



February 24th 2017

**HSBC BANK BERMUDA LIMITED “HSBC Bermuda”
YEAR END 2016 RESULTS - HIGHLIGHTS**

- Consolidated reported net profit of US\$117m for the year ended 31 December 2016, an increase of US\$30m or 34% compared with the prior year.
- Consolidated net operating income of US\$262m for the year ended 31 December 2016, a decrease of US\$6m or 2% compared with the prior year.
- Consolidated operating expenses for the year ended 31 December 2016 decreased by US\$10m or 6% to US\$166m. Excluding impairment on buildings of US\$21m, consolidated operating expenses for the year ended 31 December 2016 were US\$145m, a decrease of US\$31m or 18%.
- Total assets of US\$9,757m at 31 December 2016, decreased by 19% compared with the prior year end, mainly due to the disposal of our Private Banking operations.
- Total loans and advances to customers were US\$2,290m at 31 December 2016, a decrease of 7% compared with the prior year end.
- Total loan impairment provisions as a percentage of total gross loans and advances to customers decreased to 3% at 31 December 2016, compared to 5% for the prior year.
- Total capital adequacy ratio is 24% at 31 December 2016, compared to 22% at 31 December 2015.

HSBC Bank Bermuda Limited’s (HSBC Bermuda) total operating income before loan impairment charges reduced by US\$23m or 8% reflecting the disposal of the bank’s Private Banking operations at the end of April 2016. Net operating income decreased by only US\$6m as the business benefited from the impact of lower loan impairment charges.

Total loan impairment charges decreased from US\$36m in 2015 to US\$19m in 2016, as economic conditions in Bermuda continued to show modest improvement. Non-performing loans decreased from 17% to 14% of the total portfolio.

Excluding impairment of buildings of US\$21m, consolidated operating expenses for the year ended 31 December 2016 were US\$145m, a decrease of US\$31m or 18% compared to the prior year. This reduction is due mainly to the sale of our Private Banking operations, which has led

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to reduced headcount in Bermuda and lower support costs. Strong cost discipline elsewhere allowed us to invest in selective technology enhancements and in initiatives to combat financial crime.

The decision to explore alternative options for our 6 Front Street premises led to an impairment in the value at which we carry this building on our balance sheet. However, this decision will also lead to reduced future annual running costs on our property portfolio, after investing US\$3m in two of our other Hamilton offices.

HSBC Bermuda completed the sale of its Private Banking operations during the first half of 2016 and this has enabled the bank to focus on supporting the customers of the core businesses in Bermuda where it has strategic advantages, namely Retail Banking Wealth Management ('RBWM') (including HSBC Asset Management and Premier banking), Commercial Banking ('CMB') and Global Banking and Markets ('GB&M'). The net profit from the continuing operations (RBWM, CMB and GB&M) was US\$93m for the year with a cost efficiency ratio of 59%. Excluding impairment of buildings, net profit from continuing operations was US\$114m with a cost efficiency ratio of 51%. The core businesses all delivered results ahead of expectations in 2016.

The balance sheet remains conservative with strong capital and liquidity positions, even after making significant returns to our shareholders in 2016. The bank is well positioned to absorb the impact of future regulatory requirements under Basel III.

Mark Watkinson, Chief Executive Officer, HSBC Bermuda, said: "I am delighted with HSBC Bermuda's performance in 2016, against what continues to be a challenging and competitive environment for banks, both globally and here in Bermuda. Our core businesses all delivered strong results and show robust prospects for the future. The local economy is displaying greater resilience than in recent years and it appears we have worked through many of the problem loans in our portfolio.

Additionally, I was pleased to see our staff reinvigorate their efforts in contributing to the community we serve, with the number of staff volunteer hours on the bank's time doubling versus 2015. Such efforts have now accumulated over 10,000 hours of community service since we launched the Staff Volunteer Community Action Day Programme in 2006. We were also able to contribute US\$700,000 directly to various education, environment and community initiatives, partly supported by funds made available by the HSBC Group to mark its 150th anniversary.

On behalf of the Board and the executive team, I wish to thank our staff for their dedication and hard work during 2016 and thank our customers for their continued support for the Bank. Their loyalty is much appreciated."

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Note to editors:

1. The HSBC Group

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 organisations.

2. HSBC Bermuda

HSBC Bermuda is a brand name of HSBC Bank Bermuda Limited. Founded in 1889, HSBC Bermuda is the leading provider of retail and corporate banking, investment, custody and fund administration services to international and local clients. Since 2004 it has been a wholly owned, indirect subsidiary of HSBC Holdings plc. HSBC Bank Bermuda Limited of 6 Front Street Hamilton is licensed to conduct Banking and Investment Business by the Bermuda Monetary Authority.