

2 March 2018

## **HSBC BANK BERMUDA LIMITED “HSBC Bermuda” YEAR END 2017 RESULTS – HIGHLIGHTS**

Consolidated reported performance for the year ended 31 December 2017:

- Net profit of US\$162 million, an increase of US\$45 million or 38% compared with the prior year.
- Total operating income before loan impairment charges was US\$302 million, an increase of US\$21 million or 7% compared with the prior year.
- Loan impairment charges reduced from US\$19 million to US\$1 million in 2017.
- Operating expenses decreased by US\$27 million or 16% to US\$139 million.

These reported numbers include a number of notable items that are not reflective of HSBC Bermuda’s underlying performance:

- A gain on sale of an equity shareholding to another member of the HSBC Group, which contributed US\$22 million to total operating income in 2017.
- An actuarial assessment of amendments to HSBC Bermuda’s post-retirement benefit plan reduced consolidated operating expenses for 2017 by US\$55 million.
- A US\$55 million increase in legal provisions recorded in 2017 operating expenses.
- A US\$21 million impairment on buildings recorded in 2016 operating expenses.
- US\$23 million from four months of contribution and the gain on sale of our Private Banking operations, included in net profit for 2016.

Excluding these notable items, adjusted consolidated financial performance for 2017 was as follows:

- Net profit was US\$140 million, an increase of US\$25 million or 22% compared with US\$115 million in the prior year.
- Total operating income before loan impairment charges showed a 3% increase from US\$272 million to US\$280 million.
- Loan impairment charges reduced from US\$19 million to US\$1 million.
- Operating expenses in 2017 were US\$139 million, consistent with 2016.

Other financial items of note:

- Total assets of US\$9,027 million at 31 December 2017, decreased by 7% compared with the prior year end.
- Total loans and advances to customers were US\$2,281 million at 31 December 2017, in line with the prior year end.
- Total loan impairment provisions as a percentage of total gross loans and advances to customers decreased to 6.4% at 31 December 2017, compared with 6.9% at the prior year end.
- Total capital adequacy ratio was 22% at 31 December 2017, a decrease compared to 24% at the prior year end.
- HSBC Bermuda adopted new accounting standard IFRS 9 on 1 January 2018 which changed the way loan impairments are measured. This implementation did not have a significant impact on the bank's consolidated shareholder's equity or capital position.

The following commentary excludes the impact of the notable items noted above.

HSBC Bermuda total operating income before loan impairment charges increased from US\$272 million to US\$280 million in 2017 due to higher net interest income.

Total loan impairment charges decreased from US\$19 million in 2016 to US\$1 million in 2017 due to the improved economic environment together with a number of recoveries. Non-performing loans decreased from 17.8% to 14.7% of the total portfolio.

Consolidated operating expenses of US\$139 million were consistent with 2016. HSBC Bermuda continues to closely manage its cost base which has allowed it to invest in its financial crime compliance programme and to absorb other regulatory costs. The cost efficiency ratio in 2017 remained comparable to 2016 at around 50%.

The balance sheet remains conservative with strong capital and liquidity positions.

Mark Watkinson, Chief Executive Officer and Director, HSBC Bermuda, said "I am pleased with the financial performance of the business in 2017. All our core businesses delivered revenue and profitability ahead of prior year and the Bank's capital and liquidity positions remain robust.

Despite the recent stock market volatility the US economy remains strong with encouraging signs around growth and employment. This is likely to have a positive spillover effect for Bermuda's economy. The recent tax changes in the US have caused some initial uncertainty in the international business sector and this is going to need close monitoring.

The continuing fight against financial crime remains a top priority for the financial services sector in Bermuda. While banks across the local market have sought to mitigate the customer impact, the importance of a strong review by the Caribbean Financial Action Task Force ('CFATF') later this year to cement Bermuda's reputation as a top quality financial centre cannot be over emphasised.

While the day to day challenges of running a business remain very real, I am proud of my team and their commitment to serving our community. In the fourth quarter alone, through our partnership with Eliza DoLittle, HSBC staff prepared and served over 1,300 hot meals and distributed groceries to almost 9,000 of our less fortunate community members.

On behalf of the Board and the executive team, I would like to thank our customers for their continued support and our staff for their hard work and loyalty in what has been a very successful year."

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**Note to editors:**

**HSBC Holdings plc**

HSBC Holdings plc, the parent company of the HSBC Group, is headquartered in London. The Group serves customers worldwide from around 3,900 offices in 67 countries and territories in Europe, Asia, North and Latin America, and the Middle East and North Africa. With assets of US\$2,522bn at 31 December 2017, HSBC is one of the world's largest banking and financial services organisations.

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