HSBC

News Release

25 October 2005

HSBC BANK CANADA
THIRD QUARTER 2005 RESULTS - HIGHLIGHTS

- Net income attributable to common shares was C$325 million for the nine months ended 30 September 2005, an increase of 25.5 per cent over the same period in 2004.

- Net income attributable to common shares was C$113 million for the quarter ended 30 September 2005, an increase of 37.8 per cent over the third quarter of 2004.

- Return on average common equity was 20.4 per cent for the nine months ended 30 September 2005 and 20.9 per cent for the quarter ended 30 September 2005 compared with 19.0 per cent and 16.4 per cent, respectively, for the same periods in 2004.

- The cost:income ratio was 52.9 per cent for the nine months ended 30 September 2005 and 51.2 per cent for the quarter ended 30 September 2005 compared with 56.1 per cent and 58.1 per cent, respectively, for the same periods in 2004.

- Total assets were C$49.4 billion at 30 September 2005 compared with C$42.3 billion at 30 September 2004.

- Total funds under management were C$19.9 billion at 30 September 2005 compared with C$16.2 billion at 30 September 2004.

This news release is issued by
HSBC Bank Canada

Overview

HSBC Bank Canada recorded net income attributable to common shares of C$325 million for the nine months ended 30 September 2005, an increase of C$66 million, or 25.5 per cent, from C$259 million for the same period in 2004. Net income attributable to common shares for the quarter ended 30 September 2005 was C$113 million, an increase of C$31 million, or 37.8 per cent, from C$82 million for the quarter ended 30 September 2004.

Commenting on the results, Lindsay Gordon, President and Chief Executive Officer, said: "Results for the quarter continue to be robust. The stable interest rates in Canada and strong economy continue to provide stimulus for growth. Net income in 2005 benefited from strong performance across all customer groups, which helped increase both net interest income and non-interest revenue. A stable credit environment in Canada and a strong economy has helped keep provision for credit losses lower in 2005 compared with 2004. In Personal Financial Services, growth in residential mortgages, consumer loans, and funds under management all contributed to improved performance. In Commercial Banking, growth in lending volumes contributed to strong revenue growth. Revenue in Corporate, Investment Banking and Markets was impacted by the flatter yield curve in 2005.

"We are excited about the launch of two new initiatives in the quarter which will help us to deepen our existing client relationships and attract new customers. Our LifeMap™ investment solution of bundled underlying mutual funds will help simplify investing as well as align investors' changing needs throughout all stages of their life. Our MasterCard product was upgraded to include two new HSBC Rewards programs: HSBC Travel & Merchandise Rewards, or HSBC Cash Back Rewards.

"With our positive results for this quarter and year-to-date, we have good momentum leading into the final quarter of 2005. We will ensure that our focus remains on executing core business strategies to achieve our growth objectives."

Net interest income

Net interest income for the nine months ended 30 September 2005 was C$741 million, up C$74 million or 11.1 per cent, compared with C$667 million for the same period in 2004. For the quarter ended 30 September 2005, net interest income was C$261 million, C$31 million or 13.5 per cent higher, compared with C$230 million for the same quarter in 2004. Growth in net interest income during 2005 has been aided by growth in assets from each of our customer groups. Despite tightening of interest rates in the US over the course of 2005, and the one increase in Canada in September of this year, economic sentiment remains positive. Average assets were C$46.5 billion for the nine months ended 30 September 2005 compared with C$39.6 billion for the same period in 2004 and C$48.8 billion for the quarter ended 30 September 2005 compared with C$40.9 billion for the same quarter last year.

Net interest margins were negatively impacted by lower average interest rates in 2005 compared with 2004. The net interest margin, as a percentage of average interest earning assets, was 2.38 per cent for the nine months ended 30 September 2005 compared with 2.53 per cent for the same period in 2004. For the quarter ended 30 September 2005 the net interest margin was 2.36 per cent compared with 2.51 per cent for the same period in 2004. Net interest margins have been impacted in 2005 by continued competitive product pricing, particularly in personal financial services. Additionally, a flatter yield curve in 2005 has impacted net interest margins in our treasury and markets groups.

Non-interest revenue

Non-interest revenue was C$429 million for the nine months ended 30 September 2005, C$46 million or 12.0 per cent higher, compared with C$383 million for the same period in 2004. For the quarter ended 30 September 2005, non-interest revenue was C$145 million, up C$19 million or 15.1 per cent, compared with C$126 million for the same quarter in 2004.

Credit fees were higher in 2005 due to increased activity in commercial banking, particularly in shorter term facilities such as bankers' acceptances, financial guarantees and letters of credit. Capital market fees improved slightly in the third quarter of 2005 as customers increased their retail trading activity on the back of improved equity markets in Canada, driven by higher natural resource prices. Investment administration fees increased in 2005 due to higher funds under management, driven partly by increases in our Private Client products. Foreign exchange revenues in 2005 have benefited from the significant volatility of the exchange rate between the Canadian and US dollars. Other non-interest revenue is higher in 2005 from stronger fee income from our Canadian Immigrant Investor Program ("CIIP") and due to upward fair value adjustments to our investment company assets, resulting from new accounting requirements in 2005.

Non-interest expenses

Non-interest expenses were C$619 million for the nine months ended 30 September 2005, C$30 million or 5.1 per cent higher, compared with C$589 million for the same period in 2004. For the quarter ended 30 September 2005 non-interest expenses were C$208 million compared with C$207 million for the same quarter in 2004.

Salaries and benefits for the nine months ended 30 September 2005 were higher than the same period in 2004 due to an increased employee base resulting from the acquisition of Intesa Bank Canada in 2004, investments in our branch network, and higher variable-based compensation. In the third quarter of 2005, employee benefits were lower as a result of adjustments to our pension plan expenses. Other non-interest expenses were higher for the nine months to 30 September 2005 compared with 2004 due to higher transactions costs associated with increased volumes in our brokerage subsidiary and administration fees associated with the CIIP. In addition, increased activity in banking operations resulted in higher administrative and technical services fees. Non-interest expenses in 2005 included a net credit arising from successful resolution of certain commodity tax issues from previous years.

Credit quality and provision for credit losses

Provision for credit losses was C$21 million for the nine months ended 30 September 2005 compared with C$44 million in the same period of 2004. For the quarter ended 30 September 2005 the provision for credit losses was C$7 million compared with C$10 million in the same period last year. Credit quality remains stable, as has been the case for most of 2005, and reflects the strong economic conditions in Canada and the United States. This has resulted in lower default rates, primarily in loans to businesses, and related allowances for credit losses.

Gross impaired loans decreased C$58 million to C$132 million at 30 September 2005 compared with C$190 million at 30 September 2004. Gross impaired loans to businesses were C$104 million at 30 September 2005 compared with C$153 million at 30 September 2004. Gross impaired consumer loans were C$28 million at 30 September 2005 compared with C$37 million at the same time last year. Total impaired loans, net of specific allowances, were C$78 million at 30 September 2005 compared with C$108 million at 30 September 2004. The general allowance for credit losses was C$283 million compared with C$273 million at 30 September 2004. The total allowance for credit losses, as a percentage of loans outstanding, was 1.04 per cent per cent at 30 September 2005 compared with 1.25 per cent at 30 September 2004.

Balance sheet

Total assets at 30 September 2005 were C$49.4 billion, an increase of C$6.1 billion, or 14.1 per cent, from C$43.3 billion at 31 December 2004 and an increase of C$7.1 billion, or 16.8 per cent, from C$42.3 billion at 30 September 2004. Loan growth during 2005 was strong across all customer groups and was supported by strong economic conditions and stable interest rates in Canada. Commercial loans increased by $1.7 billion in 2005 to C$15.1 billion at 30 September 2005. Residential mortgages and consumer loans grew by C$2.2 billion to C$17.4 billion in total at 30 September 2005.

Total deposits at 30 September 2005 were C$38.6 billion, an increase of C$4.8 billion from C$33.8 billion at 31 December 2004 and an increase of C$5.6 billion from C$33.0 billion at 30 September 2004. Commercial deposits and deposits from banks increased during 2005 by C$4.3 billion to C$23.3 billion in total as at 30 September 2005. This increase was used to fund the increase in loans over the period. During 2005, personal deposits increased C$0.4 billion to C$15.3 billion as at 30 September 2005. At constant exchange rates, this increase would have been C$0.6 billion.

Total assets under administration

Funds under management were C$19.9 billion at 30 September 2005 compared with C$16.2 billion at the same time last year and C$18.8 billion at 30 June 2005. Including custody and administration balances, total assets under administration were C$26.5 billion compared with C$24.7 billion at 30 June 2005 and C$21.4 billion at 30 September 2004.

Funds under management grew in the third quarter of 2005 due to increased activity in our securities brokerage firm, as Canadian equity markets improved supported by higher natural resource prices, and increases in funds in our Private Client products. Custodial assets under administration grew C$0.7 billion in the third quarter due largely to higher institutional business volumes in our trust company.

Capital ratios

The tier 1 capital ratio was 8.7 per cent and the total capital ratio was 10.9 per cent at 30 September 2005. This compares with 8.7 per cent and 11.2 per cent, respectively, at 30 September 2004.

On 30 September 2005, all of the issued and outstanding Class 1 Preferred Shares – Series A, totalling C$125 million, were redeemed for C$25.00 per share.

Dividends

During the third quarter of 2005, we declared and paid a C$75 million dividend on our common shares. For the fourth quarter of 2005, a C$75 million dividend on our common shares was declared. A regular dividend of 31.875 cents per share has been declared on the Class 1 Preferred Shares – Series C. The preferred share dividends will be payable in cash on 31 December 2005, for shareholders of record on 15 December 2005.

About HSBC Bank Canada

HSBC Bank Canada, a subsidiary of HSBC Holdings plc, has more than 170 offices. With over 9,700 offices in 77 countries and territories and assets of US$1,467 billion at 30 June 2005, the HSBC Group is one of the world's largest banking and financial services organisations. For more information about HSBC Bank Canada and its products and services, visit our website at hsbc.ca.

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HSBC Bank Canada's third quarter 2005 report will be sent to shareholders during November 2005.

Basis of presentation

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles.

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.

Figures in C$ millions (except per share amounts)	*Quarter ended* **30 September 2005**	*30 June 2005*	*30 September 2004*	*Nine months ended* **30 September 2005**	*30 September 2004*
Earnings					
Net income attributable to common shares	**113**	104	82	**325**	259
Basic earnings per share	**0.23**	0.21	0.17	**0.67**	0.54
Performance ratios (%)					
Return on average common equity	**20.9**	19.7	16.4	**20.4**	19.0
Return on average assets	**0.92**	0.90	0.80	**0.93**	0.87
Net interest margin	**2.36**	2.34	2.51	**2.38**	2.53
Cost:income ratio	**51.2**	54.6	58.1	**52.9**	56.1
Non-interest revenue:total revenue ratio	**35.7**	36.6	35.4	**36.7**	36.5
Credit information					
Impaired loans	**132**	125	190		
Allowance for credit losses					
– Balance at end of period	**337**	338	355		
– As a percentage of impaired loans	**255 %**	270 %	187 %		
– As a percentage of loans outstanding	**1.04 %**	1.09 %	1.25 %		
Average balances					
Assets	**48,754**	46,523	40,925	**46,502**	39,552
Loans	**31,535**	29,901	27,727	**30,102**	26,481
Deposits	**38,572**	37,028	31,825	**36,779**	30,544
Common equity	**2,157**	2,411	1,991	**2,132**	1,825
Capital ratios (%)					
Tier 1	**8.7**	9.0	8.7		
Total capital	**10.9**	11.2	11.2		
Total assets under administration					
Funds under management	**19,872**	18,820	16,220		
Custody accounts	**6,585**	5,875	5,190		
Total assets under administration	**26,457**	24,695	21,410		

Figures in C$ millions (except per share amounts)	*Quarter ended* **30 September 2005**	*30 June 2005*	*30 September 2004*	*Nine months ended* **30 September 2005**	*30 September 2004*
Interest and dividend income					
Loans	**417**	396	352	**1,187**	1,030
Securities	**31**	25	20	**80**	60
Deposits with regulated financial institutions	**45**	39	17	**114**	43
	493	460	389	**1,381**	1,133
Interest expense					
Deposits	**226**	211	150	**621**	440
Debentures	**6**	6	9	**19**	26
	232	217	159	**640**	466
Net interest income	**261**	243	230	**741**	667
Provision for credit losses	**7**	6	10	**21**	44
Net interest income after provision for credit losses	**254**	237	220	**720**	623
Non-interest revenue					
Deposit and payment service charges	**20**	22	20	**62**	61
Credit fees	**23**	24	21	**69**	60
Capital market fees	**25**	24	21	**81**	78
Investment administration fees	**24**	17	16	**58**	45
Foreign exchange	**19**	19	16	**55**	50
Trade finance	**7**	7	8	**21**	22
Trading revenue	**5**	2	4	**12**	10
Securitization income	**5**	5	6	**18**	21
Other	**17**	20	14	**53**	36
	145	140	126	**429**	383
Net interest and non-interest revenue	**399**	377	346	**1,149**	1,006
Non-interest expenses					
Salaries and employee benefits	**112**	110	113	**331**	316
Premises and equipment	**26**	27	26	**80**	79
Other	**70**	72	68	**208**	194
	208	209	207	**619**	589
Income before the undernoted	**191**	168	139	**530**	417
Effect of accounting change	**–**	–	–	**–**	14
Income before provision for income taxes and non-controlling interest in income of trust	**191**	168	139	**530**	431
Provision for income taxes	**67**	55	51	**179**	159
Non-controlling interest in income of trust	**7**	5	4	**16**	12
Income from continuing operations	**117**	108	84	**335**	260
Income from discontinued operations[⌖]	**–**	–	–	**–**	5
Net income	**117**	108	84	**335**	265
Preferred share dividends	**4**	4	2	**10**	6
Net income attributable to common shares	**113**	104	82	**325**	259
Average common shares outstanding (000)	**488,668**	488,668	488,668	**488,668**	478,513
Basic earnings per share (C$)	**0.23**	0.21	0.17	**0.67**	0.54

⌖ *Reflects the sale of HSBC Canadian Direct Insurance Incorporated effective 30 April 2004.*

Figures in C$ millions	***At 30 September 2005***	*At 31 December 2004*	*At 30 September 2004*
Assets			
Cash and deposits with Bank of Canada	**340**	328	297
Deposits with regulated financial institutions	**5,191**	4,094	4,123
	5,531	4,422	4,420
Investment securities	**2,912**	1,967	2,023
Trading securities	**1,459**	1,055	966
	4,371	3,022	2,989
Assets purchased under reverse repurchase agreements	**1,821**	2,264	2,002
Loans			
– Businesses and government	**15,122**	13,450	13,230
– Residential mortgage	**13,407**	11,966	11,835
– Consumer	**3,999**	3,252	3,320
– Allowance for credit losses	**(337)**	(349)	(355)
	32,191	28,319	28,030
Customers' liability under acceptances	**3,903**	3,754	3,560
Land, buildings and equipment	**95**	101	95
Other assets	**1,490**	1,381	1,209
	5,488	5,236	4,864
Total assets	**49,402**	43,263	42,305
Liabilities and shareholders' equity			
Deposits			
– Regulated financial institutions	**1,960**	635	594
– Individuals	**15,267**	14,818	14,822
– Businesses and governments	**21,353**	18,395	17,595
	38,580	33,848	33,011
Acceptances	**3,903**	3,754	3,560
Assets sold under repurchase agreements	**286**	23	119
Other liabilities	**3,400**	2,785	2,725
Non-controlling interest in trust and subsidiary	**430**	230	230
	8,019	6,792	6,634
Subordinated debentures	**423**	426	501
Shareholders' equity			
– Preferred shares	**175**	125	125
– Common shares	**1,125**	1,125	1,125
– Contributed surplus	**184**	177	175
– Retained earnings	**896**	770	734
	2,380	2,197	2,159
Total liabilities and shareholders' equity	**49,402**	43,263	42,305

Figures in C$ millions	*Quarter ended*			*Nine months ended*	
	30 September 2005	*30 June 2005*	*30 September 2004*	***30 September 2005***	*30 September 2004*
Cash flows (used in)/provided by:					
– Operating activities	**412**	(293)	(28)	**524**	356
– Financing activities	**1,174**	2,154	841	**4,990**	2,823
– Investing activities	**(1,483)**	(1,623)	(641)	**(4,697)**	(2,772)
Increase in cash and Cash equivalents	**103**	238	172	**817**	407
Cash and cash equivalents, beginning of period	**4,721**	4,483	3,684	**4,007**	3,449
Cash and cash equivalents, end of period	**4,824**	4,721	3,856	**4,824**	3,856

Represented by:			
– Cash resources per balance sheet	**5,531**	5,344	4,420
– less non-operating deposits[ǂ]	**(707)**	(623)	(564)
– Cash and cash equivalents, end of period	**4,824**	4,721	3,856

[ǂ] *Non operating deposits are comprised primarily of cash which reprices after 90 days and cash restricted for recourse on securitization transactions.*