HSBC Bank Canada

Third Quarter 2015 Interim Report

HSBC

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Corporate profile

HSBC Bank Canada, a subsidiary of HSBC Holdings plc, is the leading international bank in the country. We help companies and individuals across Canada to do business and manage their finances internationally through three global business lines: Commercial Banking, Global Banking and Markets, and Retail Banking and Wealth Management. Canada is a priority market for the HSBC Group -- one of the world's largest banking and financial services groups with assets of US$2,549bn at 30 September 2015. Linked by advanced technology, HSBC serves customers worldwide through an international network of over 6,100 offices in 72 countries and territories in Europe, Asia, North and Latin America, and the Middle East and North Africa.

Headlines

- Profit before income tax expense for the quarter ended 30 September 2015 was $187m, a decrease of 19.0% compared with the same period in 2014. Profit before income tax expense was $645m for the year to date, a decrease of 8.6% compared with the same period in 2014.
- Profit attributable to the common shareholder was $128m for the quarter ended 30 September 2015, a decrease of 21.5% compared with the same period in 2014. Profit attributable to the common shareholder was $452m for the year to date, a decrease of 8.7% compared with the same period in 2014.
- Return on average common equity was 11.0 % and 13.1% for the quarter and year to date ended 30 September 2015 compared with 14.5% and 15.0% respectively for the same periods in 2014.
- The cost efficiency ratio was 57.5% and 55.1% respectively for the quarter and year to date ended 30 September 2015 compared with 52.3% and 51.8% for the same periods in 2014.
- Total assets were $93.6bn at 30 September 2015 compared with $88.2bn at 31 December 2014.
- Common equity tier 1 capital ratio was 10.3%, tier 1 ratio 12.3% and total capital ratio 13.5% at 30 September 2015 compared with 10.6%, 12.0% and 13.5% respectively at 31 December 2014.

Basis of preparation of financial information

HSBC Bank Canada (‘the bank’, ‘we’, ‘our’) is an indirectly wholly-owned subsidiary of HSBC Holdings plc (‘HSBC Holdings’). Throughout Management’s Discussion and Analysis (‘MD&A’), the HSBC Holdings Group is defined as the ‘HSBC Group’ or the ‘Group’. The MD&A is dated 30 October 2015, the date that our unaudited consolidated financial statements and MD&A for the third quarter of 2015 were approved by our Board of Directors.

We prepare our unaudited consolidated financial statements in accordance with International Financial Reporting Standards (‘IFRS’). The information in this MD&A is derived from our unaudited consolidated financial statements or from the information used to prepare them. The abbreviations ‘$m’ and ‘$bn’ represent millions and billions of Canadian dollars, respectively. All tabular amounts are in millions of dollars except where otherwise stated. The references to ‘notes’ throughout this MD&A refer to notes on the unaudited consolidated financial statements for the third quarter ended 30 September 2015.

The bank’s continuous disclosure materials, including interim and annual filings, are available on the bank’s website and on the Canadian Securities Administrators’ web site at www.sedar.com.

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Management's Discussion and Analysis

Financial summary

(in $ millions, except where otherwise stated)	Quarter ended			Nine months ended	
	30 September 2015	30 September 2014	30 June 2015	**30 September 2015**	30 September 2014
Financial performance for the period					
Total operating income	**518**	520	541	**1,589**	1,591
Profit before income tax expense	**187**	231	227	**645**	706
Profit attributable to the common shareholder	**128**	163	161	**452**	495
Basic earnings per common share ($)	**0.26**	0.32	0.32	**0.91**	0.99
Financial position at period-end					
Loan and advances to customers	**42,908**	41,534	42,866		
Customer accounts	**51,837**	49,698	50,362		
Ratio of customer advances to customer accounts (%)[1]	**82.8**	83.6	85.1		
Shareholders' equity	**5,450**	4,836	5,483		
Average total shareholders' equity to average total assets (%)[1]	**6.0**	5.8	5.6		
Capital measures[2]					
Common equity tier 1 capital ratio (%)	**10.3**	10.8	10.5		
Tier 1 ratio (%)	**12.3**	12.1	12.5		
Total capital ratio (%)	**13.5**	13.7	13.8		
Assets-to-capital multiple-number of times[3]	**n/a**	16.8	n/a		
Leverage ratio (%)[3]	**4.7**	n/a	4.9		
Risk-weighted assets	**42,787**	40,129	42,358		
Performance ratios (%)[1]					
Return ratios (%)					
Return on average common shareholder's equity	**11.0**	14.5	14.0	**13.1**	15.0
Post-tax return on average total assets	**0.56**	0.77	0.71	**0.66**	0.78
Pre-tax return on average risk-weighted assets[2]	**1.7**	2.3	2.2	**2.0**	2.4
Credit coverage ratios (%)					
Loan impairment charges to total operating income	**6.0**	3.4	4.3	**4.5**	4.4
Loan impairment charges to average gross customer advances and acceptances	**0.3**	0.2	0.2	**0.2**	0.2
Total impairment allowances to impaired loans and acceptances at period-end	**71.5**	70.8	81.1	**71.5**	70.8
Efficiency and revenue mix ratios (%)					
Cost efficiency ratio	**57.5**	52.3	53.8	**55.1**	51.8
Adjusted cost efficiency ratio	**57.8**	52.2	53.8	**55.2**	51.7
As a percentage of total operating income:					
– net interest income	**55.0**	58.3	53.4	**54.2**	57.6
– net fee income	**31.9**	30.9	33.5	**32.6**	29.9
– net trading income	**9.3**	6.8	7.6	**6.5**	6.8

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

2 *The bank assesses capital adequacy against standards established in guidelines issued by OSFI in accordance with the Basel III capital adequacy frameworks.*

3 *Leverage ratio replaced assets-to-capital multiple effective 1 January 2015.*

Management's Discussion and Analysis (continued)

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:

Financial position at period-end

These measures are indicators of the stability of the bank's balance sheet and the degree 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 with average total assets (determined using month-end balances during the period).

Credit coverage ratios

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 period.

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 and acceptances (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.

Return ratios

Return ratios are useful for management to evaluate profitability on equity, assets and risk-weighted assets.

Return on average common equity is calculated as annualized profit attributable to the common shareholder for the period, divided by average common equity (determined using month-end balances during the period).

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

Pre-tax return on average risk-weighted assets is calculated as annualized profit attributable to the common shareholder for the period, divided by average risk-weighted assets (determined using quarter-end balances during the period).

Efficiency ratios

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

Cost efficiency ratio is calculated as total operating expenses for the period as a percentage of total operating income for the period.

Adjusted cost efficiency ratio is calculated similar to the cost efficiency ratio; however, total operating income for the period excludes gains and losses from financial instruments designated at fair value, as the movement in value of the bank's own subordinated debt issues are 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 operating income.

Net interest income, net fee income and net trading income to total operating income is calculated as net interest income, net fee income and net trading income for the period divided by total operating income for the period.

Financial performance

Condensed consolidated income statement

	Quarter ended			Nine months ended	
	30 September 2015 $m	30 September 2014 $m	30 June 2015 $m	**30 September 2015 $m**	30 September 2014 $m
Net interest income	**285**	303	289	**861**	917
Net fee income	**165**	161	181	**518**	476
Net trading income	**48**	35	41	**104**	107
Net income/(expense) from financial instruments designated at fair value	**2**	(1)	–	**4**	(4)
Gains less losses from financial investments	**2**	7	18	**56**	53
Other operating income	**16**	15	12	**46**	42
Total operating income	**518**	520	541	**1,589**	1,591
Loan impairment charges and other credit risk provisions	**(31)**	(17)	(23)	**(70)**	(70)
Net operating income	**487**	503	518	**1,519**	1,521
Total operating expenses	**(298)**	(272)	(291)	**(875)**	(824)
Operating profit	**189**	231	227	**644**	697
Share of (loss)/profit in associates	**(2)**	–	–	**1**	9
Profit before income tax expense	**187**	231	227	**645**	706
Income tax expense	**(50)**	(61)	(59)	**(170)**	(182)
Profit for the period	**137**	170	168	**475**	524

Overview

HSBC Bank Canada reported a profit before income tax expense of $187m for the third quarter of 2015, a decrease of $44m, or 19%, compared with the third quarter of 2014 and a decrease of $40m, or 18%, compared with the second quarter of 2015. Profit before income tax expense for the year to date was $645m, a decrease of $61m, or 9% compared with the same period in 2014.

Profit before tax was lower, mainly as a result of lower net interest margins, lower gains on financial investments, higher loan impairment charges and higher planned costs, partially offset by increased credit facility and corporate finance fees from the comparative periods in 2014.

Commenting on the results, Sandra Stuart, President and Chief Executive Officer of HSBC Bank Canada, said: "While the continued slow growth, low rate environment is challenging our revenue line, the prudent approach we have taken to managing our business and the risks in our portfolio has ensured that we remain profitable and well capitalized. In Retail Banking and Wealth Management, core retail banking products including mortgages continued to grow, as did wealth balances, and Commercial Banking has grown its customer base. We have had a strong performance in Global Banking and Markets attributed to capital finance, expansion of our multinational business and new mandates. In fact, year over year, we have increased our overall commitments to customers by 10%. Aside from planned investments in the risk and compliance areas, there has also been good cost discipline across all of our businesses and functions this year. On balance, our strategy to leverage our unique global network on behalf of our customers is delivering largely as expected in a difficult environment. Looking ahead, we are focused on growing our business in Canada, however, we do expect current headwinds to continue including pressure on the oil sector and related industries, and prevailing low interest rates."

Performance by income and expense item

Net interest income

Net interest income for the third quarter of 2015 was $285m, a decrease of $18m, or 6%, compared with the third quarter of 2014, and a marginal decrease compared with the second quarter of 2015. Net interest income for the year to date was $861m, a decrease of $56m, or 6%, compared with the same period in 2014. The decrease over comparative periods in 2014 was primarily due to the competitive low interest rate environment including the impact of Bank of Canada rate cuts and the impact of the continued planned run-off of the higher yielding consumer finance portfolio. Also contributing to the decrease is the planned run-off of the mezzanine funding portfolio. This was partially offset by increases associated with the growth in commercial loans and residential mortgages. The decrease over the second quarter of 2015 was primarily due to the impact of the second Bank of Canada rate cut and the planned run-off of the consumer finance portfolio, partially offset by growth in residential mortgages and a higher ratio of low interest bearing personal deposits.

Management's Discussion and Analysis (continued)

Net fee income

	Quarter ended			Nine months ended	
	30 September 2015 $m	30 September 2014 $m	30 June 2015 $m	**30 September 2015 $m**	30 September 2014 $m
Credit facilities	**76**	68	80	**232**	206
Funds under management	**45**	43	39	**128**	121
Account services	**17**	18	19	**54**	58
Corporate finance	**9**	10	21	**43**	28
Credit cards	**15**	16	15	**44**	46
Remittances	**8**	8	7	**23**	24
Brokerage commissions	**4**	3	3	**11**	9
Immigrant Investor Program	**4**	3	4	**11**	13
Insurance	**2**	3	2	**7**	9
Trade finance import/export	**2**	3	3	**7**	8
Trustee fees	**1**	2	1	**4**	4
Other	**3**	4	4	**11**	10
Fee income	**186**	181	198	**575**	536
Less: fee expense	**(21)**	(20)	(17)	**(57)**	(60)
Net fee income	**165**	161	181	**518**	476

Net fee income for the third quarter of 2015 was $165m, an increase of $4m, or 2%, compared with the third quarter of 2014 and a decrease of $16m, or 9%, compared with the second quarter of 2015. Net fee income for the year to date was $518m, an increase of $42m, or 9%, compared with the same period in 2014. Net fee income compared to the same periods last year was higher primarily due to increased fees from standby lines of credit and banker's acceptances as well as from higher sales of wealth management products. In addition, year to date there were higher fees from advisory, debt capital market and leveraged and acquisition finance activities, although there was a reduction in these fees in the third quarter of 2015 compared to the second quarter.

Net trading income

	Quarter ended			Nine months ended	
	30 September 2015 $m	30 September 2014 $m	30 June 2015 $m	**30 September 2015 $m**	30 September 2014 $m
Trading activities	**30**	35	30	**72**	100
Net interest income on trading activities	**13**	3	8	**28**	7
Hedge ineffectiveness	**5**	(3)	3	**4**	–
Net trading income	**48**	35	41	**104**	107

Net trading income for the third quarter of 2015 was $48m, an increase of $13m, or 37%, compared with the third quarter of 2014, and $7m, or 17%, compared with the second quarter of 2015. Net trading income for the year to date was $104m, a decrease of $3m, or 3%, compared with the same period in 2014. Net trading income increased compared with the third quarter of 2014 and the second quarter of 2015 mainly due to the impact of debit valuation adjustments on derivative contracts arising from the widening of our own credit spreads in the current quarter as well as hedge ineffectiveness recorded in the third quarter of 2014. Derivative fair value movements recycled to the income statement due to hedge accounting criteria not having been met negatively impacted net trading income for the year to date compared to the same period in 2014, although this was largely offset by the impact of debit valuation adjustments on derivative contracts and lower short positions.

Other items of income

	Quarter ended			Nine months ended	
	30 September 2015 $m	30 September 2014 $m	30 June 2015 $m	**30 September 2015 $m**	30 September 2014 $m
Net income/(expense) from financial instruments designated at fair value	**2**	(1)	–	**4**	(4)
Gains less losses from financial investments	**2**	7	18	**56**	53
Other operating income	**16**	15	12	**46**	42
Other items of income	**20**	21	30	**106**	91

The bank has previously designated certain of its own subordinated debentures to be recorded at fair value. Income from financial instruments designated at fair value for the third quarter of 2015 was $2m compared to an expense of $1m in the third quarter of 2014. The net income from financial instruments designated at fair value results from marginal widening of the bank's own credit spread in the third quarter of 2015 which decreased the fair value of these subordinated debentures. This compares with an expense recorded in comparative periods in 2014, which arose from the narrowing of the bank's own credit spread.

Gains less losses from financial investments for the third quarter of 2015 were $2m, a decrease of $5m, or 71%, compared with the third quarter of 2014 and a decrease of $16m, or 89%, compared with the second quarter of 2015. Gains less losses from financial investments for the year to date were $56m, an increase of $3m, or 6%, compared with the same period in 2014. The bank realizes gains and losses from financial investments from disposals of available-for-sale financial investments driven by balance sheet management activities. The variances from comparative periods are primarily as a result of the bank's continuous balance sheet management activities. In the second quarter of 2015 we benefited from higher gains on disposals of financial investments arising from re-balancing of the bank's portfolio.

Other operating income for the third quarter of 2015 was $16m, little changed from the third quarter of 2014, and $4m, or 33%, higher than the second quarter of 2015. Other operating income for the year to date was $46m, an increase of $4m, or 10%, compared with the same period in 2014, primarily due to income from the sale of a small impaired loan portfolio.

Loan impairment charges and other credit risk provisions

	Quarter ended			Nine months ended	
	30 September 2015 $m	30 September 2014 $m	30 June 2015 $m	**30 September 2015 $m**	30 September 2014 $m
Individually assessed allowances	**31**	11	17	**64**	47
Collectively assessed allowances/(releases)	**(5)**	5	6	**-**	14
Loan impairment charges	**26**	16	23	**64**	61
Other credit risk provisions	**5**	1	-	**6**	9
Loan impairment charges and other credit risk provisions	**31**	17	23	**70**	70

Loan impairment charges and other credit risk provisions for the third quarter of 2015 were $31m, $14m, or 82%, higher than the third quarter of 2014 and $8m, or 35%, more than the second quarter of 2015. Loan impairment charges and other credit risk provisions for the year to date were $70m, unchanged from the same period in 2014. The increases in loan impairment charges over the third quarter of 2014 as well as the second quarter of 2015 are mainly driven by energy sector exposures.

Total operating expenses

	Quarter ended			Nine months ended	
	30 September 2015 $m	30 September 2014 $m	30 June 2015 $m	**30 September 2015 $m**	30 September 2014 $m
Employee compensation and benefits	**167**	156	168	**504**	467
General and administrative expenses	**121**	105	112	**339**	320
Depreciation of property, plant and equipment	**7**	8	8	**22**	25
Amortization and impairment of intangible assets	**3**	3	3	**10**	12
Total operating expenses	**298**	272	291	**875**	824

Management's Discussion and Analysis (continued)

As planned, operating expenses have increased due to our investment in systems, people and processes to meet the highest global standards for detecting and deterring financial crime as well as other costs related to efficiency initiatives. In addition, expenses have also been adversely impacted by the foreign exchange impact of the lower Canadian dollar. As a result, total operating expenses for the third quarter of 2015 were $298m, an increase of $26m, or 10%, and $7m, or 2%, compared with the third quarter of 2014 and the second quarter of 2015 respectively. Total operating expenses for the year to date was $875m, $51m, or 6% higher than the same period in 2014.

General and administrative expenses are higher than in the second quarter of 2015 mainly due to timing of certain expenditures such as marketing, repairs and maintenance as well as increased expenditures in third party services to support risk and compliance related activities.

Share of (loss)/profit in associates

The share of loss in associates represents changes in the values of bank's investment in certain private equity funds, which for the third quarter of 2015 was a loss of $2m.

Income tax expense

The effective tax rate in the third quarter of 2015 was 26.7% little changed compared to 26.7% in the third quarter of 2014 and 26.2% in the second quarter of 2015.

Movement in financial position

Summary consolidated statement of financial position

	At 30 September 2015 $m	At 30 September 2014 $m	At 31 December 2014 $m
ASSETS			
Trading assets	**7,701**	7,707	8,914
Derivatives	**4,733**	2,953	4,082
Loans and advances to banks	**1,373**	603	1,264
Loans and advances to customers	**42,908**	41,534	41,219
Reverse repurchase agreements – non-trading	**5,825**	5,979	6,714
Financial investments	**25,393**	19,786	20,122
Customer's liability under acceptances	**4,690**	5,222	5,023
Other assets	**949**	932	866
Total assets	**93,572**	84,716	88,204
LIABILITIES AND EQUITY			
Liabilities			
Deposits by banks	**2,059**	808	681
Customer accounts	**51,837**	49,698	50,843
Repurchase agreements – non-trading	**7,271**	2,272	4,054
Trading liabilities	**1,907**	3,912	4,227
Derivatives	**5,126**	2,770	3,885
Debt securities in issue	**11,403**	11,292	10,610
Acceptances	**4,690**	5,222	5,023
Other liabilities	**3,829**	3,706	3,881
Total liabilities	**88,122**	79,680	83,204
Equity			
Share capital and other reserves	**2,158**	1,688	1,692
Retained earnings	**3,292**	3,148	3,108
Non-controlling interests	**–**	200	200
Total equity	**5,450**	5,036	5,000
Total equity and liabilities	**93,572**	84,716	88,204

Assets

Total assets at 30 September 2015 were $93.6bn, an increase of $5.4bn from 31 December 2014. New commercial customer and residential mortgage lending grew loans and advances to customers by $1.7bn. Balance sheet management activities resulted in an increase of $5.3bn in financial investments, although this was partially offset by a reduction of non-trading reverse repurchase agreements of $0.9bn. Changes in foreign exchange and interest rates increased derivatives by $0.7bn. Trading assets were $1.2bn lower, mainly through the timing of settlements.

Liabilities

Total liabilities at 30 September 2015 were $88.1bn, an increase of $4.9bn from 31 December 2014. Customer accounts increased by $1.0bn, driven primarily by our Retail Banking and Wealth Management business. Balance sheet management activities increased non-trading repurchase agreements and deposits by banks of $3.2bn and $1.4bn respectively. Changes in foreign exchange and interest rates increased derivatives by $1.2bn. Issues of medium term notes, net of maturities, increased debt securities in issue by $0.8bn. This was partially offset by a reduction in trading liabilities of $2.3bn primarily related to lower short positions.

Equity

Total equity at 30 September 2015 was $5.5bn, an increase of $0.5bn from 31 December 2014 due to a second quarter issue of $0.5bn in preferred shares to an HSBC Group company, profits generated in the period and an increase in other reserves of $0.2bn. This was offset by the redemption of $0.2bn in HSBC Canada Asset Trust Securities which reduced non-controlling interests in the second quarter of 2015.

Global lines of business

Commercial Banking

Commercial Banking offers a full range of commercial financial services and tailored solutions to customers ranging from small and medium-sized enterprises ('SMEs') to global multinational companies, with a clear focus on internationally active and aspirant customers. We aim to be recognized as Canada's leading international trade and business bank by providing connectivity with a network that covers about 90 per cent of global trade and capital flows and enabling access to the world's highest growth markets.

Review of financial performance

	Quarter ended			Nine months ended	
	30 September 2015 $m	30 September 2014 $m	30 June 2015 $m	**30 September 2015 $m**	30 September 2014 $m
Net interest income	**149**	164	152	**453**	497
Net fee income	**80**	79	78	**238**	239
Net trading income	**9**	6	8	**25**	19
Gains less losses from financial investments	**–**	–	–	**–**	16
Other operating income	**6**	5	5	**16**	14
Total operating income	**244**	254	243	**732**	785
Loan impairment charges and other credit risk provisions	**(30)**	(11)	(19)	**(60)**	(41)
Net operating income	**214**	243	224	**672**	744
Total operating expenses	**(109)**	(100)	(106)	**(316)**	(305)
Operating profit	**105**	143	118	**356**	439
Share of (loss)/profit in associates	**(2)**	–	–	**1**	9
Profit before income tax expense	**103**	143	118	**357**	448

Overview

Commercial Banking continues to make progress in growing our business and streamlining processes. Strong momentum in new-to-bank activities continued increasing 47% year-over-year. However, the current environment has tempered utilization of authorized credit facilities and capital spending. Initiatives to streamline credit application and client on-boarding processes helped to improve front-line productivity and increase focus on our customers' needs.

Profit before income tax expense was $103m for the third quarter of 2015, a decrease of $40m, or 28%, compared with the third quarter of 2014 and a decrease of $15m, or 13%, compared with the second quarter of 2015. Profit before income tax expense for year to date was $357m, a decrease of $91m, or 20%, compared with the same period in 2014.

The decrease in profit before income tax expense compared with the same periods last year was primarily driven by lower margins in a competitive low interest rate environment, including the impact of the Bank of Canada rate cuts, portfolio repositioning and gains on sales of available-for-sale securities in 2014 that were not repeated in 2015. In addition results were also impacted by increased loan impairment charges, driven mainly by energy sector exposures as well as an increase in costs from information technology and processing as well as those relating to risk and compliance activities.

Management's Discussion and Analysis (continued)

Financial performance by income and expense item

Net interest income for the third quarter of 2015 was $149m, $15m, or 9%, lower than the third quarter of 2014 and $3m, or 2% lower than from the second quarter of 2015. Net interest income for the year to date was $453m, a decrease of $44m, or 9%, compared with the same period in 2014. This decrease resulted from competitive pressures in the low interest rate environment, including the impact of Bank of Canada rate cuts, the run-off of the mezzanine funding portfolio, and, in 2014 a recovery of interest on an impaired loan not repeated in 2015. This was partially offset by higher asset balances driven primarily by new-to-bank loans.

Net fee income for the third quarter of 2015 was $80m, marginally higher than in the third quarter of 2014 and the second quarter of 2015. Net fee income for the year to date was $238m, marginally lower than the same period in 2014.

Net trading income for the third quarter of 2015 was $9m, 50% higher than the third quarter of 2014 and marginally higher than the second quarter of 2015. Net trading income for the year to date was $25m, an increase of $6m, or 32%, compared with the same period of 2014. This was mostly due to higher foreign exchange revenues driven by a change in inter-segment allocation methodology.

Other operating income for the third quarter of 2015 was $6m, marginally higher than the third quarter of 2014 and the second quarter of 2015. Other operating income for the year to date was $16m, marginally higher than the same period in 2014.

Loan impairment charges and other credit risk provisions for the third quarter of 2015 were $30m, an increase of $19m or 173% over the third quarter of 2014 and an increase of $11m, or 58%, compared with the second quarter of 2015. Loan impairment charges for the year to date were $60m, an increase of $19m or 46% over the same period in 2014. The increase in loan impairment charges resulted from increased specific provisions mainly driven by energy sector exposures.

Gains less losses from financial investments for the nine months ended 30 September 2015 were lower than the comparative amount for 2014 which included gains of $16m recorded on the disposal of certain available-for-sale securities that was not repeated in 2015.

Total operating expenses for the third quarter of 2015 was $109m, an increase of $9m, or 9%, compared with the third quarter of 2014 and an increase of $3m, or 3%, compared with the second quarter of 2015. Total operating expenses for the year to date was $316m, an increase of $11m, or 4%, compared with the same period in 2014. Continued investments in the implementation of HSBC's Global Standards and other risk and compliance activities as well as an increase in information technology and processing costs drove these increases over comparative periods.

Share of (loss)/profit in associates
The share of (loss)/profit in associates represents changes in the values of bank's investment in certain private equity funds, which for the year to date was $1m, compared to $9m for the same period in 2014.

Global Banking and Markets

Global Banking and Markets provides tailored financial solutions to government, corporate and institutional clients worldwide.

Review of financial performance

	Quarter ended			Nine months ended	
	30 September 2015 $m	30 September 2014 $m	30 June 2015 $m	**30 September 2015 $m**	30 September 2014 $m
Net interest income	**42**	45	43	**133**	135
Net fee income	**29**	26	48	**112**	72
Net trading income	**28**	16	20	**42**	52
Gains less losses from financial investments	**2**	7	18	**56**	38
Total operating income	**101**	94	129	**343**	297
Loan impairment charges and other credit risk provisions	**–**	–	(1)	**(2)**	(3)
Net operating income	**101**	94	128	**341**	294
Total operating expenses	**(32)**	(30)	(34)	**(97)**	(89)
Profit before income tax expense	**69**	64	94	**244**	205

Overview

By more fully leveraging our global network on behalf of our clients, Global Banking and Markets lending and credit activities and capital market fees continued to increase.

Profit before income tax expense was $69m for the third quarter of 2015, an increase of $5m, or 8%, compared with the third quarter of 2014 and a decrease of $25m, or 27%, compared with the second quarter of 2015. Profit before income tax expense was $244m for the year to date, an increase of $39m, or 19%, compared with the same period in 2014. The increase in profit before income tax expense compared with the same periods in 2014 was mainly due to increased corporate finance and other capital markets fees, gains on disposals from re-balancing of the financial investments portfolio and the impact of debit valuation adjustments on derivatives resulting from widening of our own credit spreads. The decrease in profit over the second quarter of 2015 arose from lower advisory fees and lower realized gains from financial investments arising from balance sheet management activities although this was partially offset by increased trading income.

Financial performance by income and expense item

Net interest income for the third quarter of 2015 was $42m, a decrease of $3m, or 7%, compared with the third quarter of 2014 and marginally lower than the second quarter of 2015. Net interest income for the year to date was $133m, marginally lower than the same period in 2014. The reduction in interest income in the third quarter of 2015 compared to 2014 was primarily due to the funding activities for the trading book.

Net fee income for the third quarter of 2015 was $29m, an increase of $3m, or 12%, compared with the third quarter of 2014 and a decrease of $19m, or 40%, compared with the second quarter of 2015. Net fee income for the year to date was $112m, an increase of $40m, or 56%, compared with the same period in 2014. The increases in the current periods are primarily due to increased fees from advisory, debt capital market and leveraged and acquisition finance activities, although the reduction in the third quarter of 2015 compared to the second quarter resulted from significant fee revenues recorded in the second quarter that was not repeated.

Net trading income for the third quarter of 2015 was $28m, an increase of $12m, or 75%, compared with the third quarter of 2014 and an increase of $8m or 40%, compared with the second quarter of 2015. Net trading income for the year to date was $42m, a decrease of $10m, or 19%, compared with the same period in 2014. The increase in net trading income compared with the third quarter of 2014 and the second quarter of 2015 was mainly due from the impact of debit valuation adjustments on derivatives resulting from widening of our own credit spreads recorded in 2015. Derivative fair value movements were recycled to the income statement due to hedge accounting criteria not having been met, negatively impacting net trading income for the nine months ended 30 September 2015 compared to the same period in 2014.

Gains less losses from financial investments for the third quarter of 2015 was $2m, a decrease of $5m, or 71%, compared with the third quarter of 2014 and a decrease of $16m, or 89%, compared with the second quarter of 2015. Gains less losses from financial investments for the year to date were $56m, an increase of $18m, or 47%, compared with the same period in 2014. The variances from comparative periods are primarily as a result of disposals of available-for-sale financial investments as part of the bank’s continuous balance sheet management activities.

Total operating expenses for the third quarter of 2015 were $32m, increases of $2m, or 7%, compared with the third quarter of 2014 and a decrease of $2m, or 6%, from the second quarter of 2015 respectively. Total operating expenses for the year to date were $97m, an increase of $8m, or 9%, compared with the same period in 2014. The increase over comparatives periods resulted from continued investments in HSBC’s Global Standards and other risk and compliance activities.

Management's Discussion and Analysis (continued)

Retail Banking and Wealth Management

Retail Banking and Wealth Management provides banking and wealth management services for our personal customers to help them to manage their finances and protect and build their financial future.

Review of financial performance

	Quarter ended			Nine months ended	
	30 September 2015 $m	30 September 2014 $m	30 June 2015 $m	**30 September 2015 $m**	30 September 2014 $m
Net interest income	**101**	105	100	**295**	311
Net fee income	**56**	56	55	**168**	165
Net trading income	**5**	4	6	**17**	12
Other operating income	**2**	3	3	**11**	7
Total operating income	**164**	168	164	**491**	495
Loan impairment charges and other credit risk provisions	**(1)**	(6)	(3)	**(8)**	(26)
Net operating income	**163**	162	161	**483**	469
Total operating expenses	**(145)**	(131)	(143)	**(424)**	(399)
Profit before income tax expense	**18**	31	18	**59**	70

Profit before income tax expense:

	Quarter ended			Nine months ended	
	30 September 2015 $m	30 September 2014 $m	30 June 2015 $m	**30 September 2015 $m**	30 September 2014 $m
Ongoing Retail Banking and Wealth Management business	**9**	24	9	**29**	48
Run-off consumer finance portfolio	**9**	7	9	**30**	22
Profit before income tax expense	**18**	31	18	**59**	70

Overview

During the quarter, Retail Banking and Wealth Management continued to achieve sustainable and balanced growth in residential mortgages and deposits, and benefited from increases in wealth balances during the first half of the year. The business continues to deliver a resilient performance given the highly competitive low interest rate environment with spread compression impacting liability margins.

Profit before income tax expense was $18m for the third quarter of 2015, a decrease of $13m, or 42%, compared with the third quarter of 2014 and unchanged from the second quarter of 2015. Profit before income tax expense for the year to date was $59m, a decrease of $11m, or 16%, compared with the same period in 2014.

Profit before income tax expense relating to ongoing business (excluding the run-off consumer finance portfolio) was $9m, a decrease of $15m, or 63%, compared with the third quarter of 2014 and unchanged from the second quarter of 2015. Profit before income tax expense relating to ongoing business for the year to date was $29m, a decrease of $19m, or 40% compared with the same period in 2014. The decreases over comparative periods were primarily due to increased business expense to support HSBC's Global Standards and risk and compliance activities, increased business investment in Wealth to drive revenue growth, and a change in the inter-segment allocation methodology of branch network support costs, although this was partially offset by increased revenues.

Profit before income tax expense relating to the run-off consumer finance portfolio for the third quarter of 2015 was $9m, an increase of $2m or 29% over the third quarter of 2014 and unchanged from the second quarter of 2015. Profit before income tax expense for this business for the year to date was $30m, an increase of $8m, or 36%, compared with the same period in 2014. The increase compared to the same periods in 2014 was primarily due to a release of loan loss provisions resulting from the continuing planned run-off of the portfolio and lower operating expenses partially offset by lower interest income from declining loan balances. In addition, the results for 2015 benefited from income on the sale of an impaired loan portfolio.

Financial performance by income and expense item relating to the ongoing business

Net interest income for the third quarter of 2015 was $91m, an increase of $3m, or 3%, compared with the third quarter of 2014 and an increase of $2m, or 2%, compared with the second quarter of 2015. Net interest income for the year to date was $262m, an increase of $4m, or 2%, over the same period in 2014. Net interest income increased over the comparative periods mainly due to growth and improved spread in residential mortgages and growth in deposits.

Net fee income for the third quarter of 2015 was $56m, a marginal increase over the third quarter of 2014 and the second quarter of 2015. Net fee income for the year to date was $168m, an increase of $6m, or 4%, compared with the same period in 2014. Continued growth in wealth management product sales increased fee income. However, fee income for the previous quarter and, to a lesser extent, the current quarter reflects a provision for certain expected payments to current and former account holders in our fund distribution business.

Net trading income for the third quarter of 2015 was $5m, a marginal increase compared with the third quarter of 2014 and a marginal decrease compared to the second quarter of 2015. Net trading income for the year to date was $17m, an increase of $5m, or 42%, compared with the same period in 2014. We changed our inter-segment allocation methodology resulting in a higher share of foreign exchange revenue compared to 2014.

Loan impairment charges and other credit risk provisions for the third quarter of 2015 were $3m, marginally lower than the third quarter of 2014 and the second quarter of 2015. Loan impairment charges and other credit risk provisions for the year to date was $12m, a decrease of $3m, or 20%, compared with the same period in 2014 as a result of lower collective allowances due to improvements in credit quality across all products.

Total operating expenses for the third quarter of 2015 were $142m, an increase of $20m, or 16%, compared with the third quarter of 2014 and an increase of $3m, or 2%, compared with the second quarter of 2015. Total operating expenses for the year to date were $413m, an increase of $37m, or 10%, compared with the same period in 2014. The increases over the comparative periods were due to increased investment in HSBC's Global Standards and risk and compliance activities, hiring in our Wealth and Premier businesses to support revenue growth and an increase in the allocation of Branch network support costs.

Other

'Other' contains the results of movements in fair value of own debt, information technology services provided to HSBC Group companies on an arm's length basis and other transactions which do not directly relate to our global lines of business.

Review of financial performance

	Quarter ended			Half-year ended	
	30 September 2015 $m	30 September 2014 $m	30 June 2015 $m	**30 September 2015 $m**	30 September 2014 $m
Net interest expense	**(7)**	(11)	(6)	**(20)**	(26)
Net trading income	**6**	9	7	**20**	24
Net income/(expense) from financial instruments designated at fair value	**2**	(1)	–	**4**	(4)
Other operating income	**8**	7	4	**19**	20
Total operating income	**9**	4	5	**23**	14
Total operating expenses	**(12)**	(11)	(8)	**(38)**	(31)
Loss before income tax expense	**(3)**	(7)	(3)	**(15)**	(17)

Loss before income tax expense was $3m for the quarter ended 30 September 2015, compared to a loss of $7m in the third quarter of 2014, and a loss of $3m in the second quarter of 2015. The decreased loss in the third quarter of 2015 was mainly due to changes in the fair value of the bank's financial instruments designated at fair value. This resulted from marginal widening of the bank's own credit spread in the third quarter of 2015 compared to 2014 when credit spreads narrowed.

Management's Discussion and Analysis (continued)

Summary quarterly performance

Refer to the 'Summary quarterly performance' section of our Annual Report and Accounts 2014 for more information regarding quarterly trends in performance for 2014 and 2013.

Summary consolidated income statement

	Quarter ended							
	30 Sept 2015 $m	30 Jun 2015 $m	31 Mar 2015 $m	31 Dec 2014 $m	30 Sept 2014 $m	30 Jun 2014 $m	31 Mar 2014 $m	31 Dec 2013 $m
Total operating income	**518**	541	530	519	520	539	532	524
Profit for the period	**137**	168	170	125	170	182	172	182
Profit attributable to common shareholder	**128**	161	163	118	163	172	160	164
Profit attributable to preferred shareholders	**9**	5	4	5	4	8	9	16
Profit attributable to non-controlling interests	**–**	2	3	2	3	2	3	2
Basic earnings per common share	**0.26**	0.32	0.33	0.24	0.32	0.35	0.32	0.33

Accounting matters

Future accounting developments

Future accounting developments have been disclosed in note 1 (b) on the 2014 annual consolidated financial statements of the bank's 2014 Annual Report and Accounts. In April 2015, the International Accounting Standards Board ('IASB') deferred the effective date of IFRS 15 *Revenue from Contracts with Customers* by one year to 1 January 2018.

Critical accounting estimates and judgments

The preparation of financial information requires the use of estimates and judgments about future conditions. Management's selection of accounting policies which contain critical estimates and judgments include: impairment of loans and advances, valuation of financial instruments, deferred tax assets and defined benefit obligations. In view of the inherent uncertainties and the high level of subjectivity involved in the recognition or measurement of these items, it is possible that the outcomes in future reporting periods could differ from those on which management's estimates are based, resulting in materially different conclusions from those reached by management for the purposes of the Financial Statements. These items are discussed in the 'Critical accounting policies' section of Management's Discussion and Analysis of the bank's 2014 Annual Report and Accounts.

Significant accounting policies

There have been no changes to the bank's significant accounting policies which are disclosed in note 1(g) to (j) and within the respective notes on the 2014 annual consolidated financial statements of the bank's 2014 Annual Report and Accounts.

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Off-balance sheet arrangements

As part of our banking operations, we enter into a number of off-balance sheet financial transactions that have a financial impact, but may not be recognized in our financial statements. These types of arrangements are contingent and may not necessarily, but in certain circumstances could, involve us incurring a liability in excess of amounts recorded in our consolidated balance sheet. These arrangements include: guarantees and letters of credit and are described in the 'Off-balance sheet arrangements' section of our Annual Report and Accounts 2014. Further information is disclosed in note 10.

Related party transactions

We enter into transactions with other HSBC affiliates as part of the normal course of business, such as banking and operational services. In particular, as a member of one of the world's largest financial services organizations, we share in the expertise and economies of scale provided by the HSBC Group. We provide and receive services or enter into transactions with a number of HSBC Group companies, including sharing in the cost of development for technology platforms used around the world and benefit from worldwide contracts for advertising, marketing research, training and other operational areas. These related party transactions are on terms similar to those offered to non-related parties and are subject to formal approval procedures approved by the bank's Conduct Review Committee.

Disclosure controls and procedures and internal control over financial reporting

The Chief Executive Officer and Chief Financial Officer have signed certifications relating to the appropriateness of the financial disclosures in interim filings with the Canadian Securities Administrators, including this MD&A and the accompanying unaudited interim consolidated financial statements for the quarter ended 30 September 2015, and their responsibility for the design and maintenance of disclosure controls and procedures and internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting in accordance with IFRS.

There have been no changes in internal controls over financial reporting during the quarter ended 30 September 2015 that have materially affected or are reasonably likely to affect internal control over financial reporting.

Risk management

Refer to the "Risk management" section of our Annual Report and Accounts 2014 for a discussion of how the bank manages risk on an enterprise wide level, as well as the management of reputation and operational risk.

Credit risk

Credit risk is the risk of financial loss if a customer or counterparty fails to meet an obligation under contract. It arises principally from direct lending, trade finance and the leasing business, but also from other products such as guarantees and credit derivatives and from holding assets in the form of debt securities.

The bank's principal objectives of credit risk management are:

- to maintain a strong culture of responsible lending, supported by a robust risk policy and control framework;
- to both partner with and challenge businesses in defining and implementing and continually re-evaluating our risk appetite under actual and scenario conditions; and
- to ensure there is independent, expert scrutiny of credit risks, their costs and their mitigation.

Refer to the 'Risk management' section of our Annual Report and Accounts 2014 for a discussion of how the bank manages credit risk, collateral and other credit risk enhancements, as well as a more in depth explanation of our credit risk measures.

Diversification of credit risk

Concentration of credit risk may arise when the ability of a number of borrowers or counterparties to meet their contractual obligations are similarly affected by external factors. Diversification of credit risk is a key concept by which we are guided.

In assessing and monitoring for credit risk concentration, we aggregate exposures by product type, industry and geographic area. Exposures are measured at exposure at default ('EAD'), which reflects drawn balances as well as an allowance for undrawn amounts of commitments and contingent exposures, and therefore would not agree to the financial statements.

Management's Discussion and Analysis (continued)

Loan portfolio by product type

	EAD At 30 September 2015 $m	EAD At 31 December 2014 $m
Wholesale loan portfolio		
Sovereign		
Drawn exposures	**25,502**	21,186
Undrawn commitments	**40**	34
Derivatives	**262**	57
Other off-balance sheet exposures	**70**	70
	25,874	21,347
Banks		
Drawn exposures	**3,486**	3,269
Repurchase type transactions	**46**	8
Derivatives	**915**	2,375
Other off-balance sheet exposures	**858**	628
	5,305	6,280
Corporate		
Drawn exposures	**30,305**	27,950
Undrawn commitments	**13,323**	12,137
Repurchase type transactions	**10**	37
Derivatives	**1,921**	1,212
Other off-balance sheet exposures	**3,649**	3,650
	49,208	44,986
Total wholesale loan portfolio	**80,387**	72,613
Retail loan portfolio		
Residential mortgages	**19,099**	18,090
Home equity lines of credit	**2,945**	3,046
Personal unsecured revolving loan facilities	**502**	527
Other personal loan facilities	**1,950**	2,118
Other small to medium enterprises loan facilities	**508**	593
Run-off consumer finance loan portfolio	**290**	426
Retail Master Cards	**380**	372
Total retail loan portfolio	**25,674**	25,172
Total loan portfolio exposure	**106,061**	97,785

Energy exposures

The following table provides a breakdown of our exposure to energy industries. Of these exposures, 65% are investment grade based on our internal risk rating, (equivalent to S&P/Moody's rating of BBB-/Baa3 and higher).

	EAD At 30 September 2015				
	Drawn $m	Undrawn commitments $m	Derivatives $m	Other off-balance sheet exposures $m	Total $m
Pipelines	**508**	**560**	**683**	**26**	**1,777**
Energy services	**1,402**	**762**	**1**	**102**	**2,267**
Exploration development and production	**1,614**	**1,206**	**45**	**560**	**3,425**
Power and utilities	**405**	**285**	**19**	**237**	**946**
Transportation, refining and marketing	**229**	**224**	**31**	**46**	**530**
Total	**4,158**	**3,037**	**779**	**971**	**8,945**

We continue to closely manage exposures, including enhancing client monitoring, repricing to compensate for increased risk as well as working with clients to understand their needs in the challenging environment.

Mortgages and home equity lines of credit

The bank's mortgage and home equity lines of credit portfolios are considered to be low-risk since the majority are secured by a first charge against the underlying real estate. The tables below detail how the bank mitigates risk further by diversifying the geographical markets in which it operates as well as benefiting from borrower default insurance. In addition the bank maintains strong underwriting and portfolio monitoring standards to ensure the quality of its portfolio is maintained.

Insurance and geographic distribution [1]	30 September 2015						
	Residential mortgages					HELOC[2]	
	Insured [3]		Uninsured		Total	Uninsured	
	$m	%	$m	%	$m	$m	%
British Columbia	**1,080**	**9**	**10,832**	**91**	**11,912**	**930**	**100**
Western Canada [4]	**252**	**19**	**1,107**	**81**	**1,359**	**252**	**100**
Ontario	**709**	**13**	**4,818**	**87**	**5,527**	**615**	**100**
Quebec and Atlantic provinces	**172**	**15**	**955**	**85**	**1,127**	**113**	**100**
Total at 30 September 2015	**2,213**	**11**	**17,712**	**89**	**19,925**	**1,910**	**100**
Total at 30 June 2015	2,483	13	17,073	87	19,556	1,950	100

Amortization period [5]	30 September 2015				
	Residential mortgages				
	Less than 20 years	20-24 years	25-29 years	30-34 years	35 years and greater
Total at 30 September 2015	**26%**	**37%**	**36%**	**1%**	**0%**
Total at 30 June 2015	28%	37%	34%	2%	0%

For the three months ended:	30 September 2015	
Average loan-to-value ratios of new originations [6]	Uninsured % LTV [7]	
	Residential mortgages	HELOC
	%	%
British Columbia	**61**	**50**
Western Canada [4]	**65**	**60**
Ontario	**65**	**57**
Quebec and Atlantic provinces	**60**	**56**
Total at 30 September 2015	**63**	**54**
Total at 30 June 2015	62	55

1 *Geographic location is determined by the address of the originating branch.*

2 *HELOC is an abbreviation for Home Equity Lines of Credit, which are lines of credit secured by equity in real estate.*

3 *Insured mortgages are protected from potential losses caused by borrower default through the purchase of insurance coverage, either from the Canadian Housing and Mortgage Corporation or other accredited private insurers.*

4 *Western Canada excludes British Columbia.*

5 *Amortization period is based on the remaining term of residential mortgages.*

6 *All new loans and home equity lines of credit were originated by the bank; there were no acquisitions during the period.*

7 *Loan-to-value ratios are simple averages, based on property values at the date of mortgage origination.*

Management's Discussion and Analysis (continued)

Potential impact of an economic downturn on residential mortgage loans and home equity lines of credit

The Bank performs stress testing on its Retail portfolio to assess the impact of increased levels of unemployment, rising interest rates, reduction in property values and changes in other relevant macro-economic variables. Potential increase in losses in the mortgage portfolio under downturn economic scenarios are considered manageable given the diversified composition of the portfolio, the low Loan to Value in the portfolio and risk mitigation strategies in place.

Credit quality of financial assets

Although overall credit quality at 30 September 2015 remains strong, recent credit metrics have indicated that subsequent to 31 December 2014, there has been some deterioration in the quality of the portfolio related to energy and related exposures. This is consistent with the significant reduction in energy prices and was in accordance with our expectations. The bank's collective allowance was increased to account for this deterioration.

Impairment allowances and provision for credit losses

Impairment allowances

	At 30 September 2015 $m	At 31 December 2014 $m
Gross loans and advances to customers		
Individually assessed impaired loans and advances (A)	**404**	403
Collectively assessed loans and advances (B)	**42,881**	41,178
- impaired loans and advances	**124**	97
- non-impaired loans and advances	**42,757**	41,081
Total gross loans and advances to customers (C)	**43,285**	41,581
Less: impairment allowances (c)	**377**	362
- individually assessed (a)	**194**	170
- collectively assessed (b)	**183**	192
Net loans and advances to customers	**42,908**	41,219
Individually assessed impaired loans and advances coverage - (a) as a percentage of (A)	**48.0%**	42.2%
Collectively assessed loans and advances coverage - (b) as a percentage of (B)	**0.4%**	0.5%
Total loans and advances coverage - (c) as a percentage of (C)	**0.9%**	0.9%

As part of the determination of the bank's collective impairment allowance, an estimate is included for losses that have been incurred but not yet identified through the establishment of an appropriate individual allowance. Historically the loss emergence period ('LEP') between an underlying customer credit loss event occurring and it being identified and assessed for impairment for financial statement purposes has been assessed as twelve months. Following a review in the first half of 2015 it has been determined that a shorter LEP is more appropriate for the Bank's commercial loan portfolio.

In light of the sustained low oil prices, the bank has assessed its energy and related exposures assuming continuing weakness in oil prices for the next two years. Based on the internal rating changes in this period and the potential for additional downgrades, we have increased our collective allowance.

Movement in impairment allowances and provision for credit losses

	Nine months ended 30 September 2015			
	Customers individually assessed $m	**Customers collectively assessed $m**	**Provision for credit losses $m**	**Total $m**
Opening balance at the beginning of the period	**170**	**192**	**76**	**438**
Movement:				
Loans and advances written off net of recoveries of previously written off amounts	**(33)**	**(9)**	**–**	**(42)**
Charge to income	**64**	**–**	**6**	**70**
Exchange Adjustments	**(1)**	**–**	**–**	**(1)**
Interest recognized on impaired loans and advances	**(6)**	**–**	**–**	**(6)**
Closing balance at the end of the period	**194**	**183**	**82**	**459**

Movement in impairment allowances and provision for credit losses

	Nine months ended 30 September 2014			
	Customers individually assessed $m	Customers collectively assessed $m	Provision for credit losses $m	Total $m
Opening balance at the beginning of the period	157	206	61	424
Movement:				
Loans and advances written off net of recoveries of previously written off amounts	(60)	(18)	–	(78)
Charge to income	47	14	9	70
Interest recognized on impaired loans and advances	(6)	–	–	(6)
Closing balance at the end of the period	138	202	70	410

Liquidity and funding risk

Liquidity and funding risk is the risk that the bank does not have sufficient financial resources to meet its obligations as they fall due, or will have to do so at an excessive cost. This risk arises from mismatches in the timing of cash flows.

There have been no material changes to our liquidity and funding management strategy as described in the 'Liquidity and funding risk' section of our Annual Report and Accounts 2014. We continue to monitor liquidity and funding risk within our stated risk appetite and management framework.

Liquidity regulation

In accordance with OSFI's Liquidity Adequacy Requirements ('LAR') guideline, which incorporates Basel liquidity standards effective 1 January 2015, the bank is required to maintain a Liquidity Coverage Ratio ('LCR') above 100% as well as monitor the Net Cumulative Cash Flow ('NCCF'). The LCR estimates the adequacy of liquidity over a 30 day stress period while the NCCF calculates a horizon for net positive cash flows to capture the risk posed by funding mismatches between assets and liabilities. As at 30 September 2015, the bank was compliant with both.

Advances to core funding ratio

The bank emphasizes the importance of core current accounts and savings accounts as a source of stable funding to finance lending to customers, and discourages reliance on short-term professional funding. The advances to core funding ratio describes loans and advances to customers as a percentage of the total of core customer current and savings accounts and term funding with a remaining term to maturity in excess of one year.

The table below shows the extent to which loans and advances to customers were financed by reliable and stable sources of funding.

Management’s Discussion and Analysis (continued)

Advances to core funding ratio

	Quarter ended	
	30 September 2015 %	31 December 2014 %
End of period	**99**	100
Maximum	**104**	102
Minimum	**99**	93
Average	**102**	99

Liquid Assets

The table below shows the estimated liquidity value (before assumed haircuts) of assets categorised as liquid used for the purpose of liquidity stress testing as set out in our internal liquidity and funding management framework.

Any unencumbered asset held as a consequence of a reverse repurchase transaction with a residual contractual maturity within the relevant stress testing horizon and unsecured interbank loans maturing within three months are not included in liquid assets, as these assets are reflected as contractual cash inflows.

Estimated liquidity value

	At 30 September 2015 $m	At 31 December 2014 $m
Level 1[1]	**21,599**	17,342
Level 2[2]	**4,775**	4,095
	26,374	21,437

1 *Includes debt securities of central governments, central banks, supranationals and multilateral development banks.*
2 *Includes debt securities of local and regional governments, public sector entities and secured covered bonds.*

Net contractual cash flows

The following table quantifies the contractual cash flows from interbank and intra-Group loans and deposits, and reverse repurchase transactions, repurchase transactions (including intergroup transactions) and short positions.

These contractual cash inflows and (outflows) should be considered alongside the level of liquid assets and are treated as such in our internal liquidity stress testing.

Cash flows within three months

	At 30 September 2015 $m	At 31 December 2014 $m
Interbank and intra-Group loans and deposits	**(1,482)**	2,484
Reverse repo, repo and outright short positions (including intra-Group)	**(3,062)**	(1,298)

Contingent liquidity risk arising from committed lending facilities

The bank provides commitments to various counterparties. In terms of liquidity risk, the most significant risk relates to committed lending facilities which, whilst undrawn, give rise to contingent liquidity risk, as these could be drawn during a period of liquidity stress. Commitments are given to customers and committed liquidity facilities are provided to conduits, established to enable clients to access a flexible market-based source of finance.

The table below shows the level of undrawn commitments outstanding to conduits and customers for the five largest single facilities and the largest market sector.

The bank's contractual undrawn exposures monitored under the contingent liquidity risk structure

	At 30 September 2015 $m	At 31 December 2014 $m
Commitments to conduits		
Total lines	**245**	245
Largest individual lines	**194**	194
Commitments to customers		
Five largest	**1,917**	1,928
Largest market sector	**4,827**	4,012

Market risk

Market risk is the risk that movements in market risk factors, including foreign exchange rates and commodity prices, interest rates, credit spreads and equity prices, will reduce our income or the value of our portfolios.

The objective of market risk management is to identify, measure and control market risk exposures in order to optimize return on risk and to remain within the bank's risk appetite.

Refer to the 'Risk management' section of our Annual Report and Accounts 2014 for a discussion of how the bank manages market risk as well as a more in depth explanation of our market risk measures.

Value at risk ('VaR')

VaR is a technique that estimates the potential losses that could occur on risk positions as a result of movements in market rates and prices over a specified time horizon and to a given level of confidence. VaR disclosed in the table and graph below is the bank's total VaR for both trading and non-trading books and remained within the bank's limits.

Trading VaR decreased by $0.3m in September 2015 from September 2014 due to the decrease in Foreign Exchange positions. Non-trading VaR increased by $7.8m in September 2015 from September 2014 and Trading VaR also increased during the month of September. The increase in Trading and non-trading VaR is due to the increase in interest rate sensitivities and, to a lesser extent, the widening of credit spreads.

VAR by risk type for trading activities[1]

	Foreign exchange and commodity $m	Interest rate $m	Equity $m	Credit Spread $m	Portfolio diversification[2] $m	Total[3] $m
January – September 2015						
At period end	**0.1**	**0.5**	**0.0**	**1.0**	**(0.7)**	**0.9**
Average	**0.3**	**0.6**	**0.0**	**1.1**	**(0.7)**	**1.3**
Minimum	**0.0**	**0.2**	**0.0**	**0.7**		**0.7**
Maximum	**1.1**	**1.9**	**0.4**	**2.8**		**2.8**
January – September 2014						
At period end	0.8	0.6	0.0	0.8	(1.0)	1.3
Average	0.2	0.4	0.0	1.0	(0.5)	1.1
Minimum	0.0	0.0	0.1	0.5		0.6
Maximum	1.0	1.2	0.1	2.5		2.5

1 *Trading portfolios comprise positions arising from the market-making and warehousing of customer derived positions.*

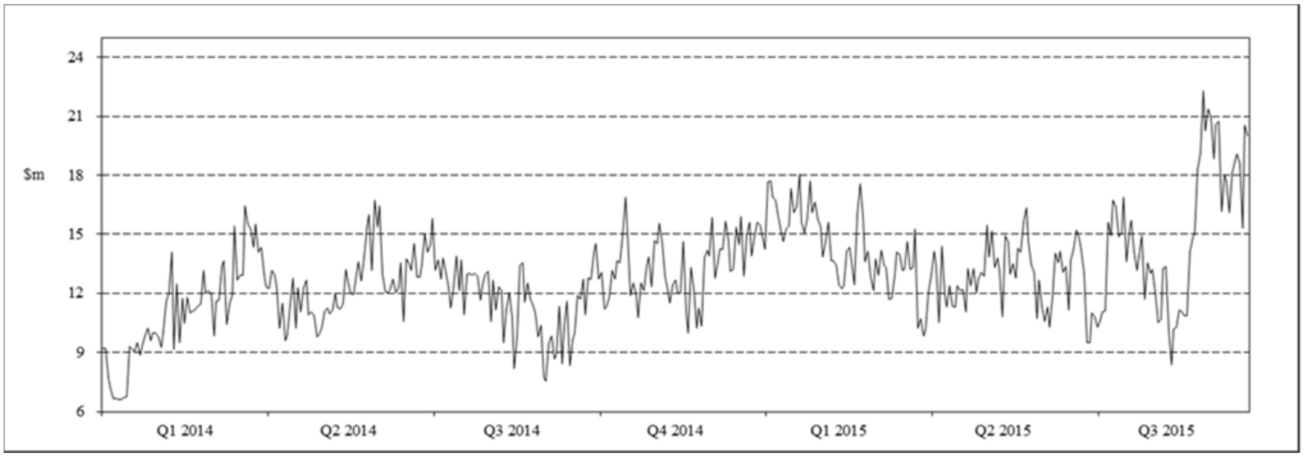
2 *Portfolio diversification is the market risk dispersion effect of holding a portfolio containing different risk types. It represents the reduction in unsystematic market risk that occurs when combining a number of different risk types, for example, interest rate, equity and foreign exchange, together in one portfolio. It is measured as the difference between the sum of the VAR by individual risk type and the combined total VAR. A negative number represents the benefit of portfolio diversification. As the maximum and minimum occur on different days for different risk types, it is not meaningful to calculate a portfolio diversification benefit for these measures. Some small differences in figures presented are due to rounding.*

3 *The total VAR is non-additive across risk types due to diversification effects.*

Management's Discussion and Analysis (continued)

	Nine months ended 30 September	
	2015	2014
	$m	$m
Non-trading value at risk		
At period end	**20.1**	12.3
Average	**13.9**	11.6
Minimum	**8.7**	6.6
Maximum	**22.3**	16.7

Daily Total VaR



Structural interest rate risk

Structural interest rate risk arises primarily out of differences in the term to maturity or repricing of our assets and liabilities, both on- and off-balance sheet. Refer to the 'Structural Interest Rate Risk' section of our Annual Report and Accounts 2014 for a discussion of how the bank manages structural interest rate risk as well as an explanation of our monitoring measures.

Sensitivity of Structural Interest Rate Risk in the non-trading portfolio

At 30 September

	2015		2014	
	Economic value of equity	**Earnings at risk**	Economic value of equity	Earnings at risk
	$m	**$m**	$m	$m
Impact as a result of 100 basis point change in interest rate:				
Increase	**(263)**	**88**	(103)	43
Decrease	**328**	**(59)**	50	(61)

Factors that may affect future results

The risk management section in the MD&A describes the most significant risks to which the bank is exposed. If not managed appropriately these risks could have a material impact on our future financial results. Refer to the 'Factors that may affect future results' section of our Annual Report and Accounts 2014 for a detailed description of these factors.

Capital

Our objective in the management of capital is to maintain appropriate levels of capital to support our business strategy and meet our regulatory requirements.

Information on how the bank manages its capital is available in the 'Capital' section of our Annual Report and Accounts 2014.

Regulatory capital and capital ratios in the tables below, with exception of the assets-to-capital multiple, are presented under a Basel III 'all-in' basis, which applies Basel III regulatory adjustments from 1 January 2013, however phases out of non-qualifying capital instruments over 10 years starting 1 January 2013. The assets-to-capital multiple is presented on a Basel III 'transitional' basis, which phases in Basel III regulatory adjustments over 4 years starting 1 January 2014 and phases out of non-qualifying capital instruments over 10 years starting 1 January 2013.

The bank remained within its required regulatory capital limits during the quarter ended 30 September 2015.

Regulatory capital

Regulatory capital and risk weighted assets

	30 September 2015 $m	31 December 2014 $m
Tier 1 capital	**5,243**	4,830
Common equity tier 1 capital	**4,393**	4,280
Gross common equity[1]	**4,600**	4,450
Regulatory adjustments	**(207)**	(170)
Additional tier 1 eligible capital[2,4]	**850**	550
Tier 2 capital[3]	**535**	611
Total capital available for regulatory purposes	**5,778**	5,441
Total risk-weighted assets	**42,787**	40,269

1 *Includes common share capital, retained earnings and accumulated other comprehensive income.*
2 *Includes directly issued capital instruments and at 31 December 2014 instruments issued by HSBC Canada Asset Trust which was subject to phase out.*
3 *Includes directly issued capital instruments subject to phase out and adjustments for collective allowances.*
4 *On 30 June 2015, the bank issued $500m Class 1 preferred shares Series G that qualify as Tier 1 regulatory capital. See note 14 for more information. Also on 30 June 2015, $200m of HSBC Canada Asset Trust Securities accounted for as non-controlling interests were redeemed.*

Regulatory capital ratios

Actual regulatory capital ratios and capital limits

	30 September 2015	31 December 2014
Actual regulatory capital ratios		
Common equity tier 1 capital ratio	**10.3%**	10.6%
Tier 1 capital ratio	**12.3%**	12.0%
Total capital ratio	**13.5%**	13.5%
Assets-to-capital multiple[1]	**n/a**	17.1x
Leverage ratio[1]	**4.7%**	n/a

1 *Leverage ratio replaced assets-to-capital multiple effective 1 January 2015.*

Required regulatory capital limits		
Minimum Common equity tier 1 capital ratio	7.0%	7.0%
Minimum Tier 1 capital ratio	8.5%	8.5%
Minimum Total capital ratio	10.5%	10.5%

Management's Discussion and Analysis (continued)

Outstanding shares

Outstanding shares

	At 30 October 2015		
	Dividend[1]	Number of issued shares	Carrying value
	$ per share	Thousands	$m
Common shares	See note 1	498,668	1,225
Class 1 Preferred Shares			
Series C	0.31875	7,000	175
Series D	0.3125	7,000	175
Series G	0.25	20,000	500
			850

1 *Cash dividends on preference shares are non-cumulative and are payable quarterly.*

During the third quarter of 2015, the bank declared and paid $88m in dividends on HSBC Bank Canada common shares, an increase of $8m compared with the same quarter last year. Regular quarterly dividends have been declared on all series of HSBC Bank Canada Class 1 Preferred Shares in the amounts per share noted above and will be paid on 31 December 2015 for shareholders of record on 15 December 2015.

Consolidated Financial Statements (unaudited)

Consolidated income statement

	Quarter ended			Nine months ended	
	30 September 2015 $m	30 September 2014 $m	30 June 2015 $m	**30 September 2015 $m**	30 September 2014 $m
Interest income	**422**	478	427	**1,283**	1,445
Interest expense	**(137)**	(175)	(138)	**(422)**	(528)
Net interest income	**285**	303	289	**861**	917
Fee income	**186**	181	198	**575**	536
Fee expense	**(21)**	(20)	(17)	**(57)**	(60)
Net fee income	**165**	161	181	**518**	476
Trading income excluding net interest income	**35**	32	33	**76**	100
Net interest income on trading activities	**13**	3	8	**28**	7
Net trading income	**48**	35	41	**104**	107
Net income/(expense) from financial instruments designated at fair value	**2**	(1)	–	**4**	(4)
Gains less losses from financial investments	**2**	7	18	**56**	53
Other operating income	**16**	15	12	**46**	42
Total operating income	**518**	520	541	**1,589**	1,591
Loan impairment charges and other credit risk provisions	**(31)**	(17)	(23)	**(70)**	(70)
Net operating income	**487**	503	518	**1,519**	1,521
Employee compensation and benefits	**(167)**	(156)	(168)	**(504)**	(467)
General and administrative expenses	**(121)**	(105)	(112)	**(339)**	(320)
Depreciation of property, plant and equipment	**(7)**	(8)	(8)	**(22)**	(25)
Amortization of intangible assets	**(3)**	(3)	(3)	**(10)**	(12)
Total operating expenses	**(298)**	(272)	(291)	**(875)**	(824)
Operating profit	**189**	231	227	**644**	697
Share of profit/(loss) in associates	**(2)**	–	–	**1**	9
Profit before income tax expense	**187**	231	227	**645**	706
Income tax expense	**(50)**	(61)	(59)	**(170)**	(182)
Profit for the period	**137**	170	168	**475**	524
Profit attributable to common shareholder	**128**	163	161	**452**	495
Profit attributable to preferred shareholders	**9**	4	5	**18**	21
Profit attributable to shareholders	**137**	167	166	**470**	516
Profit attributable to non-controlling interests	**–**	3	2	**5**	8
Average number of common shares outstanding (000's)	**498,688**	498,668	498,668	**498,668**	498,668
Basic earnings per common share	**$ 0.26**	$ 0.32	$ 0.32	**$ 0.91**	$ 0.99

The accompanying notes and the "Risk Management" and "Capital" sections within the Management's Discussion and Analysis form an integral part of these Financial Statements.

Consolidated Financial Statements (unaudited) (continued)

Consolidated statement of comprehensive income

	Quarter ended			Nine months ended	
	30 September 2015	30 September 2014	30 June 2015	**30 September 2015**	30 September 2014
	$m	$m	$m	**$m**	$m
Profit for the period	**137**	170	168	**475**	524
Other comprehensive income/(loss)					
Available-for-sale investments[1]	**(75)**	(10)	(38)	**(83)**	8
– fair value gains/(losses)	**(100)**	(6)	(33)	**(56)**	64
– fair value gains transferred to income statement on disposal	**(2)**	(7)	(18)	**(56)**	(53)
– income taxes	**27**	3	13	**29**	(3)
Cash flow hedges[1]	**4**	(15)	(42)	**49**	(29)
– fair value gains/(losses)	**(362)**	(22)	(53)	**(489)**	33
– fair value (gains)/losses transferred to income statement	**368**	2	(3)	**556**	(72)
– income taxes	**(2)**	5	14	**(18)**	10
Actuarial gains/(losses) on defined benefit plans[2]	**(2)**	(12)	31	**(4)**	(32)
– before income taxes	**(4)**	(17)	43	**(6)**	(43)
– income taxes	**2**	5	(12)	**2**	11
Other comprehensive loss for the period, net of tax	**(73)**	(37)	(49)	**(38)**	(53)
Total comprehensive income for the period	**64**	133	119	**437**	471
Total comprehensive income for the period attributable to:					
– shareholders	**64**	130	117	**432**	463
– non-controlling interests	**–**	3	2	**5**	8
	64	133	119	**437**	471

1 *Other comprehensive income/(loss) items which will be reclassified into income.*
2 *Other comprehensive income/(loss) items will not be reclassified into income.*

The accompanying notes and the "Risk Management" and "Capital" sections within the Management's Discussion and Analysis form an integral part of these Financial Statements.

Consolidated balance sheet

	Notes	**30 September 2015 $m**	30 September 2014 $m	31 December 2014 $m
ASSETS				
Cash and balances at central bank		**59**	59	73
Items in the course of collection from other banks		**104**	89	76
Trading assets	*3*	**7,701**	7,707	8,914
Derivatives	*4*	**4,733**	2,953	4,082
Loans and advances to banks		**1,373**	603	1,264
Loans and advances to customers		**42,908**	41,534	41,219
Reverse repurchase agreements – non-trading	*8*	**5,825**	5,979	6,714
Financial investments	*5*	**25,393**	19,786	20,122
Other assets		**354**	372	345
Prepayments and accrued income		**257**	223	186
Customers' liability under acceptances		**4,690**	5,222	5,023
Property, plant and equipment		**111**	126	124
Goodwill and intangible assets		**64**	63	62
Total assets		**93,572**	84,716	88,204
LIABILITIES AND EQUITY				
Liabilities				
Deposits by banks		**2,059**	808	681
Customer accounts		**51,837**	49,698	50,843
Repurchase agreements – non-trading	*8*	**7,271**	2,272	4,054
Items in the course of transmission to other banks		**239**	69	105
Trading liabilities	*6*	**1,907**	3,912	4,227
Financial liabilities designated at fair value	*7*	**417**	426	425
Derivatives	*4*	**5,126**	2,770	3,885
Debt securities in issue		**11,403**	11,292	10,610
Other liabilities		**2,163**	2,126	2,279
Acceptances		**4,690**	5,222	5,023
Accruals and deferred income		**456**	534	524
Retirement benefit liabilities		**315**	312	309
Subordinated liabilities		**239**	239	239
Total liabilities		**88,122**	79,680	83,204
Equity				
Common shares		**1,225**	1,225	1,225
Preferred shares	*14*	**850**	350	350
Other reserves		**83**	113	117
Retained earnings		**3,292**	3,148	3,108
Total shareholders' equity		**5,450**	4,836	4,800
Non-controlling interests	*15*	**–**	200	200
Total equity		**5,450**	5,036	5,000
Total equity and liabilities		**93,572**	84,716	88,204

The accompanying notes and the "Risk Management" and "Capital" sections within the Management's Discussion and Analysis form an integral part of these Financial Statements.

Consolidated Financial Statements (unaudited) (continued)

Consolidated statement of cash flows

		Quarter ended			Nine months ended	
		30 September 2015	30 September 2014	30 June 2015	**30 September 2015**	30 September 2014
	Notes	**$m**	$m	$m	**$m**	$m
Cash flows from operating activities						
Profit before tax		**187**	231	227	**645**	706
Adjustments for:						
– non-cash items included in profit before tax	*9*	**48**	35	40	**123**	130
– change in operating assets	*9*	**(953)**	(560)	3,111	**(648)**	(2,420)
– change in operating liabilities	*9*	**5,729**	302	(1,096)	**5,854**	(118)
– tax paid		**(53)**	(17)	(72)	**(179)**	(163)
Net cash from/(used in) operating activities		**4,958**	(9)	2,210	**5,795**	(1,865)
Cash flows from investing activities						
Purchase of financial investments		**(6,652)**	(2,527)	(6,217)	**(16,938)**	(9,792)
Proceeds from the sale and maturity of financial investments		**2,080**	2,505	4,745	**11,584**	11,828
Purchase of property, plant and equipment		**(6)**	(2)	(15)	**(25)**	(23)
Purchase of intangibles		**(1)**	(1)	–	**(3)**	(5)
Net cash (used in)/from investing activities		**(4,579)**	(25)	(1,487)	**(5,382)**	2,008
Cash flows from financing activities						
Dividends paid to shareholders		**(97)**	(85)	(93)	**(282)**	(262)
Distributions to non-controlling interests		**–**	(3)	(2)	**(5)**	(8)
Redemption of preferred shares		**–**	–	–	**–**	(250)
Redemption of non-controlling interest trust units	*15*	**–**	–	(200)	**(200)**	–
Issuance of preferred shares	*14*	**–**	–	500	**500**	–
Net cash (used in)/from financing activities		**(97)**	(88)	205	**13**	(520)
Net increase/(decrease) in cash and cash equivalents		**282**	(122)	928	**426**	(377)
Cash and cash equivalents at the beginning of the period		**2,481**	1,641	1,553	**2,337**	1,896
Cash and cash equivalents at the end of the period	*9*	**2,763**	1,519	2,481	**2,763**	1,519

The accompanying notes and the "Risk Management" and "Capital" sections within the Management's Discussion and Analysis form an integral part of these financial statements.

Consolidated statement of changes in equity for the nine months ended 30 September 2015

	Share capital $m	Retained earnings $m	Other reserves: Available-for-sale fair value reserve $m	Other reserves: Cash flow hedging reserve $m	Other reserves: Total other reserves $m	Total shareholders' equity $m	Non-controlling interests $m	Total equity $m
At 1 January	**1,575**	**3,108**	**56**	**61**	**117**	**4,800**	**200**	**5,000**
Profit for the period	**–**	**470**	**–**	**–**	**–**	**470**	**5**	**475**
Other comprehensive income (net of tax)	**–**	**(4)**	**(83)**	**49**	**(34)**	**(38)**	**–**	**(38)**
Available-for-sale investments	**–**	**–**	**(83)**	**–**	**(83)**	**(83)**	**–**	**(83)**
Cash flow hedges	**–**	**–**	**–**	**49**	**49**	**49**	**–**	**49**
Actuarial losses on defined benefit plans	**–**	**(4)**	**–**	**–**	**–**	**(4)**	**–**	**(4)**
Total comprehensive income for the period	**–**	**466**	**(83)**	**49**	**(34)**	**432**	**5**	**437**
Issuance of preferred shares (note 14)	**500**	**–**	**–**	**–**	**–**	**500**	**–**	**500**
Redemption of HaTS (note 15)	**–**	**–**	**–**	**–**	**–**	**–**	**(200)**	**(200)**
Dividends paid on common shares	**–**	**(264)**	**–**	**–**	**–**	**(264)**	**–**	**(264)**
Dividends paid on preferred shares	**–**	**(18)**	**–**	**–**	**–**	**(18)**	**–**	**(18)**
Distributions to unit holders	**–**	**–**	**–**	**–**	**–**	**–**	**(5)**	**(5)**
At 30 September	**2,075**	**3,292**	**(27)**	**110**	**83**	**5,450**	**–**	**5,450**

Consolidated statement of changes in equity for the nine months ended 30 September 2014

	Share capital $m	Retained earnings $m	Other reserves: Available-for-sale fair value reserve $m	Other reserves: Cash flow hedging reserve $m	Other reserves: Total other reserves $m	Total shareholder's equity $m	Non-controlling interests $m	Total equity $m
At 1 January	1,825	2,926	35	99	134	4,885	200	5,085
Profit for the period	-	516	-	-	-	516	8	524
Other comprehensive income (net of tax)	-	(32)	8	(29)	(21)	(53)	-	(53)
Available-for-sale investments	-	-	8	-	8	8	-	8
Cash flow hedges	-	-	-	(29)	(29)	(29)	-	(29)
Actuarial losses on defined benefit plans	-	(32)	-	-	-	(32)	-	(32)
Total comprehensive income for the period	-	484	8	(29)	(21)	463	8	471
Redemption on preferred shares	(250)	-	-	-	-	(250)	-	(250)
Dividends paid on common shares	-	(240)	-	-	-	(240)	-	(240)
Dividends paid on preferred shares	-	(22)	-	-	-	(22)	-	(22)
Distributions to unit holders	-	-	-	-	-	-	(8)	(8)
At 30 September	1,575	3,148	43	70	113	4,836	200	5,036

The accompanying notes and the "Risk Management" and "Capital" sections within the Management's Discussion and Analysis form an integral part of these Financial Statements.

Note

1 Basis of preparation and significant accounting policies

HSBC Bank Canada ('the bank', 'we', 'our') is an indirectly wholly-owned subsidiary of HSBC Holdings plc. ('the Parent', 'HSBC Holdings'). Throughout these interim consolidated financial statements ('Financial Statements'), the 'HSBC Group' means the Parent and its subsidiary companies.

a *Compliance with International Financial Reporting Standards*

The Financial Statements have been prepared in accordance with International Accounting Standard ('IAS') 34 'Interim Financial Reporting' as issued by the International Accounting Standards Board ('IASB') and should be read in conjunction with the bank's 2014 annual consolidated financial statements. The bank's 2014 annual consolidated financial statements have been prepared in accordance with International Financial Accounting Standards ('IFRSs') and accounting guidelines as issued by the Office of the Superintendent of Financial Institutions Canada ('OSFI'), as required under Section 308(4) of the Bank Act.

IFRSs comprise accounting standards as issued or adopted by the IASB and its predecessor body as well as interpretations issued or adopted by the IFRS Interpretations Committee and its predecessor body.

b *Future accounting developments*

Future accounting developments have been disclosed in note 1 (b) on the 2014 annual consolidated financial statements of the bank's 2014 Annual Report and Accounts. In April 2015, the IASB announced the deferral of the effective date of IFRS 15 *Revenue from Contracts with Customers* by one year to 1 January 2018.

c *Changes to the presentation of the Financial Statements and notes on the Financial Statements*

There have been no changes to the presentation of the Financial Statements and notes on the Financial Statements.

d *Presentation of information*

The Financial Statements are presented in Canadian dollars, the bank's functional currency. The abbreviation '$m' represents millions of dollars. All tabular amounts are in millions of dollars except where otherwise noted. If applicable, certain prior period amounts have been reclassified to conform with the current period presentation.

e *Critical accounting estimates and judgments*

The preparation of financial information requires the use of estimates and judgments about future conditions. Management's selection of accounting policies which contain critical estimates and judgments include: collective impairment provision for loans and advances, accounting and valuation of certain financial instruments, deferred tax assets and measurement of defined benefit obligations. In view of the inherent uncertainties and the high level of subjectivity involved in the recognition or measurement of these items, it is possible that the outcomes in future reporting periods could differ from those on which management's estimates are based, resulting in materially different conclusions from those reached by management for the purposes of the Financial Statements. These items are described further in the 'Critical accounting policies' section of the Management's Discussion and Analysis of the bank's 2014 Annual Report and Accounts.

f *Consolidation*

The Financial Statements comprise the consolidated financial statements of the bank and its subsidiaries as at 30 September 2015. The method adopted by the bank to consolidate its subsidiaries is described in note 1(f) on the 2014 annual consolidated financial statements of the bank's 2014 Annual Report and Accounts.

g *Significant accounting policies*

There have been no significant changes to the bank's significant accounting policies which are disclosed in note 1(g) to (j) and within the respective notes on the 2014 annual consolidated financial statements of the bank's 2014 Annual Report and Accounts.

2 Post-employment benefits

Included within 'Employee compensation and benefits' are components of net periodic benefit cost related to the bank's pension plans and other post-employment benefits, as follows:

	Quarter ended			Nine months ended	
	30 September 2015 $m	30 September 2014 $m	30 June 2015 $m	**30 September 2015 $m**	30 September 2014 $m
Pension plans – defined benefit	**4**	5	5	**13**	14
Pension plans – defined contribution	**8**	7	9	**26**	22
Healthcare and other post-employment benefit plans	**3**	3	3	**10**	9
	15	15	17	**49**	45

Actuarial valuations for the bank's registered defined pension plans are prepared annually and for non-registered plans and other retirement compensation arrangements triennially. The most recent actuarial valuations of the registered defined benefit pension plans for funding purposes were conducted as at 31 December 2014.

3 Trading assets

	At 30 September 2015 $m	At 30 September 2014 $m	At 31 December 2014 $m
Trading assets:			
– Not subject to repledge or resale by counterparties	**6,232**	7,224	7,938
– Which may be repledged or resold by counterparties	**1,469**	483	976
	7,701	7,707	8,914
Canadian and provincial government bonds[1]	**2,091**	1,802	1,963
Debt securities	**1,167**	743	815
Total debt securities	**3,258**	2,545	2,778
Bankers acceptances	**3,277**	2,975	3,254
Customer trading assets	**669**	1,580	2,208
Treasury and other eligible bills	**436**	529	664
Trading assets from other banks	**48**	54	10
Equity securities	**13**	24	–
	7,701	7,707	8,914

1 *Includes government guaranteed bonds.*

Notes on the Financial Statements (unaudited) (continued)

4 Derivatives

For a detailed description of the type and use of derivatives by the bank, please refer to the bank's accounting policies disclosed in Note 11 of the bank's Annual Report and Accounts 2014.

Fair values of derivatives by product contract type held

	At 30 September 2015					
	Assets			**Liabilities**		
	Trading	**Hedging**	**Total**	**Trading**	**Hedging**	**Total**
	$m	**$m**	**$m**	**$m**	**$m**	**$m**
Foreign exchange	**3,419**	**24**	**3,443**	**3,294**	**565**	**3,859**
Interest rate	**955**	**283**	**1,238**	**915**	**307**	**1,222**
Commodity	**45**	**–**	**45**	**45**	**–**	**45**
Equities	**7**	**–**	**7**	**–**	**–**	**–**
Gross total fair values	**4,426**	**307**	**4,733**	**4,254**	**872**	**5,126**

	At 30 September 2014					
	Assets			Liabilities		
	Trading	Hedging	Total	Trading	Hedging	Total
	$m	$m	$m	$m	$m	$m
Foreign exchange	2,022	278	2,300	2,036	106	2,142
Interest rate	499	122	621	457	148	605
Commodity	23	–	23	23	–	23
Equities	9	–	9	–	–	–
Gross total fair values	2,553	400	2,953	2,516	254	2,770

	At 31 December 2014					
	Assets			Liabilities		
	Trading	Hedging	Total	Trading	Hedging	Total
	$m	$m	$m	$m	$m	$m
Foreign exchange	2,861	328	3,189	2,789	177	2,966
Interest rate	603	163	766	573	230	803
Commodity	116	–	116	116	–	116
Equities	11	–	11	–	–	–
Gross total fair values	3,591	491	4,082	3,478	407	3,885

Trading derivatives

Notional contract amounts of derivatives held for trading purposes by product type

	At 30 September 2015	At 30 September 2014	At 31 December 2014
	$m	$m	$m
Foreign exchange	**138,099**	128,608	132,057
Interest rate	**46,037**	57,327	47,239
Commodity	**87**	316	167
Equities	**83**	180	154
Total derivatives	**184,306**	186,431	179,617

The notional or contractual amounts of these instruments indicate the nominal value of transactions outstanding at the reporting date; they do not represent amounts at risk.

Hedging instruments

Notional contract amounts of derivatives held for hedging purposes by product type

	At 30 September 2015		At 30 September 2014		At 31 December 2014	
	Cash flow hedge	**Fair value hedge**	Cash flow hedge	Fair value hedge	Cash flow hedge	Fair value hedge
	$m	**$m**	$m	$m	$m	$m
Interest rate	**9,472**	**13,460**	20,487	12,182	17,328	12,439
Foreign exchange	**4,258**	**–**	3,317	–	3,460	–
Total derivatives	**13,370**	**13,460**	23,804	12,182	20,788	12,439

Fair value of derivatives designated as fair value hedges

	At 30 September 2015		At 30 September 2014		At 31 December 2014	
	Assets	**Liabilities**	Assets	Liabilities	Assets	Liabilities
	$m	**$m**	$m	$m	$m	$m
Interest rate	**98**	**289**	23	94	32	163

Gains or losses arising from the change in fair value of fair value hedges

	Quarter ended			Nine months ended	
	30 September 2015	30 September 2014	30 June 2015	**30 September 2015**	30 September 2014
	$m	$m	$m	**$m**	$m
Gains/(losses)					
On hedging instruments	**(106)**	9	68	**(151)**	(79)
On hedged items attributable to the hedged risk	**106**	(10)	(67)	**152**	77

The gains and losses on ineffective portions of fair value hedges are recognized immediately in "Net trading income".

Fair value of derivatives designated as cash flow hedges

	At 30 September 2015		At 30 September 2014		At 31 December 2014	
	Assets	**Liabilities**	Assets	Liabilities	Assets	Liabilities
	$m	**$m**	$m	$m	$m	$m
Foreign exchange	**24**	**565**	278	106	327	176
Interest rate	**185**	**18**	99	54	130	67

5 Financial investments

	At 30 September 2015	At 30 September 2014	At 31 December 2014
	$m	$m	$m
Financial investments:			
– Not subject to repledge or resale by counterparties	**21,463**	18,234	17,648
– Which may be subject to repledge or resale by counterparties	**3,930**	1,552	2,474
	25,393	19,786	20,122
Available-for-sale			
Canadian and Provincial Government bonds[1]	**16,861**	14,610	14,846
International Government bonds[1]	**5,138**	2,700	2,947
Debt securities issued by banks and other financial institutions	**2,260**	1,900	1,901
Treasury and other eligible bills	**243**	572	422
Other securities	**891**	4	6
	25,393	19,786	20,122

1 *Includes government guaranteed bonds*

Notes on the Financial Statements (unaudited) (continued)

6 Trading liabilities

	At 30 September 2015 $m	At 30 September 2014 $m	At 31 December 2014 $m
Other liabilities – net short positions	**1,439**	3,343	3,910
Customer trading liabilities	**238**	462	282
Trading liabilities due to other banks	**221**	89	18
Other debt securities in issue	**9**	18	17
	1,907	3,912	4,227

7 Financial liabilities designated at fair value

	At 30 September 2015 $m	At 30 September 2014 $m	At 31 December 2014 $m
Subordinated debentures	**417**	426	425

The carrying amount at 30 September 2015 of financial liabilities designated at fair value was $17m higher (30 September 2014: $26m higher; 31 December 2014: $25m higher) than the contractual amount at maturity. At 30 September 2015, the cumulative amount of change in fair value attributable to changes in credit risk was $1m loss (30 September 2014: $2m gain; 31 December 2014: $2m gain).

8 Non-trading reverse repurchase and repurchase agreements

	At 30 September 2015 $m	At 30 September 2014 $m	At 31 December 2014 $m
Assets			
Banks	**493**	524	744
Customers	**5,332**	5,455	5,970
Reverse repurchase agreements – non-trading	**5,825**	5,979	6,714
Liabilities			
Banks	**1,013**	553	765
Customers	**6,258**	1,719	3,289
Repurchase agreements – non-trading	**7,271**	2,272	4,054

9 Notes on the statement of cash flows

	Quarter ended			Nine months ended	
	30 September 2015 $m	30 September 2014 $m	30 June 2015 $m	**30 September 2015 $m**	30 September 2014 $m
Non-cash items included in profit before tax					
Depreciation and amortization	**10**	11	11	**32**	37
Share based payment expense	**3**	2	1	**8**	8
Loan impairment charges and other credit risk provisions	**31**	17	23	**70**	70
Charge for defined benefit pension plans	**4**	5	5	**13**	15
	48	35	40	**123**	130
Change in operating assets					
Change in prepayment and accrued income	**(59)**	(34)	40	**(71)**	(17)
Change in net trading securities and net derivatives	**(1,487)**	(665)	1,259	**220**	(1,191)
Change in loans and advances to customers	**(73)**	(2)	(229)	**(1,759)**	(1,080)
Change in reverse repurchase agreements – non-trading	**589**	(269)	1,038	**638**	373
Change in other assets	**77**	410	1,003	**324**	(505)
	(953)	(560)	3,111	**(648)**	(2,420)
Change in operating liabilities					
Change in accruals and deferred income	**13**	35	4	**(68)**	(17)
Change in deposits by banks	**1,208**	(104)	(326)	**1,378**	173
Change in customer accounts	**1,475**	369	(128)	**994**	(1,228)
Change in repurchase agreements - non-trading	**2,527**	26	(10)	**3,217**	785
Change in debt securities in issue	**714**	463	373	**793**	(56)
Change in financial liabilities designated at fair value	**(5)**	(3)	(3)	**(8)**	(2)
Change in other liabilities	**(203)**	(484)	(1,006)	**(452)**	227
	5,729	302	(1,096)	**5,854**	(118)
Interest					
Interest paid	**163**	174	160	**492**	547
Interest received	**363**	468	459	**1,222**	1,459

Cash and cash equivalents

	30 September 2015 $m	30 September 2014 $m	30 June 2015 $m	**30 September 2015 $m**	30 September 2014 $m
Cash and balances at central bank	**59**	59	60	**59**	59
Items in the course of transmission to other banks, net	**(135)**	20	(149)	**(135)**	20
Loans and advances to banks of one month or less	**1,373**	603	965	**1,373**	603
Reserve repurchase agreements with banks of one month or less	**493**	524	777	**493**	524
T-Bills and certificates of deposits – three months or less	**973**	313	828	**973**	313
	2,763	1,519	2,481	**2,763**	1,519

Notes on the Financial Statements (unaudited) (continued)

10 Contingent liabilities, contractual commitments and guarantees

	At 30 September 2015 $m	At 30 September 2014 $m	At 31 December 2014 $m
Guarantees and other contingent liabilities			
Guarantees and irrevocable letters of credit pledged as collateral security	**5,497**	4,910	5,230
Commitments			
Undrawn formal standby facilities, credit lines and other commitments to lend[1]	**40,165**	36,651	38,942
Documentary credits and short-term trade-related transactions	**646**	551	572
	40,811	37,202	39,514

1 *Based on original contractual maturity.*

Legal and regulatory proceedings

We are subject to a number of legal proceedings arising in the normal course of our business. We do not expect the outcome of any of these proceedings, in aggregate, to have a material effect on our consolidated balance sheet or our consolidated income statement.

11 Segment analysis

We manage and report our operations according to our main global lines of business. Information on each business line is included in the Management's Discussion and Analysis and the 2014 Annual Report and Accounts. Various estimate and allocation methodologies are used in the preparation of the global lines of business' financial information. We allocate expenses directly related to earning revenues to the businesses that earned the related revenue. Expenses not directly related to earning revenue, such as overhead expenses, are allocated to global lines of business using appropriate allocation formulas. Global lines of business net interest income reflects internal funding charges and credits on the global lines of business' assets, liabilities and capital, at market rates, taking into account relevant terms and currency considerations. The offset of the net impact of these charges and credits is reflected in the Global Banking and Markets.

	Quarter ended			Nine months ended	
	30 September 2015 $m	30 September 2014 $m	30 June 2015 $m	**30 September 2015 $m**	30 September 2014 $m
Commercial Banking					
Net interest income	**149**	164	152	**453**	497
Net fee income	**80**	79	78	**238**	239
Net trading income	**9**	6	8	**25**	19
Gain less losses from financial investments	**–**	–	–	**–**	16
Other operating income	**6**	5	5	**16**	14
Total operating income	**244**	254	243	**732**	785
Loan impairment charges and other credit risk provisions	**(30)**	(11)	(19)	**(60)**	(41)
Net operating income	**214**	243	224	**672**	744
Total operating expenses	**(109)**	(100)	(106)	**(316)**	(305)
Operating profit	**105**	143	118	**356**	439
Share of (loss)/profit in associates	**(2)**	–	–	**1**	9
Profit before income tax expense	**103**	143	118	**357**	448

	Quarter ended			Nine months ended	
	30 September 2015	30 September 2014	30 June 2015	**30 September 2015**	30 September 2014
	$m	$m	$m	**$m**	$m
Global Banking and Markets					
Net interest income	**42**	45	43	**133**	135
Net fee income	**29**	26	48	**112**	72
Net trading income	**28**	16	20	**42**	52
Gain less losses from financial investments	**2**	7	18	**56**	37
Other operating income	**–**	–	–	**–**	1
Total operating income	**101**	94	129	**343**	297
Loan impairment charges and other credit risk provisions	**–**	–	(1)	**(2)**	(3)
Net operating income	**101**	94	128	**341**	294
Total operating expenses	**(32)**	(30)	(34)	**(97)**	(89)
Profit before income tax expense	**69**	64	94	**244**	205

	Quarter ended			Nine months ended	
Retail Banking and Wealth Management					
Net interest income	**101**	105	100	**295**	311
Net fee income	**56**	56	55	**168**	165
Net trading income	**5**	4	6	**17**	12
Other operating income	**2**	3	3	**11**	7
Total operating income	**164**	168	164	**491**	495
Loan impairment charges and other credit risk provisions	**(1)**	(6)	(3)	**(8)**	(26)
Net operating income	**163**	162	161	**483**	469
Total operating expenses	**(145)**	(131)	(143)	**(424)**	(399)
Profit before income tax expense	**18**	31	18	**59**	70

Other information about the profit/(loss) for the quarter

	Quarter ended			Nine months ended	
Other					
Net interest expense	**(7)**	(11)	(6)	**(20)**	(26)
Net trading income	**6**	9	7	**20**	24
Net income/(expense) from financial instruments designated at fair value	**2**	(1)	–	**4**	(4)
Other operating income	**8**	7	4	**19**	20
Net operating income	**9**	4	5	**23**	14
Total operating expenses	**(12)**	(11)	(8)	**(38)**	(31)
Loss before income tax expense	**(3)**	(7)	(3)	**(15)**	(17)

Notes on the Financial Statements (unaudited) (continued)

Other information about the profit/(loss) for the quarter

	Commercial Banking $m	Global Banking and Markets $m	Retail Banking and Wealth Management $m	Other $m	Total $m
Quarter ended 30 September 2015					
Net operating income:	**214**	**101**	**163**	**9**	**487**
External	**207**	**91**	**180**	**9**	**487**
Inter-segment	**7**	**10**	**(17)**	**–**	**–**
Quarter ended 30 September 2014					
Net operating income:	243	94	162	4	503
External	232	80	187	4	503
Inter-segment	11	14	(25)	–	–
Quarter ended 30 June 2015					
Net operating income:	224	128	161	5	518
External	214	119	180	5	518
Inter-segment	10	9	(19)	–	–
Nine months ended 30 September 2015					
Net operating income:	**672**	**341**	**483**	**23**	**1,519**
External	**645**	**309**	**542**	**23**	**1,519**
Inter-segment	**27**	**32**	**(59)**	**–**	**–**
Nine months ended 30 September 2014					
Net operating income:	744	294	469	14	1,521
External	711	254	542	14	1,521
Inter-segment	33	40	(73)	–	–

Statement of balance sheet information

	Commercial Banking $m	Global Banking and Markets $m	Retail Banking and Wealth Management $m	Other $m	Intersegment $m	Total $m
At 30 September 2015						
Loans and advances to customers	**16,272**	**2,436**	**24,200**	**–**	**–**	**42,908**
Customers' liability under acceptances	**3,500**	**1,190**	–	**–**	**–**	**4,690**
Total assets	**27,837**	**47,790**	**28,293**	**414**	**(10,762)**	**93,572**
Customer accounts	**20,783**	**5,965**	**25,089**	**–**	**–**	**51,837**
Acceptances	**3,500**	**1,190**	**–**	**–**	**–**	**4,690**
Total liabilities	**24,816**	**46,124**	**27,530**	**414**	**(10,762)**	**88,122**
At 30 September 2014						
Loans and advances to customers	16,460	1,521	23,553	–	–	41,534
Customers' liability under acceptances	4,291	931	–	–	–	5,222
Total assets	28,774	38,698	26,811	423	(9,990)	84,716
Customer accounts	21,209	4,967	23,522	–	–	49,698
Acceptances	4,291	931	–	–	–	5,222
Total liabilities	25,924	37,361	25,962	423	(9,990)	79,680
At 31 December 2014						
Loans and advances to customers	16,093	1,642	23,484	–	–	41,219
Customers' liability under acceptances	4,168	855	–	–	–	5,023
Total assets	29,210	44,194	27,585	421	(13,206)	88,204
Customer accounts	21,645	4,939	24,259	–	–	50,843
Acceptances	4,168	855	–	–	–	5,023
Total liabilities	26,312	42,853	26,824	421	(13,206)	83,204

12 Related party transactions

The amounts detailed below include transactions between the bank and HSBC Holdings including other companies in the HSBC Group. The transactions below were made in the ordinary course of business and on substantially the same terms, including interest rates and security, as for comparable transactions with third party counterparties.

Transactions between the bank and HSBC Holdings including other companies in the HSBC Holdings Group

	Quarter ended			Nine months ended	
	30 September 2015 $m	30 September 2014 $m	30 June 2015 $m	**30 September 2015 $m**	30 September 2014 $m
Income statement					
Interest income	**5**	11	11	**25**	34
Interest expense	**(3)**	(2)	(3)	**(7)**	(7)
Fee income	**2**	3	2	**11**	10
Fee expense	**(1)**	(1)	(1)	**(3)**	(3)
Other operating income	**10**	11	10	**29**	32
General and administrative expenses	**(37)**	(29)	(30)	**(96)**	(84)

The bank has issued Class 1 Preferred Shares Series G that are non-voting, non-cumulative and redeemable to HSBC Canada Holdings (UK) Limited on June 30, 2015. See note 14 for more information.

Notes on the Financial Statements (unaudited) (continued)

13 Fair values of financial instruments

Control framework

Bases of valuing assets and liabilities measured at fair value

The table below provides an analysis of the fair value hierarchy which has been deployed for valuing financial assets and financial liabilities measured at fair value in the Financial Statements.

	Valuation techniques			
	Level 1 Quoted market price $m	Level 2 Observable inputs $m	Level 3 Significant unobservable inputs $m	Total $m
At 30 September 2015				
Assets				
Trading assets	**2,817**	**4,884**	**–**	**7,701**
Derivatives	**–**	**4,733**	**–**	**4,733**
Financial investments: available-for-sale	**20,953**	**4,440**	**–**	**25,393**
Liabilities				
Trading liabilities	**1,163**	**738**	**6**	**1,907**
Financial liabilities designated at fair value	**–**	**417**	**–**	**417**
Derivatives	**–**	**5,126**	**–**	**5,126**
At 30 September 2014				
Assets				
Trading assets	2,330	5,377	–	7,707
Derivatives	–	2,925	28	2,953
Financial investments: available-for-sale	16,537	3,249	–	19,786
Liabilities				
Trading liabilities	3,233	674	5	3,912
Financial liabilities designated at fair value	–	426	–	426
Derivatives	–	2,742	28	2,770
At 31 December 2014				
Assets				
Trading assets	2,680	6,234	–	8,914
Derivatives	–	4,042	40	4,082
Financial investments: available-for-sale	17,078	3,044	–	20,122
Liabilities				
Trading liabilities	3,753	468	6	4,227
Financial liabilities designated at fair value	–	425	–	425
Derivatives	–	3,845	40	3,885

Reconciliation of fair value measurements in Level 3 of the fair value hierarchy

	Assets	**Liabilities**	
	Derivatives $m	**Held for trading $m**	**Derivatives $m**
At 1 January 2015	**40**	**6**	**40**
Total gains or losses recognized in profit or loss	**2**	**–**	**2**
Transfer out	**(98)**	**–**	**(98)**
Transfer in	**56**	**–**	**56**
At 30 September 2015	–	**6**	–
Total gains or losses recognized in profit or loss relating to those assets and liabilities held at the end of the reporting period	–	**–**	–
At 1 January 2014	34	9	34
Total gains or losses recognized in profit or loss	4	–	4
Transfer out	(10)	(3)	(10)
At 30 September 2014	28	6	28
Total gains or losses recognized in profit or loss relating to those assets and liabilities held at the end of the reporting period	4	–	4

During the third quarter in 2015 and 2014, there were no significant transfers between Level 1 and 2.

For a detailed description of fair value and the classification of financial instruments by the bank, please refer to the bank's accounting policies disclosed in Note 24 of the bank's 2014 Annual Report and Accounts.

Fair values of financial instruments which are not carried at fair value on the balance sheet

	At 30 September 2015		At 30 September 2014		At 31 December 2014	
	Carrying amount $m	**Fair value $m**	Carrying amount $m	Fair value $m	Carrying amount $m	Fair value $m
Assets						
Loans and advances to banks	**1,373**	**1,373**	603	603	1,264	1,264
Loans and advances to customers	**42,908**	**42,998**	41,534	41,621	41,219	41,311
Reverse repurchase agreements	**5,825**	**5,825**	5,979	5,979	6,714	6,714
Liabilities						
Deposits by banks	**2,059**	**2,059**	808	808	681	681
Customer accounts	**51,837**	**51,893**	49,698	49,723	50,843	50,882
Repurchase agreements	**7,271**	**7,271**	2,272	2,272	4,054	4,054
Debt securities in issue	**11,403**	**11,462**	11,292	11,439	10,610	10,765
Subordinated liabilities	**239**	**223**	239	237	239	247

Further discussion of the bank's liquidity and funding management can be found in the audited sections of 'Risk management' within the Management's Discussion and Analysis of the 2014 Annual Report and Accounts.

Notes on the Financial Statements (unaudited) (continued)

14 Preferred shares

	At 30 September 2015		At 30 September 2014		At 31 December 2014	
	Number of shares	**Share capital $m**	Number of shares	Share capital $m	Number of shares	Share capital $m
Class 1 Preferred shares						
Series C[1]	**7,000,000**	**175**	7,000,000	175	7,000,000	175
Series D[2]	**7,000,000**	**175**	7,000,000	175	7,000,000	175
Series G[3]	**20,000,000**	**500**	–	–	–	–
	34,000,000	**850**	14,000,000	350	14,000,000	350

1 *The shares are non-voting, non-cumulative and redeemable. Each share yields 5.1%, payable quarterly, as and when declared. During 2014 and 2013, $9m in dividends were declared and paid. Subject to regulatory approval, we may redeem the shares, in whole or in part, for cash at a declining premium up to 30 June 2014, and at par thereafter. In each case, declared and unpaid dividends will also be paid thereon to the date fixed for redemption.*
We may also, at any time, but only with the prior consent of the regulator, give shareholders notice that they have the right, at their option, to convert their shares into a new series of Class 1 Preferred Shares on a share-for-share basis.

2 *The shares are non-voting, non-cumulative and redeemable. Each share yields 5%, payable quarterly, as and when declared. During 2014 and 2013, $9m in dividends were declared and paid.*
Subject to regulatory approval, we may redeem the shares, in whole or in part, for cash at a declining premium up to 31 December 2014, and at par thereafter. In each case, declared and unpaid dividends will also be paid thereon to the date fixed for redemption.
We may also, at any time but only with the prior consent of the regulator, give shareholders notice that they have the right, at their option, to convert their shares into a new series of Class 1 Preferred Shares on a share-for-share basis.

3 *The shares are non-voting, non-cumulative and redeemable. Each share yields 4%, payable quarterly, as and when declared. Subject to regulatory approval, HBCA may on June 30, 2020 and every 5 years thereafter, redeem a portion or all of the Series G shares at par value in cash. The shares include non-viability contingency capital (NVCC) provisions, necessary for the shares to qualify as Tier 1 regulatory capital under Basel III. In the event that OSFI determines that a regulatory defined non-viability trigger event has occurred, NVCC provisions require the write off and cancellation of the Series G shares against equity.*

15 Non-controlling interest in trust and subsidiary

HSBC Canada Asset Trust (‘the Trust’) was a closed-end trust. The Trust was established by HSBC Trust Company (Canada), our wholly-owned subsidiary, as trustee. The Trust’s objective was to hold qualifying assets which would generate net income for distribution to holders of securities issued by the Trust (‘HSBC HaTSTM’). The Trust assets were primarily undivided co-ownership interests in pools of Canada Mortgage and Housing Corporation and Genworth Financial Mortgage Insurance Company Canada insured first mortgages originated by the bank, and Trust deposits with the bank. Originally 200,000 units of Series 2015 were issued to third party investors at $1,000 per unit to providing a yield of 5.149% to 30 June 2015. The Trust, having obtained regulatory approval, redeemed all of the Series 2015 securities at par for cash on 30 June 2015.

16 Events after the reporting period

There have been no material events after the reporting period which would require disclosure or adjustment to the 30 September 2015 Financial Statements.

These Financial Statements were approved by the Board on 30 October 2015 and authorized for issue.

PRINCIPAL ADDRESSES:

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WEBSITE:
www.hsbc.ca

OTHER AVAILABLE INFORMATION:
The bank's continuous disclosure materials, including interim and annual filings, are available on the bank's website and on the Canadian Securities Administrators' website at www.sedar.com

HSBC BANK CANADA SECURITIES ARE LISTED ON THE TORONTO STOCK EXCHANGE:

HSBC Bank Canada
Class 1 Preferred Shares – Series C (HSB.PR.C)
Class 1 Preferred Shares – Series D (HSB.PR.D)

SHAREHOLDER CONTACT:

For change of address, shareholders are requested to contact their brokers.

For general information please write to the bank's transfer agent, Computershare Investor Services Inc., at their mailing address or by e-mail to service@computershare.com.

Other shareholder inquiries may be directed to Shareholder Relations by writing to:

HSBC Bank Canada Shareholder Relations – Finance Department
4th Floor
2910 Virtual Way
Vancouver, British Columbia
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E-mail: shareholder_relations@hsbc.ca

Shareholder Relations:
Chris Young (604) 642-4389
Harry Krentz (604) 641-1013

TRANSFER AGENT AND REGISTRAR:

Computershare Investor Services Inc.
Shareholder Service Department
8th Floor, 100 University Avenue
Toronto, Ontario
Canada M5J 2Y1
Tel: 1 (800) 564-6253

DIVIDENDS DATES:
Dividend record and payable dates for the bank's preferred shares, subject to approval by the Board, are:

2015	
Record Date	*Payable Date*
15 December	31 December

Designation of eligible dividends:
For the purposes of the *Income Tax Act* (Canada), and any similar provincial legislation, HSBC Bank Canada advises that all of its dividends paid to Canadian residents in 2006 and subsequent years are eligible dividends unless indicated otherwise.

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