

5 August 2013

## HSBC BANK CANADA SECOND QUARTER 2013 RESULTS

- Profit was C\$130m for the quarter ended 30 June 2013, a decrease of 35% compared with the same period in 2012. Profit was C\$319m for the first half of 2013, a decrease of 24% compared with the same period in 2012.
- Profit attributable to common shareholders was C\$113m for the quarter ended 30 June 2013, a decrease of 39% compared with the same period in 2012. Profit attributable to common shareholders was C\$284m for the first half of 2013, a decrease of 26% compared with the same period in 2012.
- Return on average common equity was 10.6% for the quarter ended 30 June 2013 and 13.4% for the first half of 2013 compared with 18.4% and 19.1% respectively for the same periods in 2012.
- The cost efficiency ratio was 50.1% for the quarter ended 30 June 2013 and 47.4% for the first half of 2013 compared with 45.4% and 48.1% respectively for the same periods in 2012.
- Total assets were C\$84.3bn at 30 June 2013 compared with C\$82.1bn at 30 June 2012.
- Total assets under administration increased to C\$20.3bn at 30 June 2013 from C\$18.3bn at 30 June 2012.
- Common equity tier 1 capital ratio was 10.8%, tier 1 ratio 13.6% and the total capital ratio 15.5% at 30 June 2013 determined using regulatory guidelines in accordance with the Basel III capital adequacy framework adopted with effect from 1 January 2013.

*The abbreviations "C\$m" and "C\$bn" represent millions and billions of Canadian dollars, respectively.*

## Overview

HSBC Bank Canada recorded profit of C\$130m for the second quarter of 2013, a decrease of C\$71m, or 35%, compared with the second quarter of 2012, and a decrease of C\$59m, or 31%, compared with the first quarter of 2013. Profit for the first half of 2013 was C\$319m, a decrease of C\$101m, or 24% compared with the first half of 2012. Profit attributable to common shareholders was C\$113m for the second quarter of 2013, a decrease of C\$71m, or 39%, compared with the second quarter of 2012, and a decrease of C\$58m, or 34%, compared with the first quarter of 2013. Profit attributable to common shareholders was C\$284m for the first half of 2013, a decrease of C\$101m, or 26% compared with the first half of 2012.

The decrease in profit compared with the same quarter last year and the prior quarter is mainly due to lower other operating income as result of a reduction in fair value of an investment property held for sale, higher loan impairment charges from increased specific provisions, and lower gains on the disposal of available-for-sale financial investments. In addition, profit decreased compared with the same quarter last year due to lower net interest income from narrowing net interest spread, partially offset by lower operating expenses as a result of cost control and continued delivery of our organizational effectiveness programmes, which resulted in sustainable cost savings.

The first half of 2012 included a gain on the sale of the full service brokerage business of C\$84m and a restructuring charge of C\$36m mostly relating to the wind-down of the consumer finance business. Excluding the impact of these items and their effect on income tax expense, profit for the first half of 2013 decreased by C\$54m, or 11%, compared with the same period last year mainly due to lower net interest income from narrowing net interest spread and lower other operating income as result of a reduction in fair value of an investment property held for sale. The decrease is partially offset by lower operating expenses as a result of cost control and continued delivery of our organizational effectiveness programmes, which resulted in sustainable cost savings, higher net trading income as a result of a change in valuation methodology on derivatives to reflect evolving market practises and higher net fee income from growth in commercial credit facilities and funds under management.

Commenting on the results, Paulo Maia, President and Chief Executive Officer of HSBC Bank Canada, said:

“The bank continues to report a good level of profitability amid a challenging interest rate environment as a result of our focus on building our core businesses, deepening client relationships, and continued improvements in the efficiency of our operations in Canada, consistent with HSBC's global strategy. The growth of commercial credit facilities and funds under management in the first half of 2013, in a low growth economy, demonstrates the value our customers place on our ability to connect internationally-minded Canadians to opportunities around the world.”

## Analysis of Consolidated Financial Results for the Second Quarter of 2013

**Net interest income** for the second quarter of 2013 was C\$340m, a decrease of C\$32m, or 9%, compared with the second quarter of 2012, and an increase of C\$4m, or 1%, compared with the first quarter of 2013. Net interest income was C\$676m for the first half of 2013, a decrease of C\$94m, or 12%, compared with the same period in 2012. Net interest income decreased compared with 2012 mainly due to declining loan balances in connection with the wind-down of the consumer finance business and lower net interest spread, partially offset by growth in average customer deposits. Net interest income increased compared to the prior quarter mainly due to deposit growth, partially offset by lower net interest spread and declining loan balances in connection with the wind-down of the consumer finance business.

**Net fee income** for the second quarter of 2013 was C\$154m, an increase of C\$7m, or 5%, compared with the second quarter of 2012, and an increase of C\$8m, or 6%, compared with the first quarter of 2013. Net fee income was C\$300m for the first half of 2013, an increase of C\$10m, or 3%, compared

with the same period in 2012. The increases in net fee income were mainly due to a growth in commercial credit facilities and funds under management, partially offset by lower trustee fees.

**Net trading income** for the second quarter of 2013 was C\$45m, a decrease of C\$2m, or 4% compared with the second quarter of 2012, and a decrease of C\$12m, or 21%, compared with the first quarter of 2013. Net trading income was C\$102m for the first half of 2013, an increase of C\$15m, or 17%, compared with the same period in 2012. The decreases compared with the same quarter in 2012 and the prior quarter is mainly due to declining customer spreads and trading volume related to foreign exchange products. In the first quarter of 2013, the bank implemented changes in the methodology in respect of credit and debit valuation adjustments on derivative contracts to reflect evolving market practises. The change in methodology, contributed to a further decrease compared with the prior quarter. Net trading income increased compared with the first half of 2012, mainly as a result of the change in methodology previously noted. In addition, net trading income in the first half of 2012 was adversely impacted by losses caused by the narrowing of credit spreads on our own debt instruments.

**Net expense from financial instruments designated at fair value** for the second quarter of 2013 was nil, a decrease of C\$2m and C\$3m respectively compared with the second quarter of 2012 and the first quarter of 2013. Net expense from financial instruments designated at fair value was C\$3m for the first half of 2013, a decrease of C\$13m, compared with the same period in 2012. The bank designates certain of its own subordinated debentures to be recorded at fair value. Income and expense are largely as a result of the widening or narrowing of credit spreads decreasing or increasing the fair value of these subordinated debentures, respectively.

**Gains less losses from financial investments** for the second quarter of 2013 were C\$15m, a decrease of C\$13m and C\$20m respectively compared with the second quarter of 2012 and first quarter of 2013. Gains less losses from financial investments were C\$50m for the first half of 2013, an increase of C\$5m, or 11% compared with the same period in 2012. Gains less losses from financial investments decreased compared with the same quarter in 2012 and the prior quarter due to lower total gains realized from disposals of available-for-sale financial investments driven by balance sheet management activities. Gains less losses from financial investments increased compared with the first half of 2012 for similar reasons.

**Other operating income** for the second quarter of 2013 was a loss of C\$23m, a decrease of C\$45m and C\$36m respectively compared with the second quarter of 2012, and the first quarter of 2013. Other operating income was a loss of C\$10m for the first half of 2013, a decrease of C\$45m compared with the same period in 2012. The decreases are primarily due to a reduction in fair value of an investment property held for sale recorded in the second quarter of 2013.

**Gain on the sale of the full service retail brokerage business.** The sale of the full service retail brokerage business closed on 1 January 2012 and resulted in a gain of C\$84m, net of assets written off and directly related costs as reported in the first half of 2012.

**Loan impairment charges and other credit risk provisions** for the second quarter of 2013 were C\$84m, an increase of C\$25m, or 42%, compared with the second quarter of 2012, and an increase of C\$28m, or 50%, compared with the first quarter of 2013. Loan impairment charges and other credit provisions were C\$140m for the first half of 2013, an increase of C\$33m, or 31%, compared with the same period in 2012. The increases are primarily due to higher specific provisions notably in the energy and real estate sectors.

**Total operating expenses (excluding restructuring charges)** for the second quarter of 2013 were C\$266m, a decrease of C\$13m, or 5%, compared with the second quarter of 2012, and an increase of C\$3m, or 1%, compared with the first quarter of 2013. Total operating expenses were C\$529m for the first half of 2013, a decrease of C\$58m, or 10%, compared with the same period in 2012. The decrease in total operating expenses compared with 2012 is as a result of cost control and continued delivery of our organizational effectiveness programmes, which resulted in sustainable cost savings of C\$17m in the first half of 2013. Cumulative sustainable cost savings from 2011 to the end of the first half of 2013 are in excess of C\$100m. The increase in total operating expenses compared with the prior quarter is due to a reduction in incentive provisions and software license credits recorded in the first quarter of 2013.

**Restructuring charges** of C\$36m were recognized in the first quarter of 2012 mainly relating to the wind-down of the bank's consumer finance business.

**Income tax expense.** The effective tax rate in the second quarter of 2013 was 28.8%, compared with 27.5% in the second quarter of 2012 and 30.0% in the first quarter of 2013. The effective tax rate was 29.5% for the first half of 2013, compared with 26.1% for the same period in 2012. The higher effective tax rates compared with the prior year was due to an increase in the statutory corporate income tax rate and a tax adjustment relating to prior periods in 2013. Income tax expense in the first quarter 2013 included a tax adjustment relating to prior periods that resulted in a higher effective tax rate compared with the second quarter of 2013.

### Statement of Financial Position

Total assets at 30 June 2013 were C\$84.3bn, an increase of C\$3.6bn from C\$80.7bn at 31 December 2012, mainly due to increases of C\$2.2bn in both trading assets and loans and advances to banks, and C\$0.3bn in derivative assets. The increase was partially offset by a decrease of C\$0.6bn in loans and advances to customers and C\$0.6bn in financial investments. The growth in trading assets is due to a higher holding of government and agency bonds as a result of increased trading activity in the rates business and a higher holding of pending settlement trading accounts. The growth in loans and advances to banks is due to a higher holding of reverse repurchase agreements from increased liquidity and balance sheet management activities. Excluding reverse repurchase agreements, loans and advances to banks decreased marginally by C\$0.2bn. Loans and advances to customers decreased by C\$1.3bn mainly as a result of declining mortgage balances and consumer finance loan balances as a result of the decision to wind-down the consumer finance business in Canada, partially offset by an increase of C\$0.7bn in reverse repurchase agreements from increased liquidity and balance sheet management activities.

Liquid assets increased to C\$26.8bn at 30 June 2013, compared to C\$24.3bn at 31 December 2012 mainly as a result of deposit growth, debt issuance and declining mortgage and consumer finance loan balances. Refer to the 'Use of non-IFRS financial measures' for a definition of liquid assets.

Total liabilities at 30 June 2013 were C\$79.0bn, an increase of C\$3.7bn from C\$75.3bn at 31 December 2012, mainly due to increases of C\$1.5bn in trading liabilities, C\$1.3bn in debt securities in issue and C\$1.2bn in customer accounts, partially offset by a decrease of C\$0.6bn in deposits by banks. The increase in trading liabilities is as a result of increased activity in the rates business. The increase in debt securities in issue is due to C\$2.5bn wholesale term funding issuance during the first half of 2013, partially offset by \$1.1bn in secured funding maturities. The increase in customer accounts is mainly due to growth in savings, deposits and current accounts, partially offset by lower repurchase agreements from balance sheet management activities. The decrease in deposit by banks is mainly due to lower repurchase agreements and treasury money market deposits from balance sheet management activities.

## **Business Performance in the Second Quarter of 2013**

### **Commercial Banking**

Profit before income tax expense was C\$70m for the second quarter of 2013, a decrease of C\$78m, or 53%, compared with the second quarter of 2012, and a decrease of C\$53m, or 43%, compared with the first quarter of 2013. Profit before income tax expense was C\$193m for the first half of 2013, a decrease of C\$112m, or 37%, compared with the same period in 2012. The decrease in profit before income tax is mainly due to lower operating income from a reduction in fair value of an investment property held for sale, higher loan impairment charges and other credit risk provisions, notably in the energy and real estate sectors as well as a decline in net interest income from lower net interest spread. The decrease is partially offset by higher net fee income resulting from growth in credit facilities and transaction volume.

### **Global Banking and Markets**

Profit before income tax expense was C\$67m for the second quarter of 2013, a decrease of C\$17m, or 20%, compared with the second quarter of 2012 and a decrease of C\$36m, or 35%, compared with the first quarter of 2013. Profit before income tax expense was C\$170m for the first half of 2013, unchanged compared with the same period in 2012. The decrease in profit before income tax compared with both the same quarter last year and the prior quarter is due to lower total gains realized from disposals of available-for-sale financial investments and lower net trading income as a result of lower foreign exchange customer revenue and a change in valuation methodology on derivatives in the first quarter of 2013.

### **Retail Banking and Wealth Management**

Profit before income tax expense for the second quarter of 2013 was C\$18m, an increase of C\$12m compared with second quarter of 2012, and an increase of C\$4m, or 29%, compared with the first quarter of 2013. Profit before income tax expense was C\$32m for the first half of 2013, a decrease of C\$66m, or 67%, compared with the same period in 2012. Profit before income taxes increased compared with the same quarter last year mainly due to lower total operating expenses as a result of cost control and continued delivery of our organizational effectiveness programmes. Profit before income taxes increased compared with the prior quarter mainly due to higher net fee income driven by sustained growth in customer investment through our wealth management business. Profit before income tax in the first half of 2012 benefitted from a gain on the sale of the full service retail brokerage business partially offset by related restructuring charges. Excluding these items, profit before income tax expense increased by C\$8m compared with the first half of 2012 mainly due to fee income growth and lower operating expenses as a result of cost control and continued delivery of our organizational effectiveness programmes, partially offset by lower net interest income due to a decline in average loan balances and lower net interest spread.

**Consumer Finance**

Profit before income tax expense was C\$27m for the second quarter of 2013, a decrease of C\$9m, or 25%, compared with the second quarter of 2012, and a decrease of C\$8m, or 23%, compared with the first quarter of 2013. Profit before income tax expense was C\$62m for the half year ended 30 June 2013, an increase of C\$43m compared with the same period in 2012. Profit before income tax decreased compared with both the same quarter last year and the prior quarter due to lower net interest income driven by lower average loan balances following the decision in March 2012 to wind-down the consumer finance business in Canada. In the first half of 2012, \$34m in restructuring costs were incurred relating to the wind-down. Excluding the restructuring costs, profit before income tax expense increased by \$9m compared with the first half of 2012 mainly due to lower operating expenses and loan impairment charges, partially offset by lower net interest income as a result of declining average loan balances.

**Other**

Activities or transactions which do not relate directly to the above business segments are reported in Other. The main items reported under Other include gains and losses from the impact of changes in credit spreads on our own subordinated debentures designated at fair value and revenue and expense related to information technology services provided to HSBC Group companies on an arm's length basis. Profit before income tax expense for the second quarter of 2013 was nil, compared with a profit of C\$3m in the second quarter of 2012 and a loss of C\$6m in the first quarter of 2013. Profit before income tax expense was a loss of C\$6m for the first half of 2013 compared with a loss of C\$25m for the first half of 2012. The variances from comparative periods are primarily due to the impact of the items noted above.

**Dividends**

During the second quarter of 2013, the bank declared and paid C\$90m in dividends on HSBC Bank Canada common shares, an increase of C\$8m from the same period in 2012. The bank declared and paid C\$180m in dividends on common shares during the first half of 2013, an increase of C\$15m from the same period in 2012.

Regular quarterly dividends of 31.875 cents per share have been declared on HSBC Bank Canada Class 1 Preferred Shares – Series C, 31.25 cents per share on Class 1 Preferred Shares – Series D, 41.25 cents per share on Class 1 Preferred Shares – Series E and 7.75 cents per share on Class 2 Preferred Shares – Series B. Dividends will be paid on 30 September 2013, for shareholders of record on 13 September 2013.

**Use of non-IFRS financial measures**

HSBC Bank Canada uses certain non-IFRS financial measures to assess its performance. Non-IFRS financial measures are not defined by IFRS and do not have standardized meanings that would ensure consistency and comparability between companies using these measures. The following non-IFRS financial measures are used throughout this document and are defined below:

*Adjusted cost efficiency ratio* – Cost efficiency ratio adjusted to exclude gains and losses from financial instruments designated at fair value from net operating income before loan impairment charges and other credit risk positions for the period.

*Assets under administration* – These are assets administered by the bank on behalf of our customers. The bank does not recognise these assets on its consolidated statement of financial position because our customers are the beneficial owners.

*Average total shareholders' equity to average total assets* – Average shareholders' equity is calculated using month-end balances of total shareholders' equity for the period and average total assets are calculated using average daily balances for the period.

*Cost efficiency ratio* – Calculated as total operating expenses for the period divided by net operating income before loan impairment charges and other credit risk provisions for the period.

*Liquid assets* – These assets include high grade financial investments and reverse repurchase agreements, of which a certain amount is pledged as collateral to secure recognized liabilities, and contingent obligations within payment and depository clearing systems.

*Net interest income, net fee income and net trading income as a percentage of total operating income* – Net interest income, net fee income and net trading income for the period divided by net operating income before loan impairment charges and other credit risk provisions for the period.

*Post-tax return on average assets* – Profit attributable to common shareholders on an annualized basis divided by average assets, which is calculated using average daily balances for the period.

*Post-tax return on average risk weighted assets* – Profit attributable to common shareholders on an annualized basis divided by the average monthly balances of risk weighted assets for the period. Risk weighted assets are calculated using guidelines issued by OSFI in accordance with the Basel III capital adequacy framework (2012: Risk weighted assets are calculated using the guidelines issued by OSFI in accordance with the Basel II capital adequacy framework).

*Ratio of customer advances to customer accounts* – Loans and advances to customers divided by customer accounts, using period-end balances.

*Return on average common equity* – Profit attributable to common shareholders on an annualized basis divided by average common equity, which is calculated using month-end balances of common equity for the period.

**Caution concerning forward-looking statements**

This document contains forward-looking information, including statements regarding the business and anticipated actions of HSBC Bank Canada. These statements can be identified by the fact that they do not pertain strictly to historical or current facts. Forward-looking statements often include words such as ‘anticipates’, ‘estimates’, ‘expects’, ‘projects’, ‘intends’, ‘plans’, ‘believes’, and words and terms of similar substance in connection with discussions of future operating or financial performance. By their very nature, these statements require us to make a number of assumptions and are subject to a number of inherent risks and uncertainties that may cause actual results to differ materially from those contemplated by the forward-looking statements. We caution you to not place undue reliance on these statements as a number of risk factors could cause our actual results to differ materially from the expectations expressed in such forward-looking statements. These risk factors – many of which are beyond our control and the effects of which are difficult to predict – that could cause such differences include: capital management, credit, liquidity and funding, market, structural, and operational risks all of which are discussed in the Risk Management section in Management’s Discussion and Analysis of our Annual Report and Accounts 2012. Additional risk factors include: the impact of changes in laws and regulations including relating to the *Dodd-Frank Wall Street Reform and Consumer Protection Act* and the regulations issued and to be issued thereunder, the Basel Committee on Banking Supervision’s global standards for capital and liquidity reform, over-the-counter derivatives reform in Canada; technological changes and security; global capital market activity; the effects of changes in government monetary and economic policies; changes in prevailing interest rates; inflation levels; and the general business and economic market conditions in Canada and in geographic areas where we operate. Canada is an extremely competitive banking environment, and pressures on our net interest spread may arise from actions taken by individual banks or other financial institutions acting alone. Varying economic conditions may also affect equity and foreign exchange markets, which could also have an impact on our revenues. We caution you that the risk factors disclosed above are not exhaustive, and there could be other uncertainties and potential risk factors not considered here which may adversely affect our results and financial condition. Any forward-looking statements in this document speak only as of the date of this document. We do not undertake any obligation to, and expressly disclaim any obligation to, update or alter our forward-looking statements, whether as a result of new information, subsequent events or otherwise, except as required under applicable securities legislation.

**About HSBC Bank Canada**

HSBC Bank Canada, a subsidiary of HSBC Holdings plc, is the leading international bank in Canada. With around 6,600 offices in 80 countries and territories and assets of US\$ 2,645bn at 30 June 2013, the HSBC Group is one of the world’s largest banking and financial services organizations.

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Copies of HSBC Bank Canada’s second quarter 2013 interim report will be sent to shareholders in August 2013.

|   | Quarter ended   |                 |                  | Half-year ended |                 |
|---|-----------------|-----------------|------------------|-----------------|-----------------|
|   | 30 June<br>2013 | 30 June<br>2012 | 31 March<br>2013 | 30 June<br>2013 | 30 June<br>2012 |
| <b>For the period (C\$m)</b>  |                 |                 |                  |                 |                 |
| Profit before income tax expense  | 182             | 277             | 269              | 451             | 567             |
| Net operating income before loan impairment charges and other credit risk provisions                        | 531             | 614             | 584              | 1,115           | 1,295           |
| Profit attributable to common shareholders  | 113             | 184             | 171              | 284             | 385             |
| <b>At period-end (C\$m)</b>   |                 |                 |                  |                 |                 |
| Shareholders' equity  | 5,074           | 5,096           | 5,218            |                 |                 |
| Loan and advances to customers (net of impairment allowances)   | 44,946          | 46,126          | 46,003           |                 |                 |
| Customer accounts   | 49,505          | 47,097          | 48,184           |                 |                 |
| <b>Capital measures<sup>1</sup></b>   |                 |                 |                  |                 |                 |
| Common equity tier 1 capital ratio (%)  | 10.8            | n/a             | 11.1             |                 |                 |
| Tier 1 ratio (%)  | 13.6            | 13.8            | 13.9             |                 |                 |
| Total capital ratio (%)   | 15.5            | 16.1            | 15.9             |                 |                 |
| Assets-to-capital multiple  | 14.5            | 13.3            | 14.1             |                 |                 |
| Risk-weighted assets (C\$m)   | 36,467          | 35,637          | 36,171           |                 |                 |
| <b>Performance ratios (%)<sup>2</sup></b>   |                 |                 |                  |                 |                 |
| Return on average common equity   | 10.6            | 18.4            | 16.3             | 13.4            | 19.1            |
| Post-tax return on average total assets   | 0.53            | 0.89            | 0.82             | 0.67            | 0.94            |
| Post-tax return on average risk-weighted assets <sup>1</sup>  | 1.3             | 2.0             | 1.9              | 1.6             | 2.1             |
| <b>Credit coverage ratios (%)</b>   |                 |                 |                  |                 |                 |
| Loan impairment charges as a percentage of total operating income   | 15.8            | 9.6             | 9.6              | 12.6            | 8.3             |
| Loan impairment charges as a percentage of average gross customer advances and acceptances                  | 0.7             | 0.5             | 0.4              | 0.5             | 0.4             |
| Total impairment allowances outstanding as a percentage of impaired loans and acceptances at the period end | 58.4            | 47.6            | 50.1             | 58.4            | 47.6            |
| <b>Efficiency and revenue mix ratios (%)<sup>2</sup></b>  |                 |                 |                  |                 |                 |
| Cost efficiency ratio   | 50.1            | 45.4            | 45.0             | 47.4            | 48.1            |
| Adjusted cost efficiency ratio  | 50.1            | 45.3            | 44.8             | 47.3            | 47.5            |
| As a percentage of total operating income:  |                 |                 |                  |                 |                 |
| - net interest income   | 64.0            | 60.6            | 57.5             | 60.6            | 59.5            |
| - net fee income  | 29.0            | 23.9            | 25.0             | 26.9            | 22.4            |
| - net trading income  | 8.5             | 7.7             | 9.8              | 9.1             | 6.7             |
| <b>Financial ratios (%)<sup>2</sup></b>   |                 |                 |                  |                 |                 |
| Ratio of customer advances to customer accounts   | 90.8            | 97.9            | 95.5             |                 |                 |
| Average total shareholders' equity to average total assets  | 6.0             | 6.0             | 6.2              |                 |                 |
| <b>Total assets under administration (C\$m)<sup>2</sup></b>   |                 |                 |                  |                 |                 |
| Funds under management  | 19,220          | 17,339          | 19,290           |                 |                 |
| Custodial accounts  | 1,106           | 949             | 1,121            |                 |                 |
| Total assets under administration   | <u>20,326</u>   | <u>18,288</u>   | <u>20,411</u>    |                 |                 |

1 Effective 1 January 2013, regulatory information is determined using regulatory guidelines in accordance with the Basel III capital adequacy framework. Comparative regulatory information for 2012 periods, were not restated and are determined using regulatory guidelines in accordance with the Basel II capital adequacy framework.

2 Refer to the 'Use of non-IFRS financial measures' section of this document for a discussion of non-IFRS financial measures.

| <i>Figures in C\$m</i><br><i>(except per share amounts)</i>                                | Quarter ended           |                 |                  | Half-year ended         |                 |
|--|-------------------------|-----------------|------------------|-------------------------|-----------------|
|  | <b>30 June<br/>2013</b> | 30 June<br>2012 | 31 March<br>2013 | <b>30 June<br/>2013</b> | 30 June<br>2012 |
| Interest income  | <b>534</b>              | 565             | 517              | <b>1,051</b>            | 1,151           |
| Interest expense   | <b>(194)</b>            | (193)           | (181)            | <b>(375)</b>            | (381)           |
| Net interest income  | <b>340</b>              | 372             | 336              | <b>676</b>              | 770             |
| Fee income   | <b>181</b>              | 168             | 166              | <b>347</b>              | 336             |
| Fee expense  | <b>(27)</b>             | (21)            | (20)             | <b>(47)</b>             | (46)            |
| Net fee income   | <b>154</b>              | 147             | 146              | <b>300</b>              | 290             |
| Trading income excluding net interest income   | <b>33</b>               | 39              | 47               | <b>80</b>               | 71              |
| Net interest income on trading activities  | <b>12</b>               | 8               | 10               | <b>22</b>               | 16              |
| Net trading income   | <b>45</b>               | 47              | 57               | <b>102</b>              | 87              |
| Net expense from financial instruments designated at fair value                            | –                       | (2)             | (3)              | <b>(3)</b>              | (16)            |
| Gains less losses from financial investments   | <b>15</b>               | 28              | 35               | <b>50</b>               | 45              |
| Other operating income/(expense)   | <b>(23)</b>             | 22              | 13               | <b>(10)</b>             | 35              |
| Gain on the sale of the full service retail brokerage business                             | –                       | –               | –                | –                       | 84              |
| <b>Net operating income before loan impairment charges and other credit risk provision</b> | <b>531</b>              | 614             | 584              | <b>1,115</b>            | 1,295           |
| Loan impairment charges and other credit risk provisions                                   | <b>(84)</b>             | (59)            | (56)             | <b>(140)</b>            | (107)           |
| <b>Net operating income</b>  | <b>447</b>              | 555             | 528              | <b>975</b>              | 1,188           |
| Employee compensation and benefits   | <b>(158)</b>            | (167)           | (156)            | <b>(314)</b>            | (358)           |
| General and administrative expenses  | <b>(96)</b>             | (99)            | (95)             | <b>(191)</b>            | (204)           |
| Depreciation of property, plant and equipment  | <b>(8)</b>              | (8)             | (9)              | <b>(17)</b>             | (17)            |
| Amortization and impairment of intangible assets   | <b>(4)</b>              | (5)             | (3)              | <b>(7)</b>              | (8)             |
| Restructuring charges  | –                       | –               | –                | –                       | (36)            |
| <b>Total operating expenses</b>  | <b>(266)</b>            | (279)           | (263)            | <b>(529)</b>            | (623)           |
| <b>Operating profit</b>  | <b>181</b>              | 276             | 265              | <b>446</b>              | 565             |
| Share of profit in associates  | <b>1</b>                | 1               | 4                | <b>5</b>                | 2               |
| <b>Profit before income tax expense</b>  | <b>182</b>              | 277             | 269              | <b>451</b>              | 567             |
| Income tax expense   | <b>(52)</b>             | (76)            | (80)             | <b>(132)</b>            | (147)           |
| <b>Profit for the period</b>   | <b>130</b>              | 201             | 189              | <b>319</b>              | 420             |
| Profit attributable to common shareholders   | <b>113</b>              | 184             | 171              | <b>284</b>              | 385             |
| Profit attributable to preferred shareholders  | <b>15</b>               | 15              | 15               | <b>30</b>               | 30              |
| Profit attributable to shareholders  | <b>128</b>              | 199             | 186              | <b>314</b>              | 415             |
| Profit attributable to non-controlling interests   | <b>2</b>                | 2               | 3                | <b>5</b>                | 5               |
| Average number of common shares outstanding (000's)  | <b>498,668</b>          | 498,668         | 498,668          | <b>498,668</b>          | 498,668         |
| Basic earnings per common share  | <b>0.23</b>             | 0.37            | 0.34             | <b>0.57</b>             | 0.77            |

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Figures in C\$m

|  | At 30 June<br>2013 | At 30 June<br>2012 | At 31 December<br>2012 |
|--|--------------------|--------------------|------------------------|
| <b>ASSETS</b>                                      |                    |                    |                        |
| Cash and balances at central bank                  | 66                 | 70                 | 56                     |
| Items in the course of collection from other banks | 110                | 142                | 90                     |
| Trading assets                                     | 7,522              | 6,009              | 5,272                  |
| Derivatives  | 2,096              | 2,158              | 1,810                  |
| Loans and advances to banks                        | 3,656              | 1,919              | 1,480                  |
| Loans and advances to customers                    | 44,946             | 46,126             | 45,572                 |
| Financial investments                              | 19,841             | 20,105             | 20,410                 |
| Other assets                                       | 891                | 668                | 911                    |
| Prepayments and accrued income                     | 218                | 240                | 165                    |
| Customers' liability under acceptances             | 4,785              | 4,459              | 4,737                  |
| Property, plant and equipment                      | 137                | 128                | 140                    |
| Goodwill and intangible assets                     | 70                 | 75                 | 71                     |
| Total assets                                       | <b>84,338</b>      | 82,099             | 80,714                 |
| <b>LIABILITIES AND EQUITY</b>                      |                    |                    |                        |
| <b>Liabilities</b>                                 |                    |                    |                        |
| Deposits by banks                                  | 1,579              | 1,747              | 2,173                  |
| Customer accounts                                  | 49,505             | 47,097             | 48,304                 |
| Items in the course of transmission to other banks | 149                | 374                | 71                     |
| Trading liabilities                                | 4,241              | 3,280              | 2,672                  |
| Financial liabilities designated at fair value     | 428                | 1,011              | 436                    |
| Derivatives  | 1,737              | 1,730              | 1,415                  |
| Debt securities in issue                           | 13,240             | 13,961             | 11,980                 |
| Other liabilities                                  | 2,259              | 1,964              | 2,389                  |
| Acceptances  | 4,785              | 4,459              | 4,737                  |
| Accruals and deferred income                       | 487                | 504                | 528                    |
| Retirement benefit liabilities                     | 295                | 320                | 309                    |
| Subordinated liabilities                           | 329                | 326                | 324                    |
| Total liabilities                                  | <b>79,034</b>      | 76,773             | 75,338                 |
| <b>Equity</b>                                      |                    |                    |                        |
| Common shares                                      | 1,225              | 1,225              | 1,225                  |
| Preferred shares                                   | 946                | 946                | 946                    |
| Other reserves                                     | 101                | 364                | 281                    |
| Retained earnings                                  | 2,802              | 2,561              | 2,694                  |
| Total shareholders' equity                         | <b>5,074</b>       | 5,096              | 5,146                  |
| Non-controlling interests                          | 230                | 230                | 230                    |
| Total equity                                       | <b>5,304</b>       | 5,326              | 5,376                  |
| Total equity and liabilities                       | <b>84,338</b>      | 82,099             | 80,714                 |

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*Figures in C\$m*

|  | Quarter ended           |                 |                  | Half-year ended         |                 |
|--|-------------------------|-----------------|------------------|-------------------------|-----------------|
|  | <b>30 June<br/>2013</b> | 30 June<br>2012 | 31 March<br>2013 | <b>30 June<br/>2013</b> | 30 June<br>2012 |
| Cash flows generated from/(used in):                                     |                         |                 |                  |                         |                 |
| – operating activities   | <b>1,786</b>            | (49)            | 887              | <b>2,673</b>            | (1,590)         |
| – investing activities   | <b>33</b>               | 243             | 426              | <b>459</b>              | (1,087)         |
| – financing activities   | <b>(107)</b>            | (99)            | (108)            | <b>(215)</b>            | (200)           |
| Net increase/(decrease) in cash and cash equivalents                     | <b>1,712</b>            | 95              | 1,205            | <b>2,917</b>            | (2,877)         |
| Cash and cash equivalents, beginning of period                           | <b>2,958</b>            | 1,905           | 1,753            | <b>1,753</b>            | 4,877           |
| Cash and cash equivalents, end of period                                 | <b>4,670</b>            | 2,000           | 2,958            | <b>4,670</b>            | 2,000           |
| Represented by:  |                         |                 |                  |                         |                 |
| – Cash and balances at central bank                                      | <b>66</b>               | 70              | 62               | <b>66</b>               | 70              |
| – Items in the course of transmission to other banks,<br>net             | <b>(39)</b>             | (232)           | 66               | <b>(39)</b>             | (232)           |
| – Loans and advances to banks of one month or less                       | <b>3,656</b>            | 1,919           | 2,742            | <b>3,656</b>            | 1,919           |
| – Treasury bills and certificates of deposits of three<br>months or less | <b>987</b>              | 243             | 88               | <b>987</b>              | 243             |
| Cash and cash equivalents, end of period                                 | <b>4,670</b>            | 2,000           | 2,958            | <b>4,670</b>            | 2,000           |

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We manage and report our operations according to our global businesses.

| <i>Figures in C\$m</i>   | Quarter ended           |                 |                  | Half-year ended         |                 |
|--|-------------------------|-----------------|------------------|-------------------------|-----------------|
|  | <b>30 June<br/>2013</b> | 30 June<br>2012 | 31 March<br>2013 | <b>30 June<br/>2013</b> | 30 June<br>2012 |
| <b>Commercial Banking</b>  |                         |                 |                  |                         |                 |
| Net interest income  | 171                     | 177             | 161              | 332                     | 357             |
| Net fee income   | 77                      | 72              | 75               | 152                     | 143             |
| Net trading income   | 8                       | 8               | 8                | 16                      | 16              |
| Other operating income/(expense)   | (35)                    | 7               | 2                | (33)                    | 12              |
| Net operating income before loan impairment charges and other credit risk provisions | 221                     | 264             | 246              | 467                     | 528             |
| Loan impairment charges and other credit risk provisions                             | (61)                    | (26)            | (39)             | (100)                   | (37)            |
| Net operating income   | 160                     | 238             | 207              | 367                     | 491             |
| Total operating expenses   | (91)                    | (91)            | (88)             | (179)                   | (188)           |
| Operating profit   | 69                      | 147             | 119              | 188                     | 303             |
| Share of profit in associates  | 1                       | 1               | 4                | 5                       | 2               |
| Profit before income tax expense   | <b>70</b>               | 148             | 123              | <b>193</b>              | 305             |
| <b>Global Banking and Markets</b>  |                         |                 |                  |                         |                 |
| Net interest income  | 40                      | 40              | 42               | 82                      | 86              |
| Net fee income   | 20                      | 19              | 18               | 38                      | 38              |
| Net trading income   | 24                      | 28              | 37               | 61                      | 50              |
| Gains less losses from financial investments   | 13                      | 28              | 33               | 46                      | 45              |
| Other operating income   | 1                       | 2               | –                | 1                       | 1               |
| Gain on the sale of the full service retail brokerage business                       | –                       | –               | –                | –                       | 8               |
| Net operating income before loan impairment charges and other credit risk provisions | 98                      | 117             | 130              | 228                     | 228             |
| Loan impairment (charges)/reversals and other credit risk provisions                 | (2)                     | –               | 2                | –                       | –               |
| Net operating income   | 96                      | 117             | 132              | 228                     | 228             |
| Total operating expenses   | (29)                    | (33)            | (29)             | (58)                    | (58)            |
| Profit before income tax expense   | <b>67</b>               | 84              | 103              | <b>170</b>              | 170             |
| <b>Retail Banking and Wealth Management</b>  |                         |                 |                  |                         |                 |
| Net interest income  | 86                      | 92              | 89               | 175                     | 197             |
| Net fee income   | 48                      | 44              | 43               | 91                      | 86              |
| Net trading income   | 7                       | 3               | 4                | 11                      | 6               |
| Other operating income   | 2                       | 3               | 3                | 5                       | 5               |
| Gain on the sale of the full service retail brokerage business                       | –                       | –               | –                | –                       | 76              |
| Net operating income before loan impairment charges and other credit risk provisions | 143                     | 142             | 139              | 282                     | 370             |
| Loan impairment charges and other credit risk provisions                             | (7)                     | (7)             | (7)              | (14)                    | (13)            |
| Net operating income   | 136                     | 135             | 132              | 268                     | 357             |
| Total operating expenses (excluding restructuring charges)                           | (118)                   | (129)           | (118)            | (236)                   | (257)           |
| Restructuring charges  | –                       | –               | –                | –                       | (2)             |
| Profit before income tax expense   | <b>18</b>               | 6               | 14               | <b>32</b>               | 98              |

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|  | Quarter ended   |                 |                  | Half-year ended |                 |
|--|-----------------|-----------------|------------------|-----------------|-----------------|
|  | 30 June<br>2013 | 30 June<br>2012 | 31 March<br>2013 | 30 June<br>2013 | 30 June<br>2012 |
| <i>Figures in C\$m</i>   |                 |                 |                  |                 |                 |
| <b>Consumer Finance</b>  |                 |                 |                  |                 |                 |
| Net interest income  | 49              | 72              | 52               | 101             | 145             |
| Net fee income   | 9               | 12              | 10               | 19              | 23              |
| Gains less losses from financial investments   | 2               | –               | 2                | 4               | –               |
| Other operating income   | 1               | –               | 1                | 2               | 2               |
| Net operating income before loan impairment charges and other credit risk provisions | 61              | 84              | 65               | 126             | 170             |
| Loan impairment charges and other credit risk provisions                             | (14)            | (26)            | (12)             | (26)            | (57)            |
| Net operating income   | 47              | 58              | 53               | 100             | 113             |
| Total operating expenses (excluding restructuring charges)                           | (20)            | (22)            | (18)             | (38)            | (60)            |
| Restructuring charges  | –               | –               | –                | –               | (34)            |
| Profit before income tax expense   | 27              | 36              | 35               | 62              | 19              |
| <b>Other</b>   |                 |                 |                  |                 |                 |
| Net interest expense   | (6)             | (9)             | (8)              | (14)            | (15)            |
| Net trading income   | 6               | 8               | 8                | 14              | 15              |
| Net expense from financial instruments designated at fair value                      | –               | (2)             | (3)              | (3)             | (16)            |
| Other operating income   | 8               | 10              | 7                | 15              | 15              |
| Net operating income/(expense)   | 8               | 7               | 4                | 12              | (1)             |
| Total operating expenses   | (8)             | (4)             | (10)             | (18)            | (24)            |
| Profit/(loss) before income tax expense  | –               | 3               | (6)              | (6)             | (25)            |

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