HSBC

23 February 2015

News Release

HSBC BANK CANADA
FOURTH QUARTER AND FULL YEAR 2014 RESULTS

- Profit before income tax expense was C$206m for the quarter ended 31 December 2014, a decrease of 11.2% compared with the same period in 2013. Profit before income tax expense was C$912m for the year ended 31 December 2014, a decrease of 2.4% compared with 2013. While there was positive growth in line with our strategy, the effect of repositioning the business and the low interest rate environment continued to negatively impact our bottom line.

- Profit attributable to the common shareholder was C$118m for the quarter ended 31 December 2014, a decrease of 28.0% compared with the same period in 2013. Profit attributable to the common shareholder was C$613m for the year ended 31 December 2014, a decrease of 0.5% compared with 2013.

- Return on average common equity was 10.5% for the quarter ended 31 December 2014 and 13.9% for the year ended 31 December 2014 compared with 15.2% and 14.5% respectively for the same periods in 2013.

- The cost efficiency ratio was 53.6% for the quarter ended 31 December 2014 and 52.2% for the year ended 31 December 2014 compared with 51.5% and 49.5% respectively for the same periods in 2013.

- Total assets were C$88.2bn at 31 December 2014 compared with C$84.3bn at 31 December 2013.

- Common equity tier 1 capital ratio was 10.6%, the tier 1 ratio was 12.0% and the total capital ratio was 13.5% at 31 December 2014.

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

This news release is issued by
HSBC Bank Canada

Overview

HSBC Bank Canada reported a profit before income tax expense of C$206m for the fourth quarter of 2014, a decrease of C$26m, or 11%, compared with the fourth quarter of 2013, and a decrease of C$25m, or 11%, compared with the third quarter of 2014. HSBC Bank Canada reported a profit before income tax expense for 2014 of C$912m, a decrease of C$22m, or 2%, compared with 2013.

The decrease in profit before income tax expense compared with Q4 2013 was primarily due to lower net interest income from the planned run-off of the consumer finance portfolio, a lower share of profit from associates and increased operating costs. This was partially offset by increased fee income from credit and wealth management. The decrease in profit before income tax expense compared with Q3 2014 is primarily due to specific loan impairment charges raised against a small number of specific exposures in the Commercial Banking business.

The decrease in profit before income tax expense for the year ended 31 December 2014 compared with the prior year was primarily due to the impact on interest income of declining loan balances from the run-off of the consumer finance portfolio, lower trading income from foreign exchange products, a lower share of profit in associates and higher operating expenses mainly due to continued investment made in implementing HSBC's global standards program, and other risk and compliance activities. This was partially offset by increased fee income from credit and wealth management products, lower loan impairment charges primarily from lower specific commercial loan provisions and the collective provisions as a result of the run-off consumer finance portfolio. In addition, an increase in other operating income reflected the non-recurrence of a reduction in the fair value of an investment property recorded in 2013.

In Commercial Banking, we improved our acquisition of new to bank customers across three target business segments with an increase in lending to these customers. However, the impacts of repositioning our Business Banking and Commercial Real Estate businesses in the early part of the year, together with lower levels of credit lines by existing customers, partially offset some of that growth.

Our Global Banking and Markets business continued to increase lending and credit activities with Global Banking clients including growth of the multinational segment. In addition, the Capital Financing business expanded its product offering to include Project and Export Financing, taking advantage of 50 years of HSBC Group expertise in this area. The persisting low volatility and low interest rate environment negatively impacted results.

Retail Banking and Wealth Management has grown its Premier and Advance customer base in 2014, strengthened its wealth management capabilities through the increase in dedicated relationship managers, and enhanced its digital offering to customers through the launch of Interac eTransfer capability. Although overall personal lending has decreased, residential mortgages have grown strongly during the year.

Commenting on the results, Paulo Maia, President and Chief Executive Officer of HSBC Bank Canada, said: "Canada remains one of the HSBC Group's priority growth markets. Over the past year, we have grown the business in line with our strategy with streamlined structures and a more sustainable cost base. And we continue to invest to more effectively serve our clients with the tools they need to do business internationally, and help internationally minded individuals to manage their finances. However, our bottom line continues to be impacted by the decisions taken to reposition the business in line with our strategy and the low interest rate environment."

Analysis of Consolidated Financial Results for the Fourth Quarter of 2014

Net interest income for the fourth quarter of 2014 was C$295m, a decrease of C$21m, or 7%, compared with the fourth quarter of 2013 and a decrease of C$8m, or 3% compared with the third quarter of 2014. Net interest income was C$1,212m for the year ended 31 December 2014, a decrease of C$99m, or 8%, compared with 2013. The decrease in net interest income compared to previous periods was primarily due to declining loan balances from the continued run-off of the consumer finance portfolio, lower higher-yielding personal loan volumes and the competitive pressures in a low interest rate environment.

Net fee income for the fourth quarter of 2014 was C$169m, an increase of C$18m, or 12% compared with the fourth quarter of 2013 and an increase of C$8m, or 5% compared with the third quarter of 2014. Net fee income was C$645m for the year ended 31 December 2014, an increase of C$42m, or 7%, compared with 2013. This increase was primarily due to higher fees from credit and wealth-related products and from higher funds under management resulting from increases in both sales as well as market values. This was partially offset by lower fees earned following the cancellation of the Canadian federal government's Immigrant Investor Program.

Net trading income for the fourth quarter of 2014 was C$39m, an increase of C$5m, or 15% compared with the fourth quarter of 2013, and an increase of C$4m, or 11%, compared with the third quarter of 2014. This increase compared with both comparative quarters was primarily due to hedge ineffectiveness recorded in these comparative periods. Trading revenue for the fourth quarter was reduced by C$4 million resulting from the initial adoption of a fair value adjustment reflecting the funding cost of uncollateralised derivative exposures. Net trading income was C$146m for the year ended 31 December 2014, a decrease of C$32m, or 18%, compared with 2013. This was mainly due to lower spreads on foreign exchange products, the impact of valuation adjustments on derivative contracts as a result in the narrowing of our own credit spreads as well as the impact of funding customer facilitation trading transactions.

Net expense from financial instruments designated at fair value for the fourth quarter of 2014 was a loss of C$1m, compared with a loss of C$2m in the fourth quarter of 2013 and unchanged from the third quarter of 2014. Net expense from financial instruments designated at fair value for the year ended 31 December 2014 was C$5m in line with 2013.

Gains less losses from financial investments for the fourth quarter of 2014 were C$3m, decreases of C$3m and C$4m respectively, compared with the fourth quarter of 2013 and the third quarter of 2014. Gains less losses from financial investments were C$56m for the year ended 31 December 2014, a decrease of C$2m, or 3%, compared with 2013. Balance Sheet Management recognized lower gains on sales of available-for-sale debt securities arising from the continued re-balancing of the Balance Sheet Management portfolio.

Other operating income for the fourth quarter of 2014 was C$14m, a decrease of C$5m and C$1m compared with the fourth quarter of 2013 and the third quarter of 2014 respectively. Other operating income was C$56m for the year ended 31 December 2014, C$40m higher than 2013. The decrease in the fourth quarter of 2014 compared with the same period in 2013 resulted from a reduction in the delivery of services to other Group companies. The increase for the year ended 31 December 2014 compared with 2013 primarily reflects the impact of the non-recurrence of a reduction in the fair value of an investment property recorded in 2013.

Loan impairment charges and other credit risk provisions for the fourth quarter of 2014 were C$37m, a marginal decrease compared with the fourth quarter of 2013 and an increase of C$20m compared with the third quarter of 2014. Loan impairment charges and other credit risk provisions were C$107m for the year ended 31 December 2014, a decrease of C$81m, or 43%, compared with 2013. The decrease in loan impairment charges and other credit risk provisions compared to the same periods in 2013 is primarily the result of a reduction in specifically assessed allowances and collectively assessed allowances due to the run-off consumer finance portfolio and lower levels of other personal lending. Loan impairment charges and other credit risk provisions for the fourth quarter of 2014 are higher than in the third quarter due to specifically assessed wholesale allowances raised against a small number of exposures.

Total operating expenses for the fourth quarter of 2014 were C$278m, an increase of C$8m, or 3%, and C$6m or 2% compared with the fourth quarter of 2013 and the third quarter of 2014 respectively. Total operating expenses were C$1,102m for the year ended 31 December 2014, an increase of C$32m, or 3%, compared with 2013. Employee compensation and benefits increased over the fourth quarter of 2013 due to growth of risk and compliance staff, but decreased over the third quarter of 2014 due to reductions in performance-based incentives. General and administrative expenses for the fourth quarter of 2014 increased over the third quarter for 2014 due to higher expenses for marketing and information technology systems. The change in total operating expenses for the year ended 31 December 2014 compared with 2013 was primarily due to continued investments in the implementation of HSBC's global standards and other risk and compliance activities.

Share of profit in associates for the fourth quarter of 2014 was C$2m, a decrease of C$15m compared with the fourth quarter of 2013 and an increase of C$2m compared to the third quarter of 2014. Share of profit in associates was C$11m for the year ended 31 December 2014, a decrease of C$20m compared with 2013. Share of profit in associates was lower compared with 2013 when two underlying investments performed particularly strongly and were realized, increasing the value of the bank's investment in private equity funds.

Income tax expense. The effective tax rate in the fourth quarter of 2014 was 39.7% compared with 21.7% in the fourth quarter of 2013 and 26.8% in the third quarter of 2014. The effective tax rate was 29.2% for 2014 compared with 26.7% for 2013. The higher income tax expense in the fourth quarter of 2014 resulted from the resolution and closure of multiple tax issues covering a number of years with Canadian tax authorities.

Statement of Financial Position

Total assets at 31 December 2014 were C$88.2bn, an increase of C$3.9bn from 31 December 2013. Trading assets increased by C$2.2bn due to timing of client trading settlements as well as increased holdings in trading assets. Derivatives increased by C$2.0bn due to considerably increased positions held on behalf of clients as well as the impact of recent changes in the value of the US dollar on values of forward foreign exchange contracts. This was matched by similar increases in the mark to market liabilities of derivatives. Loans and advances to customers increase by C$0.7bn, primarily due to increased term borrowing by Commercial Banking and Global Banking and Markets clients. Residential mortgages increased by almost C$0.6bn although this was largely offset by the planned run-off of the consumer finance portfolio and reductions in other personal lending. Customer acceptances increased by C$0.3bn due to increased utilization of customer credit facilities. Loans and advances to banks and non-trading reverse repurchase agreements increased by C$0.7bn while financial investments were reduced by C$1.7bn due to balance sheet management activities.

Total liabilities at 31 December 2014 were C$83.2bn, an increase of C$4.0bn from 31 December 2013. Repurchase agreements increased by C$2.6bn due to funding of increased asset trading noted above. Derivatives increased C$2.1bn due to client activities and the impact of foreign exchange movements on forward foreign exchange positions noted above. Liabilities under customer acceptances increased by C$0.3bn. Although we issued C$2.0bn in new medium term notes during the year, this was more than offset by secured funding maturities leading to a net reduction of C$0.7bn in debt securities in issue.

Total equity at 31 December 2014 was C$5.0bn, a decrease from C$5.1bn at 31 December 2013, primarily due to the redemption of C$250m preferred share capital in accordance with the bank's capital plan. The decrease in equity was partially offset by profits generated in the year.

Business Performance in the Fourth Quarter of 2014

Commercial Banking

Profit before income tax expense was C$119m for the fourth quarter of 2014, a decrease of C$41m, or 26% lower than the fourth quarter of 2013, and C$24m, or 17% lower than the third quarter of 2014. The decrease compared to the fourth quarter of 2013 is driven by narrowing of spreads, increased loan impairment charges raised against certain exposures and reduced income from associates as compared to the fourth quarter of 2013 when two underlying investments performed particularly strongly and were realized increasing the value of the bank's investment in private equity funds.

Profit before income tax expense for 2014 was C$567m an increase of C$44m, or 8%, compared with 2013. The increase was primarily due to the non-recurrence in other income of a reduction in the fair value of an investment property held for sale recorded in 2013, lower specific loan impairment charges and gains from financial investments partially offset by lower net interest income arising from repositioning of the portfolio. This increase was partially offset by higher operating expenses primarily related to investments in HSBC's global standards, risk and compliance activities and the impact of a revised methodology adopted by the HSBC Group for allocating functional support costs to the global lines of business.

Global Banking and Markets

Profit before income tax expense of C$59m for the fourth quarter of 2014, a decrease of C$3m, or 5%, compared with the fourth quarter of 2013, and a decrease of C$5m, or 8%, compared with the third quarter of 2014. The decrease in income from comparative periods was mainly due to increased collective provisions as well as lower gains on sale of financial instruments arising from balance sheet management.

Profit before income tax expense was C$264m for 2014, a decrease of C$23m, or 8% compared with 2013 due to lower trading income arising from lower spreads on foreign exchange products and lower gains on disposal from the continuing re-balancing of the financial investments portfolio. This decrease was partially offset by increased net interest income and increased net fee income arising from higher standby and debt capital market fees.

Retail Banking and Wealth Management

Profit before income tax expense of C$36m for the fourth quarter of 2014, an increase of C$27m or 300% compared with the fourth quarter of 2013, and an increase of C$5m, or 16%, compared with the third quarter of 2014. The increases resulted from increased sales of wealth management products and releases of collective provisions driven by a decline in other personal lending balances.

Profit before income tax expense was C$106m for 2014, a decrease of C$25m, or 19%, compared with 2013. Profit before income tax expense relating to ongoing business (excluding the run-off consumer finance portfolio) was C$76m for 2014, an increase of C$24m, or 46%, compared with 2013. Profit before income tax expense relating to ongoing business increased from the same period last year primarily due to a decrease in loan impairment charges and other credit risk provisions together with an increase in fee revenues from wealth management product sales. This was partially offset by a decline in interest income from lower other personal lending balances and lower net interest spreads in the highly competitive low interest rate environment as well as increased costs.

Other

Loss before income tax expense was C$8m for the fourth quarter of 2014 and C$25m for the year ended 31 December 2014, decreases of C$9m and C$18m respectively compared with the same periods in 2013. "Other" includes items which do not directly relate to our global lines of business, for example, the results of movements in fair value of our own debt and, income from information technology services provided to HSBC Group companies on an arm's length basis along with associated recoveries. The decreases compared to the same periods in 2013 arise primarily from foreign exchange losses on settlements of US dollar denominated services provided by HSBC Group companies, the timing of recoveries from other Group companies as well as changes in methodology of allocating the costs of certain corporate services to the global lines of business.

Dividends

During the fourth quarter of 2014, the bank declared and paid C$160m in dividends on HSBC Bank Canada common shares, compared with C$90m in the fourth quarter of 2013. Total common shares dividends declared and paid in 2014 were C$400m compared with C$360m in 2013.

Regular quarterly dividends of 31.875 cents per share have been declared on HSBC Bank Canada Class 1 Preferred Shares – Series C and 31.25 cents per share on Class 1 Preferred Shares – Series D. Dividends will be paid on 31 March 2015, for shareholders of record on 13 March 2015.

Appointment of Non-Executive Director

Effective 20 February 2015, Robert Gordon McFarlane has been appointed to the HSBC Bank Canada Board of Directors succeeding retiring director Timothy R. Price. McFarlane is a seasoned executive from the telecommunications and financial industries and is former Executive Vice President and Chief Financial Officer of Telus Corporation.

Reflecting on Mr. Price's time on the board Samuel Minzberg, Chairman of the Board of Directors, HSBC Bank Canada said: "We'd like to thank Tim for his expertise and stewardship over eight years on the board. His extensive management experience gleaned from over 30 years with the Brookfield Group of companies was a true asset to our organization and we will miss his wise counsel as he moves on to the next phase of his life."

Use of Non-IFRS Financial Measures

In measuring our performance, the financial measures that we use include those which have been derived from our reported results. However these are not presented within the Financial Statements and are not defined under IFRS. These are considered non-IFRS financial measures and are unlikely to be comparable to similar measures presented by other companies. The following non-IFRS financial measures are used throughout this document and their purposes and definitions are discussed below:

<u>Performance ratios</u>
Performance ratios are useful for management to evaluate profitability on equity, assets and risk-weighted assets.

Return on average common shareholder's equity is calculated as annual profit attributable to the common shareholder divided by average common equity (determined using month-end balances).

Post-tax return on average total assets is calculated as annual profit attributable to the common shareholder divided by average total assets (determined using average month-end balances).

Pre-tax return on average risk-weighted assets is calculated as profit before income tax expense divided by the average monthly balances of risk-weighted assets for the year. Risk-weighted assets are calculated using guidelines issued by the Office of the Superintendent of Financial Institutions Canada ('OSFI') in accordance with the Basel III capital adequacy framework.

<u>Credit coverage ratios</u>
Credit coverage ratios are useful to management as a measure of the extent of incurred loan impairment charges relative to the bank's performance and size of its customer loan portfolio during the period.

Loan impairment charges to total operating income is calculated as loan impairment charges and other credit provisions, as a percentage of total operating income for the year.

Loan impairment charges to average gross customer advances is calculated as annualized loan impairment charges and other credit provisions for the period, as a percentage of average gross customer advances (determined using month-end balances during the period).

Total impairment allowances to impaired loans at period-end are useful to management to evaluate the coverage of impairment allowances relative to impaired loans using period-end balances.

<u>Efficiency ratios</u>
Efficiency ratios are measures of the bank's efficiency in managing its operating expense to generate revenue.

Cost efficiency ratio is calculated as annual total operating expenses as a percentage of annual net operating income before loan impairment charges and other credit risk provisions.

Adjusted cost efficiency ratio is calculated similar to the cost efficiency ratio; however, annual net operating income before loan impairment charges and other credit risk provisions excludes annual gains and losses from financial instruments designated at fair value, as the movement in value of the bank's own subordinated debt issues is primarily driven by changes in market rates and are not under the control of management.

Revenue mix ratio
This measure demonstrates the contribution of each of the primary revenue streams to total income.

Net interest income, net fee income and net trading income as a percentage of total operating income is calculated as annual net interest income, annual net fee income and annual net trading income divided by annual net operating income before loan impairment charges and other credit risk provisions.

Financial ratios
These measures are indicators of the stability of the bank's balance sheet and the degree to which funds are deployed to fund assets.

Ratio of customer advances to customer accounts is calculated by dividing loans and advances to customers by customer accounts using period -end balances.

Average total shareholders' equity to average total assets is calculated by dividing average total shareholders' equity for the year (determined using month-end balances) with average total assets (determined using month-end balances) for the year.

About HSBC Bank Canada

HSBC Bank Canada, a subsidiary of HSBC Holdings plc, is the leading international bank in Canada. The HSBC Group serves customers worldwide from over 6,100 offices in 73 countries and territories in Europe, Asia, North and Latin America, and the Middle East and North Africa. With assets of US$2,634bn at 31 December 2014, HSBC is one of the world's largest banking and financial services organizations.

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Copies of HSBC Bank Canada's Annual Report and Accounts 2014 will be sent to shareholders in March 2015.

(in C$ millions, except where stated)	Quarter ended			Year ended	
	31 December 2014	31 December 2013	30 September 2014	**31 December 2014**	31 December 2013
Financial performance for the period					
Total operating income	**519**	524	520	**2,110**	2,161
Profit before income tax expense	**206**	232	231	**912**	934
Profit attributable to the common shareholder	**118**	164	163	**613**	616
Basic earnings per common share (C$)	**0.24**	0.33	0.32	**1.23**	1.24
Financial position at period-end					
Loan and advances to customers[1]	**41,219**	40,524	41,534		
Customer accounts[1]	**50,843**	50,926	49,698		
Ratio of customer advances to customer accounts (%)[2]	**81.1**	79.6	83.6		
Shareholders' equity	**4,800**	4,885	4,836		
Average total shareholders' equity to average total assets (%)[2]	**5.5**	6.0	5.8		
Capital measures					
Common equity tier 1 capital ratio (%)	**10.6**	11.0	10.8		
Tier 1 ratio (%)	**12.0**	13.2	12.1		
Total capital ratio (%)	**13.5**	15.0	13.7		
Assets-to-capital multiple (times)	**17.1**	15.1	16.8		
Risk-weighted assets (C$m)	**40,269**	36,862	40,129		
Performance ratios (%)[2]					
Credit coverage ratios (%)					
Loan impairment charges to total operating income	**7.0**	7.4	3.4	**5.1**	8.7
Loan impairment charges to average gross customer advances[3]	**0.3**	0.4	0.2	**0.3**	0.5
Total impairment allowances to impaired loans at period-end[3]	**69.9**	66.4	70.8	**69.9**	66.4
Return ratios (%)					
Return on average common shareholders' equity	**10.5**	15.2	14.5	**13.9**	14.5
Post-tax return on average total assets	**0.54**	0.76	0.77	**0.72**	0.72
Pre-tax return on average risk-weighted assets[3]	**2.0**	2.5	2.3	**2.3**	2.6
Efficiency and revenue mix ratios (%)					
Cost efficiency ratio	**53.6**	51.5	52.3	**52.2**	49.5
Adjusted cost efficiency ratio	**53.5**	51.3	52.2	**52.1**	49.4
Net interest income to total operating income	**56.8**	60.3	58.3	**57.4**	60.7
Net fee income to total operating income	**32.6**	28.2	30.9	**30.6**	27.9
Net trading income to total operating income	**7.5**	6.5	6.8	**6.9**	8.2

1 *From 1 January 2014, non-trading reverse repurchase and repurchase agreements are presented as separate lines in the balance sheet. Previously, non-trading reverse repurchase agreements were included within 'Loans and advances to banks' and 'Loans and advances to customers' and non-trading repurchase agreements were included within 'Deposits by banks' and 'Customer accounts'. Comparative data has been restated accordingly. More information relating to the change in presentation will be made available in our 2014 annual report.*

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

3 *The measure has been aligned with that in use by the HSBC Group and comparative information has been restated. Refer to the 'Use of non-IFRS financial measures' section of this document for a description of the method in use to calculate the measure.*

Figures in C$m *(except per share amounts)*	Quarter ended			Year ended	
	31 December 2014	31 December 2013	30 September 2014	**31 December 2014**	31 December 2013
Interest income	**441**	503	478	**1,886**	2,065
Interest expense	**(146)**	(187)	(175)	**(674)**	(754)
Net interest income	**295**	316	303	**1,212**	1,311
Fee income	**187**	173	181	**723**	694
Fee expense	**(18)**	(22)	(20)	**(78)**	(91)
Net fee income	**169**	151	161	**645**	603
Trading income excluding net interest income	**28**	24	32	**128**	135
Net interest income on trading activities	**11**	10	3	**18**	43
Net trading income	**39**	34	35	**146**	178
Net expense from financial instruments designated at fair value	**(1)**	(2)	(1)	**(5)**	(5)
Gains less losses from financial investments	**3**	6	7	**56**	58
Other operating income	**14**	19	15	**56**	16
Total operating income	**519**	524	520	**2,110**	2,161
Loan impairment charges and other credit risk provisions	**(37)**	(39)	(17)	**(107)**	(188)
Net operating income	**482**	485	503	**2,003**	1,973
Employee compensation and benefits	**(152)**	(146)	(156)	**(619)**	(614)
General and administrative expenses	**(114)**	(112)	(105)	**(434)**	(408)
Depreciation of property, plant and equipment	**(8)**	(9)	(8)	**(33)**	(34)
Amortisation of intangible assets	**(4)**	(3)	(3)	**(16)**	(14)
Total operating expenses	**(278)**	(270)	(272)	**(1,102)**	(1,070)
Operating profit	**204**	215	231	**901**	903
Share of profit in associates	**2**	17	–	**11**	31
Profit before income tax expense	**206**	232	231	**912**	934
Income tax expense	**(81)**	(50)	(61)	**(263)**	(247)
Profit for the period	**125**	182	170	**649**	687
Profit attributable to the common shareholder	**118**	164	163	**613**	616
Profit attributable to preferred shareholders	**5**	16	4	**26**	61
Profit attributable to shareholders	**123**	180	167	**639**	677
Profit attributable to non-controlling interests	**2**	2	3	**10**	10
Average number of common shares outstanding (000's)	**498,668**	498,668	498,668	**498,668**	498,668
Basic earnings per common share	**C$ 0.24**	C$ 0.33	C$ 0.32	**C$ 1.23**	C$ 1.24

Figures in C$m	**At 31 December 2014**	At 31 December 2013
ASSETS		
Cash and balances at central bank	**73**	165
Items in the course of collection from other banks	**76**	107
Trading assets	**8,914**	6,728
Derivatives	**4,082**	2,112
Loans and advances to banks	**1,264**	1,449
Loans and advances to customers	**41,219**	40,524
Reserve repurchase agreements – non-trading	**6,714**	6,161
Financial investments	**20,122**	21,814
Other assets	**345**	332
Prepayments and accrued income	**186**	206
Customers' liability under acceptances	**5,023**	4,757
Property, plant and equipment	**124**	137
Goodwill and intangibles assets	**62**	68
Total assets	**88,204**	84,260
LIABILITIES AND EQUITY		
Liabilities		
Deposits by banks	**681**	635
Customer accounts	**50,843**	50,926
Repurchase agreements	**4,054**	1,487
Items in the course of transmission to other banks	**105**	53
Trading liabilities	**4,227**	4,396
Financial liabilities designated at fair value	**425**	428
Derivatives	**3,885**	1,746
Debt securities in issue	**10,610**	11,348
Other liabilities	**2,279**	2,338
Acceptances	**5,023**	4,757
Accruals and deferred income	**524**	551
Retirement benefit liabilities	**309**	271
Subordinated liabilities	**239**	239
Total liabilities	**83,204**	79,175
Equity		
Preferred shares	**350**	600
Common shares	**1,225**	1,225
Other reserves	**117**	134
Retained earnings	**3,108**	2,926
Total shareholders' equity	**4,800**	4,885
Non-controlling interests	**200**	200
Total equity	**5,000**	5,085
Total equity and liabilities	**88,204**	84,260

Figures in C$m	Quarter ended			Year ended	
	31 December 2014	31 December 2013	30 September 2014	**31 December 2014**	31 December 2013
Cash flows generated from/(used in):					
– operating activities	**1,319**	(508)	(9)	**(546)**	2,247
– investing activities	**(335)**	(652)	(25)	**1,673**	(1,169)
– financing activities	**(166)**	(612)	(88)	**(686)**	(935)
Net increase/(decrease) in cash and cash equivalents	**818**	(1,772)	(122)	**441**	143
Cash and cash equivalents, beginning of period	**1,519**	3,668	1,641	**1,896**	1,753
Cash and cash equivalents, end of period	**2,337**	1,896	1,519	**2,337**	1,896
Represented by:					
– Cash and balances at central bank	**73**	165	59	**73**	165
– Items in the course of transmission from/(to) other banks, net	**(29)**	54	20	**(29)**	54
– Loans and advances to banks of one month or less	**1,264**	1,149	603	**1,264**	1,149
– Reverse repurchase agreements with banks of one month or less	**744**	333	524	**744**	333
– Treasury bills and certificates of deposits of three months or less	**285**	195	313	**285**	195
Cash and cash equivalents, end of period	**2,337**	1,896	1,519	**2,337**	1,896

Figures in C$m	Quarter ended			Year ended	
	31 December 2014	31 December 2013	30 September 2014	**31 December 2014**	31 December 2013
Commercial Banking					
Net interest income	**161**	173	164	**658**	675
Net fee income	**85**	82	79	**324**	317
Net trading income	**7**	6	6	**26**	28
Gain less losses from financial investments	**–**	–	–	**16**	–
Other operating income/(expense)	**5**	6	5	**19**	(31)
Total operating income	**258**	267	254	**1,043**	989
Loan impairment charges and other credit risk provisions	**(38)**	(29)	(11)	**(79)**	(124)
Net operating income	**220**	238	243	**964**	865
Total operating expenses	**(103)**	(95)	(100)	**(408)**	(373)
Operating profit	**117**	143	143	**556**	492
Share of profit in associates	**2**	17	–	**11**	31
Profit before income tax expense	**119**	160	143	**567**	523
Global Banking and Markets					
Net interest income	**44**	40	45	**179**	159
Net fee income	**26**	23	26	**98**	83
Net trading income	**16**	17	16	**68**	103
Gains less losses from financial investments	**3**	6	7	**40**	54
Other operating income	**–**	1	–	**1**	1
Total operating income	**89**	87	94	**386**	400
Loan impairment (charges)/reversals and other credit risk provisions	**(2)**	1	–	**(5)**	–
Net operating income	**87**	88	94	**381**	400
Total operating expenses	**(28)**	(26)	(30)	**(117)**	(113)
Profit before income tax expense	**59**	62	64	**264**	287

Figures in C$m	Quarter ended			Year ended	
	31 December 2014	31 December 2013	30 September 2014	**31 December 2014**	31 December 2013
Retail Banking and Wealth Management					
Net interest income	**102**	110	105	**413**	505
Net fee income	**58**	46	56	**223**	203
Net trading income	**6**	4	4	**18**	19
Gains less losses from financial investments	**–**	–	–	**–**	4
Other operating income	**1**	2	3	**8**	13
Total operating income	**167**	162	168	**662**	744
Loan impairment (charges)/reversals and other credit risk provisions	**3**	(11)	(6)	**(23)**	(64)
Net operating income	**170**	151	162	**639**	680
Total operating expenses	**(134)**	(142)	(131)	**(533)**	(549)
Profit before income tax expense	**36**	9	31	**106**	131
Attributable as follows:					
Ongoing Retail Banking and Wealth Management business	**28**	(1)	24	**76**	52
Run-off consumer finance portfolio	**8**	10	7	**30**	79
Profit before income tax expense	**36**	9	31	**106**	131
Other					
Net interest expense	**(12)**	(7)	(11)	**(38)**	(28)
Net trading income	**10**	7	9	**34**	28
Net expense from financial instruments designated at fair value	**(1)**	(2)	(1)	**(5)**	(5)
Other operating income	**8**	10	7	**28**	33
Net operating income	**5**	8	4	**19**	28
Total operating expenses	**(13)**	(7)	(11)	**(44)**	(35)
(Loss)/profit before income tax expense	**(8)**	1	(7)	**(25)**	(7)