



29 April 2005

**HSBC BANK CANADA
FIRST QUARTER 2005 RESULTS - HIGHLIGHTS**

- Net income attributable to common shares was C\$108 million for the quarter ended 31 March 2005, an increase of 20.0 per cent over the same period in 2004.
- Return on average common equity was 20.9 per cent for the quarter ended 31 March 2005 compared with 21.3 per cent for the same period in 2004.
- The cost:income ratio was 53.0 per cent for the quarter ended 31 March 2005 compared with 56.0 per cent for the same period in 2004.
- Total assets were C\$45.0 billion at 31 March 2005 compared with C\$38.6 billion at 31 March 2004.
- Total funds under management were C\$18.1 billion at 31 March 2005 compared with C\$15.8 billion at 31 March 2004.

Overview

HSBC Bank Canada recorded net income attributable to common shares of C\$108 million for the quarter ended 31 March 2005, an increase of C\$18 million, or 20.0 per cent, from C\$90 million for the first quarter of 2004. Net income for the first quarter of 2005 benefited from higher net interest income due to growth in the balance sheet, a stable credit environment, and growth in non-interest revenue.

Commenting on the results, Lindsay Gordon, President and Chief Executive Officer, said: “Results for the start of 2005 were good. Consumer and commercial loan growth continues to be strong as a result of our business initiatives. In addition, asset growth benefited from continued low interest rates, and a stable credit and economic environment. This has resulted in higher net interest income and activity-based fee revenue. However, net interest margins continue to be a challenge for us, and the industry as a whole. Our wealth management business was solid and generated increased investment administration fees in the first quarter of 2005 despite some equity market volatility. Revenue was higher in the quarter from merchant banking, and Corporate, Investment Banking and Markets activities.

“We will continue to invest in our business to improve our strong customer service and enhance efficiencies. Our focus will be to continue to build profitable relationships across all of our customer groups to maintain this positive momentum through the remainder of 2005.”

Net interest income

Net interest income for the quarter ended 31 March 2005 was C\$237 million compared with C\$216 million in the same quarter of 2004, an increase of C\$21 million, or 9.7 per cent. Growth in the balance sheet continued to be strong in the first quarter of 2005, and was aided by continued low interest rates. The first quarter of 2005 also benefited from the acquisition of the former Intesa Bank Canada (“Intesa”) in the second quarter of 2004.

The net interest margin, as a percentage of average interest earning assets, was 2.44 per cent for the quarter ended 31 March 2005 compared with 2.57 per cent for the same period in 2004. Consistent with the trends in the industry over the past two years, net interest margins continue to be impacted by extremely competitive product pricing across all customer groups, particularly in personal financial services, and the continued low interest rate environment.

Non-interest revenue

Non-interest revenue was C\$144 million for the quarter ended 31 March 2005 compared with C\$127 million in the same quarter of 2004, an increase of C\$17 million, or 13.4 per cent. Commercial credit fees were higher in 2005 due to increased activity resulting from a continued improvement in the economy in Canada and the continued low interest rate environment. Investment administration fees were higher due to growth in assets managed in our Portfolio Advantage and Private Investment Management services. Trading revenue was higher due to gains realized from merchant banking activities. During the first quarter of 2005, we recognized C\$13 million in gains from the securitisation of C\$434 million of residential mortgages and C\$215 million of consumer loans. The gains were partially offset by life-to-date adjustments on the retained interests of previous securitisations. Other non-interest revenue in the first quarter of 2005 included C\$5 million resulting from the adoption of new accounting standards for the valuation of investment company assets which are now required to be held at fair value, compared with historical cost and accumulated income.

Non-interest expenses

Non-interest expenses were C\$202 million for the quarter ended 31 March 2005 compared with C\$192 million in the same quarter of 2004, an increase of C\$10 million, or 5.2 per cent. Salaries and benefits in the first quarter of 2005 were higher than in the first quarter of 2004 due largely to an increased employee base resulting from the acquisition of Intesa and from investments in the branch network, wealth management business, and other delivery channels. Other non-interest expenses included a net credit on successful resolution of certain commodity tax issues from previous years. This was offset by higher administrative and information technology service fees from increased business activity.

Credit quality and provision for credit losses

The provision for credit losses was C\$8 million for the quarter ended 31 March 2005 compared with C\$14 million in the first quarter of 2004. The lower provision reflects the stable asset quality and credit performance of the loan portfolio in the quarter. Corporate default rates have been relatively low due to the improved economic conditions in Canada and the United States.

Gross impaired loans were C\$146 million, C\$36 million, or 19.8 per cent, lower compared with C\$182 million at 31 December 2004, and C\$56 million, or 27.7 per cent, lower compared with C\$202 million at 31 March 2004. Total impaired loans, net of specific allowances for credit losses, were C\$85 million at 31 March 2005 compared with C\$112 million at 31 December 2004 and C\$138 million at 31 March 2004. The general allowance for credit losses was C\$282 million compared with C\$279 million at 31 December 2004 and C\$258 million at 31 March 2004. The total allowance for credit losses, as a percentage of loans outstanding, was 1.15 per cent at 31 March 2005 compared with 1.22 per cent at 31 December 2004 and 1.24 per cent at 31 March 2004.

Income taxes

The effective tax rate in the first quarter of 2005 was 34.1 per cent compared with 38.1 per cent in the first quarter of 2004. The reduction in the quarter reflected an adjustment to the net realizable values of certain future income tax assets. Excluding this adjustment, the effective income tax rate would have been 37.1 per cent.

Balance sheet

Total assets at 31 March 2005 were C\$45.0 billion, an increase of C\$1.7 billion from 31 December 2004, and C\$6.4 billion, or 16.6 per cent from 31 March 2004. The growth in assets during the first quarter of 2005 was driven by growth in commercial loans and higher investment securities, partially offset by the proceeds of securitisation activities in the quarter. The growth in assets from the first quarter of 2004 was due to growth across all customer groups, and was aided by the acquisition of Intesa in the second quarter of 2004.

Total deposits increased C\$1.8 billion to C\$35.6 billion at 31 March 2005 from C\$33.8 billion at 31 December 2004 and were C\$5.6 billion higher compared with 31 March 2004. The increase in the first quarter of 2005 was driven primarily from increased activity in the commercial customer group. Compared with the same quarter in 2004, the increase in deposits was from all customer groups, and was aided by the acquisition of Intesa.

Total assets under administration

Funds under management were C\$18.1 billion at 31 March 2005 compared with C\$17.7 billion at 31 December 2004 and C\$15.8 billion at 31 March 2004. Including custody and administration balances, total assets under administration were C\$23.9 billion compared with C\$22.8 billion at 31 December 2004 and C\$20.7 billion at 31 March 2004. Funds under management grew in the first quarter of 2005 despite challenging equity market conditions. Assets managed in our Portfolio Advantage and Private Investment Management products showed continued strong growth.

Capital ratios

The tier 1 capital ratio was 8.5 per cent and the total capital ratio was 10.8 per cent at 31 March 2005. This compares with 8.6 per cent and 11.0 per cent, respectively, at 31 December 2004 and 8.3 per cent and 10.9 per cent, respectively, at 31 March 2004. In the first quarter of 2005, we declared and paid a C\$60 million dividend on our common shares.

Preferred share dividends

A regular dividend was declared on the Class 1 Preferred Shares – Series A of 39.0625 cents per share and an initial dividend was declared on the Class 1 Preferred Shares – Series C of 25.2198 cents per share. The dividends will be payable in cash on 30 June 2005, for shareholders of record on 18 June 2005.

About HSBC Bank Canada

HSBC Bank Canada, a subsidiary of HSBC Holdings plc, has more than 170 offices. With over 9,800 offices in 77 countries and territories and assets of US\$1,277 billion at 31 December 2004, the HSBC Group is one of the world's largest banking and financial services organisations. Visit our website at hsbc.ca for more information about HSBC Bank Canada and our products and services.

Media enquiries to:	Ernest Yee	604-641-2973
	Sharon Wilks	416-868-3878

Copies of HSBC Bank Canada's first quarter 2005 report will be sent to shareholders in May 2005.

Forward-looking financial information

This document contains forward-looking statements, including statements regarding the business and anticipated financial performance of HSBC Bank Canada. These statements are subject to a number of risks and uncertainties that may cause actual results to differ materially from those contemplated by the forward-looking statements. Some of the factors that could cause such differences include legislative or regulatory developments, technological change, global capital market activity, changes in government monetary and economic policies, changes in prevailing interest rates, inflation levels and general economic conditions in geographic areas where HSBC Bank Canada operates. Canada is an extremely competitive banking environment and pressures on interest rates and our net margin may arise from actions taken by individual banks acting alone. Varying economic conditions may also affect equity and foreign exchange markets, which could also have an impact on our revenues. The factors disclosed above may not be complete and there could be other uncertainties and potential risk factors not considered here which may impact our results and financial condition.

<i>Figures in C\$ millions (except per share amounts)</i>	<i>Quarter ended</i>		
	<i>31 March 2005</i>	<i>31 December 2004</i>	<i>31 March 2004</i>
Earnings			
Net income attributable to common shares	108	86	90
Basic earnings per share	0.22	0.18	0.19
Performance ratios (%)			
Return on average common equity	20.9	16.6	21.3
Return on average assets	0.99	0.80	0.95
Net interest margin	2.44	2.38	2.57
Cost:income ratio	53.0	55.6	56.0
Non-interest revenue:total revenue ratio	37.8	38.4	37.0
Credit information			
Impaired loans	146	182	202
Allowance for credit losses			
– Balance at end of period	343	349	322
– As a percentage of impaired loans	235 %	192 %	159 %
– As a percentage of loans outstanding	1.15 %	1.22 %	1.24 %
Average balances			
Assets	44,180	43,008	38,061
Loans	28,841	28,235	25,423
Deposits	34,704	32,640	29,895
Common equity	2,098	2,070	1,711
Capital ratios (%)			
Tier 1	8.5	8.6	8.3
Total capital	10.8	11.0	10.9
Total assets under administration			
Funds under management	18,084	17,687	15,775
Custodial accounts	5,797	5,077	4,971
Total assets under administration	<u>23,881</u>	<u>22,764</u>	<u>20,746</u>

<i>Figures in C\$ millions (except per share amounts)</i>	<i>Quarter ended</i>		
	<i>31 March 2005</i>	<i>31 December 2004</i>	<i>31 March 2004</i>
Interest and dividend income			
Loans	374	366	340
Securities	24	22	21
Deposits with regulated financial institutions	30	26	14
	<u>428</u>	<u>414</u>	<u>375</u>
Interest expense			
Deposits	184	177	150
Debentures	7	8	9
	<u>191</u>	<u>185</u>	<u>159</u>
Net interest income	237	229	216
Provision for credit losses	8	22	14
Net interest income after provision for credit losses	<u>229</u>	<u>207</u>	<u>202</u>
Non-interest revenue			
Deposit and payment service charges	20	20	20
Credit fees	22	21	18
Capital market fees	32	32	32
Investment administration fees	17	15	14
Foreign exchange	17	18	17
Trade finance	7	6	6
Trading revenue	5	2	2
Securitisation income	8	4	6
Other	16	25	12
	<u>144</u>	<u>143</u>	<u>127</u>
Net interest and non-interest revenue	373	350	329
Non-interest expenses			
Salaries and employee benefits	109	107	100
Premises and equipment	27	22	27
Other	66	78	65
	<u>202</u>	<u>207</u>	<u>192</u>
Income before the undernoted	171	143	137
Effect of accounting change	-	-	14
Income before provision and non-controlling interest in income of trust	171	143	151
Provision for income taxes	57	51	56
Non-controlling interest in income of trust	4	4	4
Income from continuing operations	<u>110</u>	<u>88</u>	<u>91</u>
Income from discontinued operations [†]	-	-	1
Net income	<u>110</u>	<u>88</u>	<u>92</u>
Preferred share dividends	2	2	2
Net income attributable to common shares	<u>108</u>	<u>86</u>	<u>90</u>
Average common shares outstanding (000)	488,668	488,668	471,168
Basic earnings per share (C\$)	0.22	0.18	0.19

[†] Reflects the sale of HSBC Canadian Direct Insurance Incorporated effective 30 April 2004.

<i>Figures in C\$ millions</i>	<i>At 31 March 2005</i>	<i>At 31 December 2004</i>	<i>At 31 March 2004</i>
Assets			
Cash and deposits with Bank of Canada	212	328	446
Deposits with regulated financial institutions	4,923	4,094	3,933
	<u>5,135</u>	<u>4,422</u>	<u>4,379</u>
Investment securities	3,085	1,967	1,997
Trading securities	1,029	1,055	758
	<u>4,114</u>	<u>3,022</u>	<u>2,755</u>
Assets purchased under reverse repurchase agreements	<u>1,437</u>	<u>2,264</u>	<u>1,279</u>
Loans			
– Businesses and government	14,387	13,450	12,213
– Residential mortgage	11,862	11,966	10,965
– Consumer	3,465	3,252	2,860
– Allowance for credit losses	(343)	(349)	(322)
	<u>29,371</u>	<u>28,319</u>	<u>25,716</u>
Customers' liability under acceptances	3,675	3,754	3,249
Land, buildings and equipment	99	101	102
Other assets	1,145	1,381	1,119
	<u>4,919</u>	<u>5,236</u>	<u>4,470</u>
Total assets	<u>44,976</u>	<u>43,263</u>	<u>38,599</u>
Liabilities and shareholders' equity			
Deposits			
– Regulated financial institutions	843	635	631
– Individuals	15,111	14,818	14,185
– Businesses and governments	19,630	18,395	15,150
	<u>35,584</u>	<u>33,848</u>	<u>29,966</u>
Acceptances	3,675	3,754	3,249
Assets sold under repurchase agreements	61	23	47
Other liabilities	2,752	2,785	2,740
Non-controlling interest in trust and subsidiary	230	230	230
	<u>6,718</u>	<u>6,792</u>	<u>6,266</u>
Subordinated debentures	<u>427</u>	<u>426</u>	<u>506</u>
Shareholders' equity			
– Preferred shares	125	125	125
– Common shares	1,125	1,125	950
– Contributed surplus	179	177	171
– Retained earnings	818	770	615
	<u>2,247</u>	<u>2,197</u>	<u>1,861</u>
Total liabilities and shareholders' equity	<u>44,976</u>	<u>43,263</u>	<u>38,599</u>

<i>Figures in C\$ millions</i>	<i>Quarter ended</i>		
	<u>31 March 2005</u>	<u>31 December 2004</u>	<u>31 March 2004</u>
Cash flows provided by/(used in):			
– operating activities	405	60	426
– financing activities	1,662	669	592
– investing activities	<u>(1,591)</u>	<u>(578)</u>	<u>(834)</u>
Increase in cash and cash equivalents	476	151	184
Cash and cash equivalents, beginning of period	<u>4,007</u>	<u>3,856</u>	<u>3,449</u>
Cash and cash equivalents, end of period	<u><u>4,483</u></u>	<u><u>4,007</u></u>	<u><u>3,633</u></u>
Represented by:			
– Cash resources per balance sheet	5,135	4,422	4,379
– less non-operating deposits [†]	<u>(652)</u>	<u>(415)</u>	<u>(746)</u>
– Cash and cash equivalents, end of period	<u><u>4,483</u></u>	<u><u>4,007</u></u>	<u><u>3,633</u></u>

[†] *Non-operating deposits are comprised primarily of cash that reprices after 90 days and cash restricted for recourse on securitisation transactions.*