

21 February 2019

HSBC BANK BERMUDA LIMITED 'HSBC BERMUDA' YEAR END 2018 RESULTS

**** HSBC Bermuda delivers consistent strong performance ****

Consolidated reported performance for the year ended 31 December 2018:

- Net profit of US\$139 million, a decrease of US\$23 million or 14% compared with the prior year.
- Total operating income before expected credit losses was US\$280 million, a decrease of US\$22 million or 7% compared with the prior year.
- Change in expected credit losses for 2018 was a favourable US\$3 million release compared to US\$1 million loan impairment charges in 2017.
- Total operating expenses increased by US\$4 million or 3% to US\$143 million.

The prior year 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.
- An increase in legal provisions of US\$55 million recorded in 2017 total operating expenses.

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

- Net profit was US\$139 million, a decrease of US\$1 million or 1% compared with the prior year.
- Total operating income before loan impairment charges was US\$280 million, consistent with 2017.
- Change in expected credit losses for 2018 was a favourable US\$3 million release compared to a US\$1 million loan impairment charge in 2017.
- Operating expenses increased by US\$4 million or 3% to US\$143 million.

Other financial items of note:

- Total assets of US\$8,077 million at 31 December 2018, decreased by 11% compared with the prior year end.
- Total loans and advances to customers were US\$2,191 million at 31 December 2018, a reduction of 4% compared with the prior year end.
- Total allowance for expected credit losses as a percentage of total gross loans and advances to customers decreased to 5.7% at 31 December 2018, compared with 6.4% at the prior year end.
- Total capital adequacy ratio was 26% at 31 December 2018, an increase compared to 22% 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's total operating income before expected credit losses remained flat compared to 2017 at US\$280 million, with increases in net interest income and fee income offset by lower investment portfolio gains.

The change in expected credit losses for 2018 of a US\$3 million release was due to a number of recoveries on previously written down loans. The overall level of impaired loans remained consistent at around US\$360 million.

Consolidated operating expenses of US\$143 million were up US\$4 million on the prior year from continued investment in systems and regulatory programmes, as well as the non-recurrence of an insurance recovery in 2017. The cost efficiency ratio in 2018 remained comparable to 2017 at around 51%.

Steve Banner, Chief Executive Officer and Director, HSBC Bermuda, said: "These financial results demonstrate the ongoing strength of the business here in Bermuda. Our revenues were stable, our balance sheet remains conservatively positioned and our capital and liquidity metrics continue to provide capacity for growth."

"HSBC seeks to help local customers achieve their goals and aspirations, and connects the Bermudian economy to the rest of the world.

"We invest in our people, and during the past year more than 250 overseas trips were undertaken by employees so they could attend training, participate in events and/or gain valuable work experience in other HSBC locations.

"We also invest in our community, through various volunteering and charitable initiatives, and through the sponsorship of community events such as the Agricultural Show, the Christmas Boat Parade and, of course, Cup Match.

"On behalf of the HSBC Bermuda Board and Executive team, I thank our customers for their ongoing loyalty and commitment and our employees for their continued dedication in what has been a successful year."

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Notes to editors:

1. 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 37 Front Street Hamilton is licensed to conduct Banking and Investment Business by the Bermuda Monetary Authority.

2. HSBC Holdings plc

HSBC Holdings plc, the parent company of the HSBC Group, is headquartered in London. The Group serves customers worldwide across 66 countries and territories in Europe, Asia, North and Latin America, and the Middle East and North Africa. With assets of US\$2,558bn at 31 December 2018, HSBC is one of the world's largest banking and financial services organisations.

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