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## HSBC Bank Bermuda Ltd.

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# HSBC Bank Bermuda Ltd.

## Credit Highlights

### Issuer Credit Rating

A-/Stable/A-2

| Key strengths   | Key risks   |
|---|---|
| Leading Bermudian bank with significant market share and access to HSBC's global network                            | High level of nonperforming assets (NPAs) relative to peers                             |
| Strategically important subsidiary of HSBC Holdings PLC   | Geographically concentrated loan portfolio in Bermuda, with large single-name exposures |
| Very strong S&P Global Ratings risk-adjusted capital (RAC) ratio and large proportion of high-quality liquid assets | History of large capital payments made to parent each year                              |

***We expect the bank's capital will remain very strong despite pressure from moderate risk-weighted assets growth and relatively high dividend payments to the parent.*** HSBC Bank Bermuda (HBBM) has strong regulatory capital ratios and a high S&P Global Ratings risk-adjusted capital (RAC) ratio. The bank's regulatory Common Equity Tier 1 (CET1) ratio and RAC ratio were 24.8% (24.7% in 2020) and 21.0% (20.9% in 2020), respectively, well above the ratio of most banks we rate globally. Our expectation is that the S&P Global Ratings RAC ratio will be under moderate pressure over the next 18-24 months from risk-weighted assets (RWA) growth attributable to greater focus on international lending and large dividend payments to the parent. However, despite these pressures, we expect HBBM's RAC ratio will stay comfortably above our very strong threshold of 15%.

***NPAs likely will stay at elevated levels relative to those of peers.*** HBBM's asset quality improved slightly in 2021, after weakening in 2020, as Bermuda contended with COVID-19 pandemic-related economic impacts. We expect NPAs will remain elevated, relative to those of peers, as Bermuda faces economic difficulties related to rising interest rates, rising inflation, and weaknesses in the job market. In our view, Bermuda remains in an extended correction phase that has been prolonged by the pandemic and may be further exacerbated by macroeconomic and geopolitical issues.

***Profitability will likely improve in 2022 as the net interest margin benefits from interest rate increases.*** We expect 2022 operating results will improve from 2021 as HBBM's net interest income is likely to benefit from the rising rate environment, with positive impacts to the asset side of its balance sheet. On the liability side, we expect HBBM will benefit from its dominant market share and feel less pricing pressure relative to global peers. Noninterest operating income is expected to stay relatively flat. This will be somewhat offset by moderate increases in expenses as a result of inflationary pressures and higher provisions for credit losses as macroeconomic risks evolve. We expect, collectively, positive operating leverage in 2022 and improved profitability from 2021.

## Outlook

S&P Global Ratings' stable outlook on HBBM reflects its expectation that the bank will maintain its strategic importance to the HSBC group as a fully owned subsidiary sharing the parent's name, making it likely to receive group support, if required, in most foreseeable circumstances.

We also expect the bank to maintain very strong capital over the next two years without paying excessive dividends to the parent that would cause its S&P Global Ratings RAC ratio to fall sharply, or below 15%. We believe the company's high capital levels and adequate market position will help HBBM maintain a stand-alone credit profile (SACP) of 'bbb-', even as it copes with potentially higher loan losses in a Bermudian economy that continues to face macroeconomic headwinds.

### Downside scenario

We could lower the ratings--by reducing or eliminating the three group support notches we incorporate--if we believe the group's proclivity to support its Bermudian operations will meaningfully decline. For instance, this could occur if there was an indication that its parent, HSBC Holdings PLC (HSBC; A-/Stable/A-2), intended to exit Bermuda. We would also lower the ratings on HBBM if we lowered our group SACP ('a') and ratings on the HSBC group.

In addition, we could lower the ratings if the bank's SACP weakens. That could occur if HSBC Holdings extracts substantial dividends from HBBM, particularly if this is coupled with large credit losses and weak operating performance.

### Upside scenario

We view the probability of an upgrade as low because it would require either higher group status than strategically important, which is unlikely in our view, or both a higher bank SACP and group SACP. We cap the ratings on strategically important subsidiaries one notch below the group credit profile of their group.

## Anchor: 'bbb-' For A Bank Operating In Bermuda

Our bank criteria use our Banking Industry Country Risk Assessment (BICRA) economic risk and industry risk scores to determine a bank's anchor, the starting point in assigning an issuer credit rating. The combination of a '6' economic risk score and a '3' industry risk score results in a 'bbb-' anchor for a bank operating in Bermuda.

Bermuda's economy is recovering after the severe contraction in 2020 due to the COVID-19 pandemic. We expect the reopening of the economy, continued strength of the international financial services sector, and gradual return of tourism will keep supporting the economic recovery. We expect real GDP growth to hover around 3.2% in 2022 and about 1.3% on average in 2023-2025, after declining 6.9% in 2020. However, full recovery will take time and local employment dynamics will weigh on banks' credit growth, asset quality, and profitability. Although we expect credit losses to rise, we believe they will remain manageable, because banks have modest exposure to vulnerable sectors.

Bermuda is experiencing a prolonged correction period in its real estate sector. In our view, global and local economic conditions could put some pressure on asset price valuations although we are seeing stabilization, especially in real estate prices.

Industry risk is supported by Bermudian banks' regulation that is largely consistent with international standards. Moreover, the small number of domestic banks and the high orientation to simple banking products also support robust supervision. Bermuda's regulator has created a favorable environment for fintech and insurtech companies, which, over time, could increase competition between established banks and emerging competitors. Bermudian banks operate with sound liquidity, supported by stable deposits that cover about 2.7x total loans in the domestic banking sector. Such excess of customer deposits relative to loans and generally no external funding needs offset the absence of a developed capital market and a lender of last resort.

Figures and ratios are as of year-end 2021 (ended Dec. 31), unless otherwise specified. The peer group includes AIB Group PLC, ANZ Bank New Zealand Ltd., Bank of Ireland Group PLC, Bank of New Zealand, The Bank of N.T. Butterfield & Son Ltd., Bank of Valletta PLC, and Webster Financial Corp.

## **Business Position: Significant Market Share In Bermuda With Limited Competition**

HBBM's business position is primarily supported by the oligopolistic banking industry in Bermuda. The industry is highly concentrated, where HBBM and The Bank of N.T. Butterfield & Son Ltd. collectively hold a dominant position in the market, with deposit market share nearing 90%. Established in 1889 and with limited competition, HBBM has proven itself as a leading Bermudian bank, with a long track record of local expertise. It holds assets of approximately \$9.5 billion (up 4.6% from 2020), which, by our calculation, is approximately 35% of total banking sector assets in Bermuda. HBBM further benefits from brand recognition and the extensive global network of its parent, HSBC Holdings, and despite being a modest contributor to the group, it is systemically important to Bermudian banking.

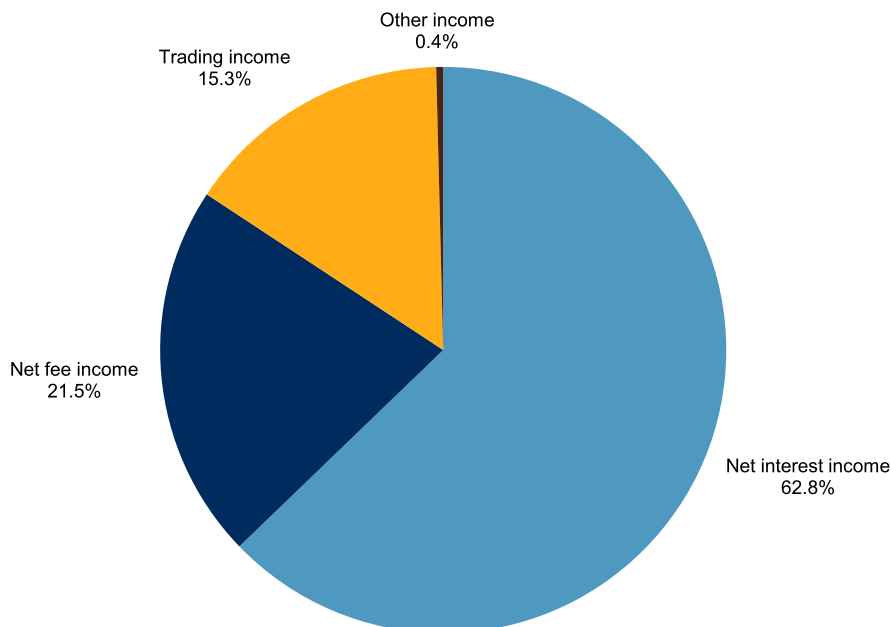
We expect HBBM's strategy to be consistent with recent years, with continued focus on its core businesses, including retail banking, wealth management, commercial banking, and global banking and markets. As Bermuda's economy contends with several macroeconomic headwinds, the bank's corporate strategy will look to international corporate lending for growth, as opportunities in Bermuda are limited. Bermuda's residential real estate market, where the majority of HBBM's loan portfolio sits (57%), has limited opportunity for growth as house prices have shown significant volatility with further pressure from increasing interest rates. Digital innovation remains important to spur growth and control costs. However, HBBM has less control than peers, as it is reliant on its parent to pass down digital innovations.

Offsetting the economic difficulties in Bermuda, HBBM has a leading competitive position in the market, with 58% of total deposits and 41% of total loans. In our view, this position is stable considering the strict foreign ownership rules and the limited growth opportunities in Bermuda. The bank's loan book is concentrated in Bermuda and exposure to single-name issuers remains relatively high. Income sources are stable, with net interest income to operating revenues at 63%. Non-interest income is predominantly made up of fee income (58%), which, in our view, is relatively more

stable than other non-interest income sources.

**Chart 1**

**HSBC Bank Bermuda Ltd. -- Revenue Sources**  
(As of Dec. 31, 2021)



Source: Company financial statements.  
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HBBM's customer loan book is relatively small, where gross loans make up only 21% of its assets (23% in 2020). We expect the total loan book size will continue to face pressures as opportunities in Bermuda are few, particularly in housing. In retail banking, the bank has the largest share of residential mortgages in Bermuda, with 42%. However, this book has been shrinking as housing prices remain volatile and unemployment in Bermuda remains high. The total loan book currently has substantial concentration in Bermuda, at about 92% of loans.

**Capital And Earnings: Very Strong RAC Ratio, Despite Pressures From Large Dividend Payouts To The Parent**

HBBM continues to have a strong capital profile and benefits from its small loan book relative to its high level of equity and large portfolio of highly rated investments. By our calculation, its S&P Global Ratings RAC ratio was 21% at year-end 2021, well above our very strong threshold of 15%. Although we expect this ratio to fall in the next 18-24 months due to the possibility of large dividend payments to the parent, we expect it to comfortably stay above 15%.

In the past, HBBM's capital has been constrained by the parent's required capital payouts that are typically driven by

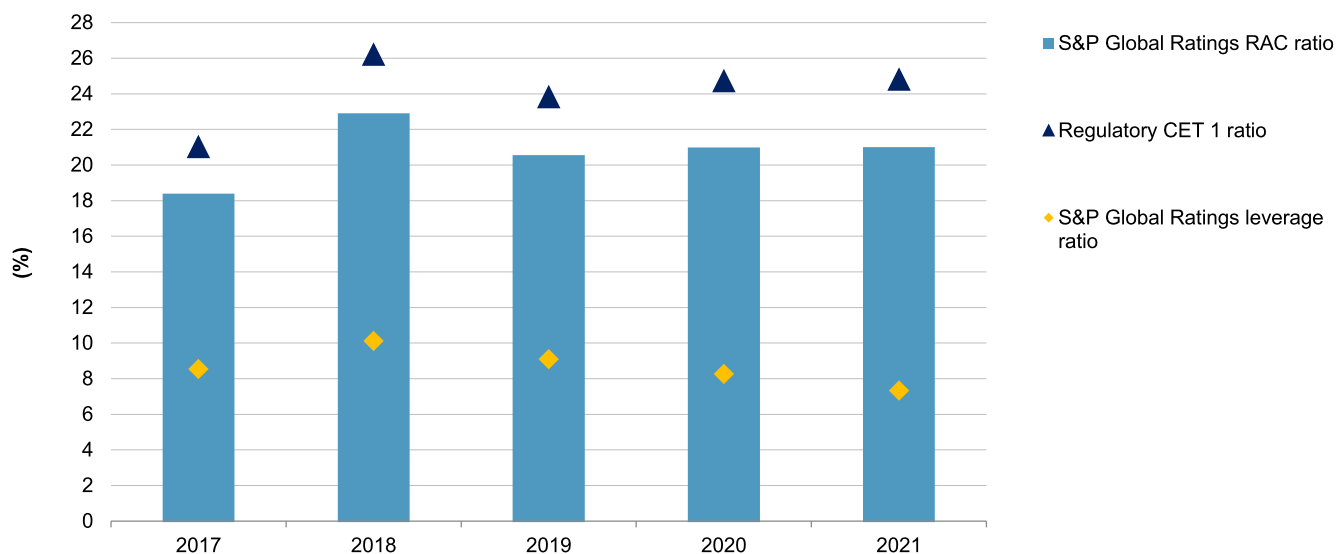
return on capital equity targets set at the group level and often exceed 100% of net income. In 2022, we expect this will continue and total dividend payout to exceed 100% of net income. Our forecast RAC ratio also reflects a dividend payout ratio over 100% in 2023 and 2024, modest RWA growth due to greater focus on international lending, and rising provisions for loan losses as the economy weakens. Offsetting these pressures is our expectation of increasing net interest margins in-line with rate increases (which will benefit profitability), moderate growth in expenses, and modest positive operating leverage. Despite capital pressures, we do not expect the RAC ratio to fall below the 15% threshold. Should there be any further special dividends that go beyond our forecast, the possibility of the RAC ratio breaching the 15% threshold would increase.

HBBM's quality of capital remains strong, made up wholly of common equity. The bank's CET1 ratio was 24.8%, well above that of most rated banks globally. We estimate that the bank will maintain a three-year average earnings buffer of 2.7% of risk-weighted assets, indicating a strong earnings cushion based on its standard over-the-cycle loss assumptions.

**Chart 2**

**HSBC Bank Bermuda Ltd. -- Capital Metrics**

As of Dec. 31, 2021

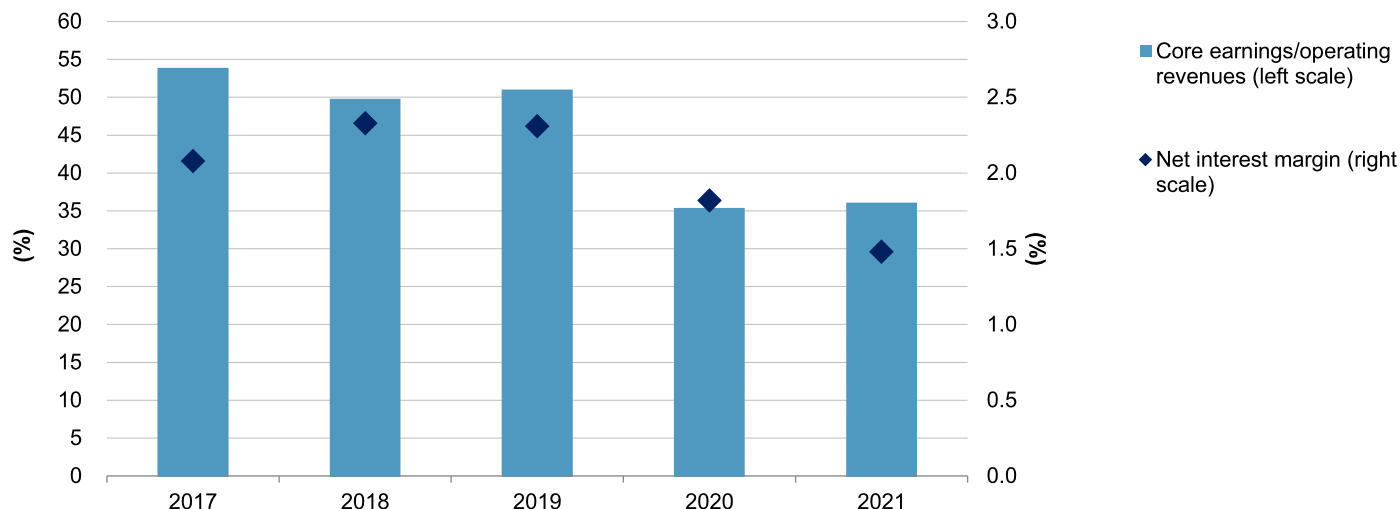


Source: S&P Global Ratings. RAC--Risk-adjusted capital. CET1--Common Equity Tier 1.  
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HBBM's efficiency ratio (expenses to total revenues) also weakened considerably from one year ago, to 62% from 48%, as a result of negative revenue growth and higher expenses (from increased transformation costs). Despite the bank's focus on cost containment, we expect inflationary pressures cause expenses to rise moderately in the near term. Overall, we expect improvement in the efficiency ratio and in profitability as the bank benefits from interest rate increases.

**Chart 3**

**HSBC Bank Bermuda Ltd. -- Profitability Metrics**  
(As of Dec. 31, 2021)



Source: S&P Global Ratings.

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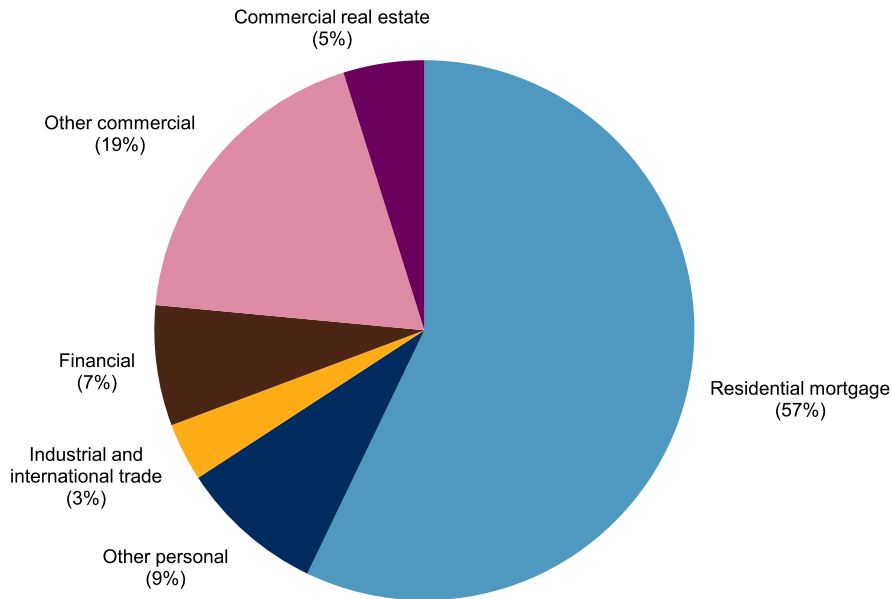
**Risk Position: Significant NPAs Relative To Those Of Peers Likely Will Stay Elevated**

HBBM's risk position reflects ongoing weakness in its customer loan book, relative to that of peers. This is, in part, a reflection of the struggling economy in Bermuda, post the 2008 financial crisis. The 2008 recession, coupled with lax credit policies (by the former executive team) leading up to the crisis, led to lingering asset quality issues. Although credit policies have tightened since 2013, HBBM's credit quality issues persist today as Bermuda deals with real estate price volatility and relatively high unemployment (exacerbated by the pandemic). The pandemic further strained Bermuda's prolonged correction. However, we view favorably the fact that HBBM's gross loans represent a small (21%) portion of total assets and the majority of the bank's financial investments (36% of assets) are in high-quality and geographically diverse securities. In total, 79% of HBBM's assets are cash, reverse repo, loans to diverse, highly rated banks or diverse, high-quality security investments.



**Chart 4**

**HSBC Bank Bermuda Ltd. -- Loan Portfolio Breakdown**  
(As of Dec. 31, 2021)



Source: Company annual statement.

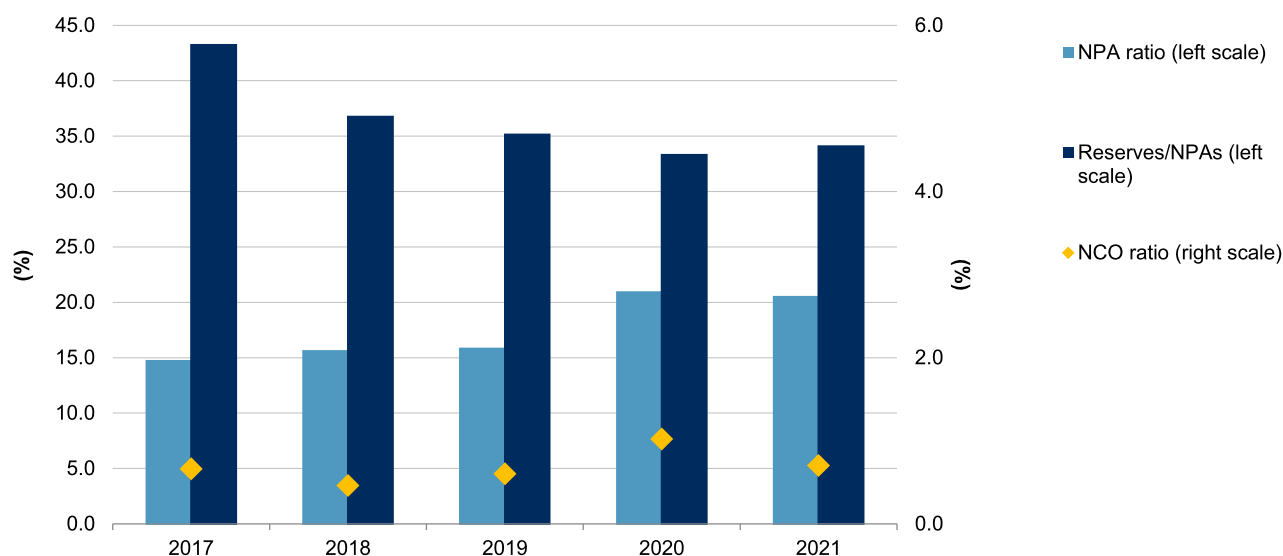
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HBBM's gross NPAs to customer loans ratio was 20.5%, almost unchanged from 20.9% in 2020, and still elevated relative to 2019's metric of 15.8%. The high ratio partly reflects the long cure period for nonperforming loans in Bermuda. In the mortgage portfolio, as an example, about 50% of restructured mortgages are not delinquent, but remain in NPA status. Net charge-offs (NCOs) fell to 67 basis points (bps) from 102 bps in 2020, representing some normalization after one-off charges in 2020. They continue to sit well above the peer average of 15 bps and our expectation is that they will remain elevated relative to those of peers, given the difficult macroeconomic backdrop.

**Chart 5**

**HSBC Bank Bermuda Ltd. -- Asset Quality Metrics**

As of Dec. 31, 2021



Source: S&P Global Ratings. NPA--Nonperforming assets. NCO--Net charge-offs.  
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Residential mortgages make up the largest component of HBBM's loans at 57%. Loan balances in the residential mortgage book have been dropping as housing remains volatile, and we expect that this trend will continue. We calculate NPAs of 25.3% in the mortgage book as of year-end 2021; however, this is mainly attributed to mortgages originated pre-2013. The bank's mortgage origination practices tightened in 2013, which has led to an improvement in credit quality in recent years (newer clients should be more resilient in an economic downturn scenario).

Approximately 93% of NPAs are attributed to mortgages that were booked pre-2013, with an average loan to value (LTV) of 82%. Post-2013 mortgages represent about 38% of the mortgage book, with an average LTV of 65%. Housing prices in Bermuda have witnessed considerable volatility over the past several years, putting further pressure on asset quality. Other consumer loans are modest (less than 9% of loans) and we do not expect aggressive growth in that book, though NCOs could rise, given the general weakness in the economy.

HBBM's wholesale loan book represents 34% of loans, though it's relatively small as a percentage of total assets. Some sectors in the book were affected by the pandemic and recovery in these sectors, such as hospitality, is still underway. We do not expect any outside losses, as there have been no further COVID-19-related downgrades since first-quarter 2021. Commercial real estate, which makes up only 4.8% of the total loan book, has contracted in recent years, and we do not expect further growth in the near term. Commercial loans, defined as industrial and international trade, and other commercial loans, makes up 22% of total loans (23% in 2020). Despite the relatively small exposure, HBBM does have large single-name exposures in its wholesale book, making it more susceptible to larger single losses on

borrowers.

## **Funding And Liquidity: Adequate Funding Complemented By Above-Average Liquidity Metrics**

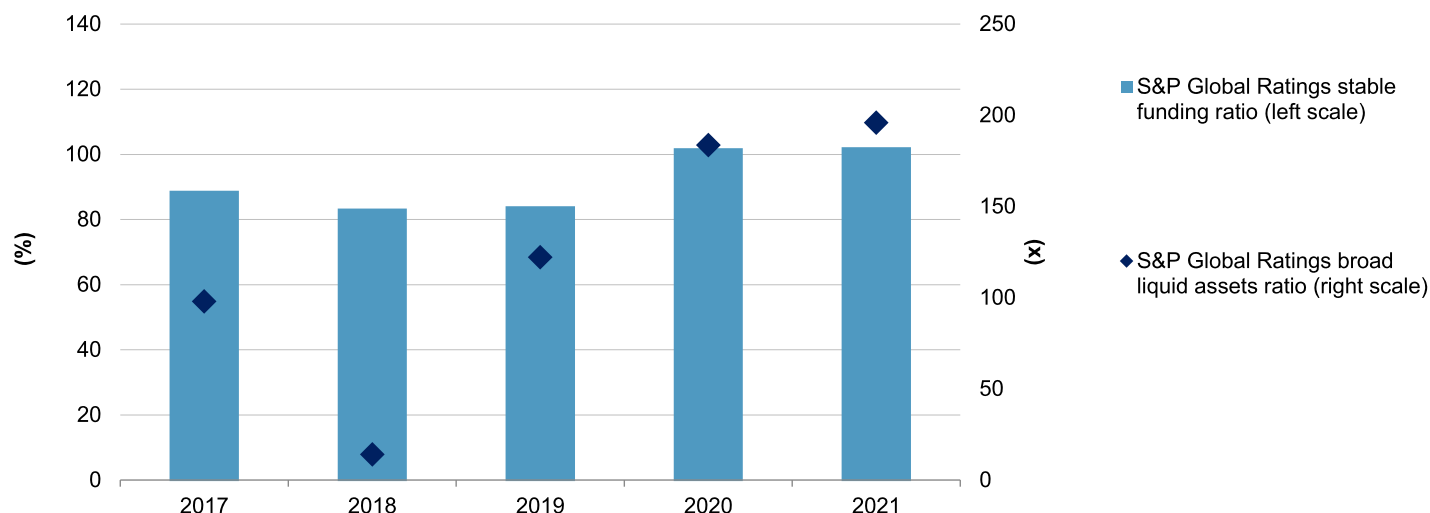
HBBM's funding profile, like that of other Bermudian banks, relies on customer deposits for funding, with minimal dependence on wholesale funding. Collectively, the bank's funding metrics are adequate, albeit moderately below those of peers. The stable funding ratio (S&P Global Ratings' calculation) at 102% is less favorable than the peer average of 143%. Core deposits to the funding base, at 39%, is also below the peer average of 76% (due to a relatively large portion of deposits from corporate clients). Short-term wholesale funding to the funding base sits at less than 1% (peer average is almost 4%), which we view favorably, and which offsets the bank's other relatively weak funding ratios versus peers'.

Bermudian banks tend to keep more conservative funding and liquidity profiles because Bermuda lacks a lender of last resort, unlike other jurisdictions in HBBM's peer group. In addition, there is no Bermudian debt market, so any potential capital markets funding must come from abroad (accounted for via our BICRA). HBBM holds a significant market share of Bermudian deposits (58%), with a customer base that is largely relationship based, which adds to deposit stability in our view. In 2016, Bermuda authorities implemented deposit insurance which covers B\$25,000 per insured depositor for Bermuda-based depositors. We understand that this is sufficient to insure most Bermuda dollar retail accounts.

HBBM's liquidity profile remains adequate compared with that of peers. As a result of few opportunities to lend in Bermuda, the bank keeps a significant portfolio of investment securities (59%) that can provide a secondary source of liquidity. Subsequently, broad liquid assets to short-term wholesale funding ratio is 196x, well above that of most peers. HBBM's regulatory liquidity coverage ratio remains strong at 168%, well above the 100% minimum, and we do not expect it to deviate much from this level. The loans to core deposits ratio remains 54% (peer average is 72%). We believe that the government would step in and provide support if Bermudian banks were to run into funding and liquidity constraints.

**Chart 6**

**HSBC Bank Bermuda Ltd. -- Funding And Liquidity**  
(As of Dec. 31, 2021)



Source: S&P Global Ratings.

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**Support: Three Notches Of Uplift Given Our View Of HBBM's Strategic Importance To Its Parent**

We view HBBM as a strategically important subsidiary of HSBC. Supporting our view is that HBBM is a wholly owned subsidiary of HSBC (purchased on Feb. 18, 2004); it has a leading market position in Bermuda; it changed its legal name in 2010 to include HSBC; and we think customers' belief that HSBC stands behind its subsidiaries is important to HSBC's global franchise.

On the other hand, HBBM is not in one of the group's priority growth markets; its connectivity with the rest of the group appears more limited than for subsidiaries in larger exporting economies; and it is relatively small, representing only about 1% of group capital. Also, we do not rule out the possibility that the supporting factors may weaken in the future.

All things considered, we do not assume HBBM is among those subsidiaries most important to HSBC, but we do believe it to have strategically important group status. As a result, the 'A-' rating on HBBM is three notches above the 'bbb-' SACP on the bank and one notch below our 'a' group SACP.

## Environmental, Social, And Governance

### ESG Credit Indicators

|     |            |     |     |     |     |            |     |     |     |     |            |     |     |     |
|-----|------------|-----|-----|-----|-----|------------|-----|-----|-----|-----|------------|-----|-----|-----|
| E-1 | <b>E-2</b> | E-3 | E-4 | E-5 | S-1 | <b>S-2</b> | S-3 | S-4 | S-5 | G-1 | <b>G-2</b> | G-3 | G-4 | G-5 |
|-----|------------|-----|-----|-----|-----|------------|-----|-----|-----|-----|------------|-----|-----|-----|

ESG credit indicators provide additional disclosure and transparency at the entity level and reflect S&P Global Ratings' opinion of the influence that environmental, social, and governance factors have on our credit rating analysis. They are not a sustainability rating or an S&P Global Ratings ESG Evaluation. The extent of the influence of these factors is reflected on an alphanumeric 1-5 scale where 1 = positive, 2 = neutral, 3 = moderately negative, 4 = negative, and 5 = very negative. For more information, see our commentary "ESG Credit Indicators: Definition And Applications," published Oct. 13, 2021.

ESG factors have an overall neutral influence on our credit rating analysis of HBBM. Although the bank is exposed to natural disasters such as hurricanes, the island of Bermuda appears to be prepared to withstand such occurrences. Historically, natural disasters have not hurt the bank's operating performance and lending, and rebuilding subsequent to natural disasters typically has led to higher demand for credit.

Governance and environmental factors feature more prominently in our credit analysis of HSBC Bermuda than the social factor. We believe HSBC Bermuda's corporate governance is on par with that of peers and is an extension of its parent's. We consider the bank's risk appetite to be relatively conservative and risk management controls to be appropriate. From a social standpoint, the bank has not experienced any policy failures that would jeopardize its reputation or its customers.

## Key Statistics

**Table 1**

| HSBC Bank Bermuda Ltd. -- Key Figures |       |       |       |       |       |
|---------------------------------------|-------|-------|-------|-------|-------|
| --Fiscal year-end Dec. 31--           |       |       |       |       |       |
| (Mil. \$)                             | 2021  | 2020  | 2019  | 2018  | 2017  |
| Adjusted assets                       | 9,470 | 9,052 | 8,378 | 8,077 | 9,027 |
| Customer loans (gross)                | 1,949 | 2,080 | 2,303 | 2,324 | 2,436 |
| Adjusted common equity                | 693   | 747   | 761   | 816   | 769   |
| Operating revenues                    | 216   | 238   | 281   | 280   | 302   |
| Noninterest expenses                  | 134   | 115   | 129   | 143   | 139   |
| Core earnings                         | 78    | 84    | 143   | 139   | 162   |

**Table 2**

| HSBC Bank Bermuda Ltd. -- Business Position |       |       |       |       |       |
|---|-------|-------|-------|-------|-------|
| --Fiscal year-end Dec. 31--                 |       |       |       |       |       |
| (%)   | 2021  | 2020  | 2019  | 2018  | 2017  |
| Return on average common equity             | 10.34 | 10.72 | 18.27 | 17.92 | 20.49 |

**Table 3**

| <b>HSBC Bank Bermuda Ltd. -- Capital And Earnings</b>                  |                                    |             |             |             |             |
|--|------------------------------------|-------------|-------------|-------------|-------------|
|  | <b>--Fiscal year-end Dec. 31--</b> |             |             |             |             |
| <b>(%)</b>   | <b>2021</b>                        | <b>2020</b> | <b>2019</b> | <b>2018</b> | <b>2017</b> |
| S&P Global Ratings' risk-adjusted capital ratio before diversification | 20.96                              | 20.93       | 20.50       | 22.86       | 18.35       |
| Adjusted common equity/total adjusted capital                          | 100.00                             | 100.00      | 100.00      | 100.00      | 100.00      |
| Net interest income/operating revenues                                 | 62.81                              | 65.81       | 66.84       | 70.65       | 64.38       |
| Fee income/operating revenues  | 21.47                              | 19.44       | 19.67       | 19.25       | 16.78       |
| Market-sensitive income/operating revenues                             | 15.49                              | 13.33       | 13.52       | 10.10       | 18.60       |
| Cost to income ratio   | 61.86                              | 48.32       | 46.05       | 51.25       | 46.03       |
| Provision operating income/average assets                              | 0.89                               | 1.41        | 1.84        | 1.60        | 1.73        |
| Core earnings/average managed assets                                   | 0.84                               | 0.97        | 1.74        | 1.63        | 1.73        |

**Table 4**

| <b>HSBC Bank Bermuda Ltd. -- Risk Position</b>                      |                                    |             |             |             |             |
|---|------------------------------------|-------------|-------------|-------------|-------------|
|   | <b>--Fiscal year-end Dec. 31--</b> |             |             |             |             |
| <b>(%)</b>  | <b>2021</b>                        | <b>2020</b> | <b>2019</b> | <b>2018</b> | <b>2017</b> |
| Growth in customer loans  | (6.30)                             | (9.67)      | (0.94)      | (4.56)      | (1.03)      |
| Total managed assets/adjusted common equity (x)                     | 13.67                              | 12.12       | 11.01       | 9.90        | 11.74       |
| New loan loss provisions/average customer loans                     | 0.24                               | 1.79        | 0.37        | (0.11)      | 0.03        |
| Net charge-offs/average customer loans                              | 0.67                               | 1.02        | 0.60        | 0.46        | 0.66        |
| Gross nonperforming assets/customer loans + other real estate owned | 20.50                              | 20.90       | 15.83       | 15.61       | 14.70       |
| Loan loss reserves/gross nonperforming assets                       | 34.11                              | 33.30       | 35.15       | 36.76       | 43.24       |

**Table 5**

| <b>HSBC Bank Bermuda Ltd. -- Funding And Liquidity</b> |                                    |             |             |             |             |
|--|------------------------------------|-------------|-------------|-------------|-------------|
|  | <b>--Fiscal year-end Dec. 31--</b> |             |             |             |             |
| <b>(%)</b>   | <b>2021</b>                        | <b>2020</b> | <b>2019</b> | <b>2018</b> | <b>2017</b> |
| Core deposits/funding base                             | 38.68                              | 39.37       | 38.26       | 38.39       | 38.11       |
| Customer loans (net)/customer deposits                 | 54.07                              | 60.63       | 75.73       | 79.38       | 73.58       |
| Long-term funding ratio                                | 43.27                              | 44.82       | 43.98       | 44.52       | 43.38       |
| Stable funding ratio                                   | 101.91                             | 101.57      | 83.75       | 83.08       | 88.47       |
| Short-term wholesale funding/funding base              | 0.32                               | 0.34        | 0.44        | 3.74        | 0.59        |
| Broad liquid assets/short-term wholesale funding (x)   | 196.13                             | 183.08      | 122.22      | 14.15       | 97.94       |
| Net broad liquid assets/short-term customer deposits   | 203.40                             | 199.39      | 174.53      | 159.97      | 186.91      |
| Short-term wholesale funding/total wholesale funding   | 0.53                               | 0.57        | 0.71        | 6.06        | 0.95        |

| <b>HSBC Bank Bermuda Ltd.--Rating Component Scores</b> |               |
|--|---------------|
| Issuer Credit Rating                                   | A-/Stable/A-2 |
| SACP   | bbb-          |
| Anchor   | bbb-          |
| Economic risk  | 6             |
| Industry risk  | 3             |
| Business position                                      | Adequate      |

**HSBC Bank Bermuda Ltd.--Rating Component Scores (cont.)**

|                             |             |
|-----------------------------|-------------|
| Capital and earnings        | Very strong |
| Risk position               | Constrained |
| Funding                     | Adequate    |
| Liquidity                   | Adequate    |
| Comparable ratings analysis | 0           |
| Support                     | +3          |
| ALAC support                | 0           |
| GRE support                 | 0           |
| Group support               | +3          |
| Sovereign support           | 0           |
| Additional factors          | 0           |

ALAC--Additional loss-absorbing capacity. GRE--Government-related entity. SACP--Stand-alone credit profile.

**Related Criteria**

- Criteria | Financial Institutions | General: Financial Institutions Rating Methodology, Dec. 9, 2021
- Criteria | Financial Institutions | Banks: Banking Industry Country Risk Assessment Methodology And Assumptions, Dec. 9, 2021
- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- General Criteria: Group Rating Methodology, July 1, 2019
- General Criteria: Hybrid Capital: Methodology And Assumptions, July 1, 2019
- General Criteria: Methodology For National And Regional Scale Credit Ratings, June 25, 2018
- Criteria | Financial Institutions | General: Risk-Adjusted Capital Framework Methodology, July 20, 2017
- General Criteria: Guarantee Criteria, Oct. 21, 2016
- General Criteria: Ratings Above The Sovereign--Corporate And Government Ratings: Methodology And Assumptions, Nov. 19, 2013
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

**Ratings Detail (As Of July 28, 2022)\***

**HSBC Bank Bermuda Ltd.**

Issuer Credit Rating A-/Stable/A-2

**Issuer Credit Ratings History**

19-Feb-2019 A-/Stable/A-2  
 01-Jul-2014 A-/Negative/A-2  
 11-Mar-2014 A/Watch Neg/A-1

**Sovereign Rating**

Bermuda A+/Stable/A-1

**Ratings Detail (As Of July 28, 2022)\*(cont.)**

**Related Entities**

**HSBC Bank PLC**

|                                |               |
|--------------------------------|---------------|
| Issuer Credit Rating           | A+/Stable/A-1 |
| Resolution Counterparty Rating | AA-/--/A-1+   |
| Commercial Paper               | A-1           |
| Junior Subordinated            | BBB           |
| Senior Unsecured               | A+            |
| Subordinated                   | BBB+          |

\*Unless otherwise noted, all ratings in this report are global scale ratings. S&P Global Ratings' credit ratings on the global scale are comparable across countries. S&P Global Ratings' credit ratings on a national scale are relative to obligors or obligations within that specific country. Issue and debt ratings could include debt guaranteed by another entity, and rated debt that an entity guarantees.



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