

March 4, 2016

## HSBC BANK BERMUDA LIMITED YEAR END 2015 RESULTS - HIGHLIGHTS

- Consolidated reported net profit of US\$87m for the year ended 31 December 2015, an increase of US\$39m or 81% compared with US\$48 million in the prior year.
- Consolidated net operating income of US\$268m for the year ended 31 December 2015, an increase of US\$7m or 3%.
- Consolidated operating expenses for the year ended 31 December 2015 of US\$175m, a decrease of US\$18m or 9%.
- Total assets of US\$11,992m at 31 December 2015, an increase of 5% compared with the prior year end.
- Total loans and advances to customers at US\$2,449m at 31 December 2015, a decrease of 17% compared with the prior year end.
- Total loan impairment provisions as a percentage of total gross loans and advances to customers increased slightly to 5% at 31 December 2015, compared to 4% for the prior year.
- Total capital adequacy ratio is 22% at 31 December 2015, under Basel III rules (24% at 31 December 2014 under Basel II).

HSBC Bank Bermuda Limited's (HSBC Bermuda) total operating income before loan impairment charges reduced by US\$22m or 7% which reflected the sale of much of the bank's Cayman operations in 2014, as well as the economic environment. Net operating income increased as the business benefited from the impact of lower loan impairment charges.

Total loan impairment charges decreased from US\$64m in 2014 to US\$36m in 2015. Non-performing loans continue to represent 17% of the total loan portfolio.

The 9% reduction in operating expenses largely reflects the sale of much of the Cayman operations in 2014. HSBC Bermuda continued to exercise strong cost discipline while investing in technology and financial crime monitoring. The headcount in Bermuda remained stable during the year.

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As announced in October 2015, HSBC Bermuda made the decision to sell its Private Banking operations, and 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'). These three businesses represent over 90% of total revenues. The net profit from the continuing operations (RBWM, CMB and GB&M) was US\$92m for the year (an increase of US\$23m or 33% from prior year) with a cost efficiency ratio of 59%.

The balance sheet remains conservatively positioned and strong capital and liquidity positions are being maintained, which exceed the regulatory requirements under Basel III.

The core businesses all delivered positive contributions to the bank's profitability in 2015. RBWM, particularly towards the end of the year, saw higher levels of demand for mortgages. CMB benefited from a more benign credit environment. The GB&M franchise continues to leverage the HSBC Group's international network and work closely with colleagues in the US and elsewhere in the HSBC Group.

Mark Watkinson, Chief Executive Officer, HSBC Bermuda, said: "Banks continue to operate in a challenging economic environment, both globally and in Bermuda. The overall results were solid against a difficult global background. However, we continue to be a liquid and well capitalized business, ready to support the Bermuda economy and our customers.

"Contribution to communities is an important part of the HSBC Group's approach to sustainability. HSBC Bermuda is aligned with HSBC's global community investment and sponsorship strategies and is committed to supporting programmes and events in the local community.

"In 2006, HSBC Bermuda launched its Staff Volunteer Community Action Day Programme, providing all permanent, full-time HSBC Bermuda staff with time off from work to volunteer on various projects. In 2015, 147 HSBC staff contributed 500 volunteer hours in support of educational, environmental and community initiatives. To date, these efforts have accumulated a total of 9,000 hours of community service since programme inception.

"On behalf of the Board and the executive team, I would like to thank our customers for their continued support and confidence in the Bank and our staff for their commitment and hard work during 2015."

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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 6,000 offices in 71 countries and territories in Asia, Europe, North and Latin America, and the Middle East and North Africa. With assets of US\$2,410bn at 31 December 2015, HSBC is one of the world's largest banking and financial services organisations.

**2. HSBC Bermuda**

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