and other credit risk provisions	**61**	(164)	**(107)**	(234)
Net operating income	**573**	284	**1,972**	1,803
Employee compensation and benefits	**(166)**	(170)	**(662)**	(673)
General and administrative expenses	**(146)**	(130)	**(550)**	(470)
Depreciation of property, plant and equipment	**(10)**	(8)	**(33)**	(30)
Amortisation and impairment of intangible assets	**(3)**	(3)	**(10)**	(13)
Total operating expenses	**(325)**	(311)	**(1,255)**	(1,186)
Operating profit	**248**	(27)	**717**	617
Share of (loss)/profit in associates	**3**	(1)	**(2)**	—
Profit before income tax expense	**251**	(28)	**715**	617
Income tax expense	**(63)**	—	**(191)**	(170)
Profit for the period	**188**	(28)	**524**	447
Profit attributable to the common shareholder	**178**	(38)	**486**	414
Profit attributable to preferred shareholders	**10**	10	**38**	28
Profit attributable to shareholders	**188**	(28)	**524**	442
Profit attributable to non-controlling interest	**—**	—	**5**	5
Average number of common shares outstanding (000's)	**498,668**	498,668	**498,668**	498,668
Basic earnings per common share ($)	**0.36**	(0.08)	**0.97**	0.83

(Figures in $m)	**31 December 2016**	31 December 2015
ASSETS		
Cash and balances at central bank	**66**	65
Items in the course of collection from other banks	**58**	73
Trading assets	**6,288**	3,893
Derivatives	**3,850**	4,909
Loans and advances to banks	**1,071**	1,400
Loans and advances to customers	**46,907**	48,378
Reverse repurchase agreements – non-trading	**5,938**	6,807
Financial investments	**25,231**	23,935
Other assets	**566**	365
Prepayments and accrued income	**186**	194
Customers' liability under acceptances	**4,322**	3,834
Property, plant and equipment	**104**	110
Goodwill and intangible assets	**70**	61
Total assets	**94,657**	94,024
LIABILITIES AND EQUITY		
Liabilities		
Deposits by banks	**946**	2,049
Customer accounts	**56,674**	55,089
Repurchase agreements – non-trading	**4,345**	6,606
Items in the course of transmission to other banks	**82**	219
Trading liabilities	**3,784**	1,713
Financial liabilities designated at fair value	**403**	414
Derivatives	**3,838**	5,005
Debt securities in issue	**10,256**	10,896
Other liabilities	**2,736**	1,822
Acceptances	**4,322**	3,834
Accruals and deferred income	**475**	474
Retirement benefit liabilities	**342**	288
Subordinated liabilities	**1,039**	239
Total liabilities	**89,242**	88,648
Equity		
Preferred shares	**850**	850
Common shares	**1,225**	1,225
Other reserves	**27**	92
Retained earnings	**3,313**	3,209
Total equity	**5,415**	5,376
Total equity and liabilities	**94,657**	94,024

	Year ended	
	31 December 2016	31 December 2015
Cash flows generated from/(used in):		
Operating activities	**(87)**	3,650
Investing activities	**(1,338)**	(3,939)
Financing activities	**1,092**	(65)
Net (decrease)/increase in cash and cash equivalents	**(333)**	(354)
Cash and cash equivalents, beginning of period	**1,983**	2,337
Cash and cash equivalents, end of period	**1,650**	1,983
Represented by:		
Cash and balances at central bank	**66**	65
Items in the course of transmission to other banks, net	**(24)**	(146)
Loans and advances to banks of one month or less	**1,071**	1,400
Reverse repurchase agreements with banks of one month or less	**443**	435
Treasury bills and certificates of deposits of three months or less	**94**	229
Cash and cash equivalents, end of period	**1,650**	1,983

(Figures in $m)	Year ended	
	31 December 2016	31 December 2015
Commercial Banking		
Net interest income	**525**	585
Net fee income	**293**	295
Net trading income	**31**	31
Gains less losses from financial investments	**2**	—
Other operating income	**18**	25
Total operating income	**869**	936
Loan impairment charges and other credit risk provisions	**(90)**	(211)
Net operating income	**779**	725
Total operating expenses	**(392)**	(426)
Profit before income tax expense	**387**	299
Global Banking and Markets		
Net interest income	**75**	61
Net fee income	**158**	162
Net trading income	**124**	48
Gains less losses from financial investments	**(1)**	—
Other operating loss	**(6)**	—
Total operating income	**350**	271
Loan impairment recovery/(charges) and other credit risk provisions	**(10)**	(12)
Net operating income	**340**	259
Total operating expenses	**(134)**	(133)
Profit before income tax expense	**206**	126
Retail Banking and Wealth Management		
Net interest income	**402**	393
Net fee income	**216**	226
Net trading income	**22**	22
Gains less losses from financial investments	**1**	—
Other operating income	**13**	12
Total operating income	**654**	653
Loan impairment charges and other credit risk provisions	**(7)**	(11)
Net operating income	**647**	642
Total operating expenses	**(587)**	(568)
Profit before income tax expense	**60**	74
Corporate Centre		
Net interest expense	**125**	104
Net trading income	**13**	—
Net (expense)/income from financial instruments designated at fair value	**(4)**	(20)
Gains less losses from financial investments	**22**	3
Other operating income	**50**	27
Net operating income	**206**	114
Total operating expenses	**(142)**	(59)
Operating profit	**64**	55
Share of loss in associates	**(2)**	—
Profit before income tax expense	**62**	55