

**HSBC BANK CANADA
FIRST QUARTER 2005 REPORT TO SHAREHOLDERS**

- 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.

Management's Discussion and Analysis of Results of Operations 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>

Financial Commentary

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.

Financial Commentary (continued)

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.

Financial Commentary (continued)

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.

Management's responsibility for financial information

Each year, HSBC Bank Canada's Annual Report and Accounts contains a statement signed by the Chief Executive Officer (CEO) and Chief Financial Officer (CFO) outlining management's responsibility for financial information contained in the report. Except as highlighted in this management's discussion and analysis ("MD&A") or the attached unaudited consolidated financial statements, there are no material updates required from the MD&A as set out on pages 2 to 30, or the consolidated financial statements on pages 33 to 67 of our 2004 Annual Report and Accounts.

Our interim financial statements and MD&A are filed with all the Canadian Securities Commissions. Included with these filings our CEO and CFO certify the appropriateness of the financial disclosures in our interim filings. These certifications confirm that our interim filings do not contain, or omit, any statements of material fact which could make our interim filings misleading, and that the financial information included in the interim filings fairly presents, in all material respects, our financial statements for the periods covered by the interim filings. As in prior quarters, our audit committee reviewed our quarterly report to shareholders, which included the attached unaudited consolidated financial statements and MD&A.

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.

Review of Customer Group Results

Personal Financial Services

Income, before taxes and non-controlling interest in income of trust, for the three months ended 31 March 2005 was C\$39 million, compared with C\$42 million for the same period in 2004. Net income for the first quarter of 2004 benefited from a one-time change in accounting for mortgage loan prepayment fees that increased income before taxes by C\$7 million. Excluding this increase, income before taxes and non-controlling interest in income of trust was C\$35 million for the same period in 2004.

Net interest income was higher due to the acquisition of Intesa and growth in average assets, particularly consumer advances. Net interest income also benefited from customers' preference to shift towards floating rate products. Non-interest revenue benefited from increased securitisation activity and from higher investment administration fees due to growth in assets managed in our Portfolio Advantage and Private Investment Management services. Non-interest expenses were higher due to increased business activity, and higher salaries and benefits, both largely from the acquisition of Intesa.

Commercial Banking

Income, before taxes and non-controlling interest in income of trust, for the three months ended 31 March 2005 was C\$104 million, compared with C\$75 million for the same period in 2004.

Net interest income was higher due to the significant growth in commercial advances, as the underlying economic conditions improved. This also resulted in lower provisions for loan losses as the credit quality stabilized. Non-interest revenue benefited from increased commercial credit fees resulting from higher volumes. Non-interest revenue in 2005 included C\$5 million resulting from the adoption of new accounting standards for valuation of investment company assets held at fair value. Non-interest expenses were higher due to increased business activity, and higher salaries and benefits, both largely from the acquisition of Intesa.

Corporate, Investment Banking and Markets

Income, before taxes and non-controlling interest in income of trust, for the three months ended 31 March 2005 was C\$42 million, compared with C\$49 million for the same period in 2004. Net income for the first quarter of 2004 benefited from the effect of a one-time change in accounting for mortgage loan prepayment fees that increased income before taxes by C\$7 million. Excluding this increase, income, before taxes and non-controlling interest in income of trust, was C\$42 million for the same period in 2004.

Non-interest revenue was higher due to increased trading revenue and capital market fees; these were partially offset by lower foreign exchange revenue.

Consolidated Statement of Income (Unaudited)

<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.
See notes to consolidated financial statements

Condensed Consolidated Balance Sheet (Unaudited)

<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	<u>4,923</u>	<u>4,094</u>	<u>3,933</u>
	<u>5,135</u>	<u>4,422</u>	<u>4,379</u>
Investment securities	3,085	1,967	1,997
Trading securities	<u>1,029</u>	<u>1,055</u>	<u>758</u>
	<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	<u>(343)</u>	<u>(349)</u>	<u>(322)</u>
	<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	<u>1,145</u>	<u>1,381</u>	<u>1,119</u>
	<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	<u>19,630</u>	<u>18,395</u>	<u>15,150</u>
	<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	<u>230</u>	<u>230</u>	<u>230</u>
	<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	<u>818</u>	<u>770</u>	<u>615</u>
	<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>

See notes to consolidated financial statements

Condensed Consolidated Statement of Changes in Shareholders' Equity (Unaudited)

<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>
Preferred shares			
Balance at beginning and end of period	<u>125</u>	<u>125</u>	<u>125</u>
Common shares			
Balance at beginning and end of period	<u>1,125</u>	<u>1,125</u>	<u>950</u>
Contributed surplus			
Balance at beginning of period	177	175	169
Stock-based compensation	<u>2</u>	<u>2</u>	<u>2</u>
Balance at end of period	<u>179</u>	<u>177</u>	<u>171</u>
Retained earnings			
Balance at beginning of period	770	734	575
Net income for the period	110	88	92
Preferred share dividends	(2)	(2)	(2)
Common share dividends	<u>(60)</u>	<u>(50)</u>	<u>(50)</u>
Balance at end of period	<u>818</u>	<u>770</u>	<u>615</u>
Total shareholders' equity	<u>2,247</u>	<u>2,197</u>	<u>1,861</u>

See notes to consolidated financial statements

Condensed Consolidated Statement of Cash Flows (Unaudited)

<i>Figures in C\$ millions</i>	<i>Quarter ended</i>		
	<i>31 March 2005</i>	<i>31 December 2004</i>	<i>31 March 2004</i>
Cash flows provided by/(used in) operating activities			
Net income	110	88	92
Trading securities	26	(89)	(116)
Other, net	269	61	450
	<u>405</u>	<u>60</u>	<u>426</u>
Cash flows provided by/(used in) financing activities			
Deposits received	1,736	777	627
Securities sold (purchased) under repurchase agreements	38	(96)	17
Proceeds from debentures issued	-	100	-
Redemption of debentures	-	(110)	-
Dividends paid	(112)	(2)	(52)
	<u>1,662</u>	<u>669</u>	<u>592</u>
Cash flows (used in)/provided by investing activities			
Loans funded, excluding securitisations	(1,710)	(688)	(924)
Proceeds from loans securitised	649	177	124
Investment securities (purchased) sold	(1,118)	56	236
Securities sold (purchased) under reverse repurchase agreements	827	(262)	293
Net change in non-operating deposits with regulated financial institutions	(237)	149	(566)
Disposal (acquisition) of land, buildings and equipment	(2)	(10)	3
	<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	4,007	3,856	3,449
Cash and cash equivalents, end of period	<u>4,483</u>	<u>4,007</u>	<u>3,633</u>
Represented by:			
Cash resources per balance sheet	5,135	4,422	4,379
less non-operating deposits [†]	(652)	(415)	(746)
Cash and cash equivalents, end of period	<u>4,483</u>	<u>4,007</u>	<u>3,633</u>

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

See notes to consolidated financial statements

Notes to Consolidated Financial Statements (Unaudited)

(all tabular amounts are in C\$ millions)

1. Basis of presentation

These consolidated financial statements should be read in conjunction with our consolidated financial statements for the year ended 31 December 2004 as set out on pages 33 to 67 of our 2004 Annual Report and Accounts. These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles (GAAP) using the same accounting policies and methods of computation as were used for our consolidated financial statements for the year ended 31 December 2004, except as described below.

2. Changes in accounting policy

a) Investment companies

Effective 1 January 2005, we adopted new accounting requirements of the Canadian Institute of Chartered Accountants (CICA) that provide guidance on the carrying value of investments held in investment companies. These investments are required to be carried at fair value when we otherwise would have had to consolidate them or account for them using the equity method.

The impact of this change was an increase in non-interest revenue, and a corresponding increase in investment securities, of C\$5 million as at 31 March 2005.

b) Variable Interest Entities

Effective 1 January 2005, we adopted the CICA's new accounting requirements for the consolidation of variable interest entities (VIEs). VIEs include entities where the equity invested is considered insufficient to finance an entity's activities. The new rules require that we consolidate VIEs if the investments we hold in these entities and/or the relationships we have with them result in us being exposed to a majority of their expected losses, being able to benefit from a majority of their expected residual returns, or both.

There was no material impact to the consolidated balance sheet or consolidated statement of income upon adoption. Prior to adopting AcG-15, we fully consolidated the VIE where we are considered to be the primary beneficiary under AcG-15.

The following table provides information about unconsolidated VIEs in which we have a significant variable interest and VIEs that we consolidated under AcG-15.

	<i>At 31 March 2005</i>	
	<i>Total assets</i>	<i>Maximum exposure to loss</i>
Unconsolidated VIEs:		
Securitisation vehicles ⁽¹⁾	8,584	46
Investment funds ⁽²⁾	3,298	7
Consolidated VIEs:		
Specialised Financing Entity ⁽³⁾	317	

⁽¹⁾ The maximum exposure to loss consists mainly of segregated deposits provided as first loss protection and retained interests in securitisations where we have sold loans. We have recognized C\$46 million of this exposure on our consolidated balance sheet.

⁽²⁾ The maximum exposure to loss consists mainly of seed capital in mutual funds and investment funds.

⁽³⁾ We have issued innovative Tier 1 capital under a capital trust. This trust is a VIE, but we are considered its primary beneficiary and, therefore, continue to consolidate this structure in our consolidated balance sheet.

Notes to Consolidated Financial Statements (Unaudited)

(all tabular amounts are in C\$ millions)

3. Allowance for credit losses

A continuity of our allowance for credit losses is as follows:

	<i>Quarter ended</i>		
	<i>31 March 2005</i>	<i>31 December 2004</i>	<i>31 March 2004</i>
Balance at beginning of period	349	355	313
Provision for credit losses	8	22	14
Recoveries	1	-	4
Write-offs	(15)	(28)	(8)
Foreign exchange and other	-	-	(1)
Balance at end of period	<u>343</u>	<u>349</u>	<u>322</u>

4. Securitisation

Securitisation activity during the first quarter of 2005 was as follows:

	<i>Residential mortgages</i>	<i>Consumer term loans</i>
Securitized and sold	434	215
Net cash proceeds received	432	212
Retained rights to future excess interest	8	10
Retained servicing liability	2	1
Pre-tax gain on sale	4	9

The key assumptions made at time of sale were (%):

	<i>Residential mortgages</i>	<i>Consumer term loans</i>
Prepayment rate	23.53	12.00
Excess spread	1.13	4.63
Expected credit losses	0.01	0.23
Discount rate	3.78	3.25

5. Issued and outstanding shares

	<i>At 31 March 2005</i>		<i>At 31 December 2004</i>		<i>At 31 March 2004</i>	
	<i>Number</i>	<i>Amount</i>	<i>Number</i>	<i>Amount</i>	<i>Number</i>	<i>Amount</i>
Class 1 Preferred Shares - Series A	5,000,000	125	5,000,000	125	5,000,000	125
Common shares	488,668,000	1,125	488,668,000	1,125	471,168,000	950

Notes to Consolidated Financial Statements (Unaudited) (continued)

6. Stock-based compensation

During the first quarter of 2005, compensation expense totalling C\$2 million (2004 – C\$2 million) was recorded in respect of awards granted in 2004. No awards were granted during the first quarter of 2005 (2004 – nil).

7. Employee future benefits

The expense for employee future benefits was as follows:

	<i>Quarter ended</i>		
	<u>31 March 2005</u>	<u>31 December 2004</u>	<u>31 March 2004</u>
Pension plans – defined benefit	2	4	2
Pension plans – defined contribution	2	1	2
Other benefits	<u>2</u>	<u>4</u>	<u>4</u>
	<u>6</u>	<u>9</u>	<u>8</u>

8. Customer group segmentation

We report and manage our operations according to the customer group definitions of the HSBC Group.

	<i>Quarter ended</i>		
	<u>31 March 2005</u>	<u>31 December 2004</u>	<u>31 March 2004</u>
Personal Financial Services			
Net interest income	83	75	76
Provision for credit losses	(4)	(8)	(4)
Non-interest revenue	71	62	67
Non-interest expenses	<u>(111)</u>	<u>(110)</u>	<u>(104)</u>
Income before the undernoted	39	19	35
Effect of accounting change	-	-	7
Income before taxes and non-controlling interest in income of trust	39	19	42
Provision for income taxes	(12)	(7)	(16)
Non-controlling interest in income of trust	<u>(1)</u>	<u>(1)</u>	<u>(1)</u>
Income from continuing operations	26	11	25
Income from discontinued operations	-	-	1
Net income	<u>26</u>	<u>11</u>	<u>26</u>
Average assets	<u>15,954</u>	<u>15,827</u>	<u>14,533</u>

Notes to Consolidated Financial Statements (Unaudited) (continued)

8. Customer group segmentation (continued)

	<i>Quarter ended</i>		
	<u>31 March</u> <u>2005</u>	<u>31 December</u> <u>2004</u>	<u>31 March</u> <u>2004</u>
Commercial Banking			
Net interest income	127	124	109
Provision for credit losses	(4)	(13)	(9)
Non-interest revenue	47	52	36
Non-interest expenses	<u>(66)</u>	<u>(69)</u>	<u>(61)</u>
Income before taxes and non-controlling interest in income of trust	104	94	75
Provision for income taxes	(35)	(34)	(28)
Non-controlling interest in income of trust	<u>(2)</u>	<u>(3)</u>	<u>(2)</u>
Net income	<u><u>67</u></u>	<u><u>57</u></u>	<u><u>45</u></u>
Average assets	<u><u>16,014</u></u>	<u><u>15,122</u></u>	<u><u>13,311</u></u>
Corporate, Investment Banking and Markets			
Net interest income	27	30	31
Provision for credit losses	-	(1)	(1)
Non-interest revenue	26	29	24
Non-interest expenses	<u>(11)</u>	<u>(13)</u>	<u>(12)</u>
Income before the undernoted	42	45	42
Effect of accounting change	<u>-</u>	<u>-</u>	<u>7</u>
Income before taxes and non-controlling interest in income of trust	42	45	49
Provision for income taxes	(14)	(16)	(18)
Non-controlling interest in income of trust	<u>(1)</u>	<u>-</u>	<u>(1)</u>
Net income	<u><u>27</u></u>	<u><u>29</u></u>	<u><u>30</u></u>
Average assets	<u><u>12,212</u></u>	<u><u>12,060</u></u>	<u><u>10,217</u></u>
Other			
Non-interest expenses	<u>(14)</u>	<u>(15)</u>	<u>(15)</u>
Loss before income taxes	(14)	(15)	(15)
Benefit of income taxes	4	6	6
Net loss	<u><u>(10)</u></u>	<u><u>(9)</u></u>	<u><u>(9)</u></u>

Notes to Consolidated Financial Statements (Unaudited) (continued)

9. Guarantees, commitments and contingent liabilities

Amounts relating to financial and performance standby letters of credit, and documentary and commercial letters of credit were as follows:

	<i>At 31 March</i> <i>2005</i>	<i>At 31 December</i> <i>2004</i>	<i>At 31 March</i> <i>2004</i>
Financial and performance standby letters of credit	1,866	1,756	1,435
Documentary and commercial letters of credit	415	459	443
Commitments to extend credit			
Original term of one year or less	20,287	20,974	17,979
Original term of more than one year	3,409	3,510	2,915
	<u>25,977</u>	<u>26,699</u>	<u>22,772</u>

At 31 March 2005, the total recourse against the Bank under securitisation transactions was C\$19 million (31 December 2004 – C\$14 million; 31 March 2004 – C\$10 million).

10. Subsequent events

a) Issuance of Preferred Shares

On 19 April 2005, we issued 7 million Non-Cumulative Redeemable Class 1 Preferred Shares – Series C at a price of C\$25.00 per share to raise gross proceeds of C\$175 million. Each share entitles holders to non-cumulative preferential quarterly dividends of C\$0.31875 per share, to yield 5.1 per cent annually. The shares qualify as Tier 1 capital. Subject to regulatory approval, on or after 30 June 2010, we may redeem the Preferred Shares – Series C in whole or in part at a declining premium. The net proceeds from the issue were used for general corporate purposes.

b) Offering of Asset Trust Securities

On 27 April 2005, HSBC Canada Asset Trust filed a prospectus to issue 200,000 Trust Securities to raise gross proceeds of C\$200 million. Each of the HSBC HaTS – Series 2015TM entitles holders to non-cumulative cash distributions of C\$25.75 per unit, to yield 5.149 per cent annually, until 30 June 2015, and the Bankers' Acceptance rate (reset semi-annually) plus 1.5 per cent thereafter. Each of the HSBC HaTS – Series 2015TM represents an undivided beneficial ownership interest in the assets held by HSBC Canada Asset Trust from time to time. The HSBC HaTS – Series 2015TM qualify as Tier 1 capital. The HSBC HaTS – Series 2015TM have no maturity date but are redeemable at the option of HSBC Canada Asset Trust commencing 30 June 2010, subject to regulatory approval. The net proceeds from the issue were used to purchase additional trust assets.

Shareholder Information

PRINCIPAL ADDRESSES

Vancouver (head office):

HSBC Bank Canada
885 West Georgia Street
Vancouver, British Columbia
Canada V6C 3E9
Tel: (604) 685-1000

Toronto:

HSBC Bank Canada
70 York Street
Toronto, Ontario
Canada M5J 1S9
Tel: (416) 868-8000

WEBSITE

hsbc.ca

MEDIA ENQUIRIES

Ernest Yee (604) 641-2973
Sharon Wilks (416) 868-3878

For dividend information, change in shareholder address or to advise of duplicate mailings, please contact:

Computershare Trust Company of Canada
Shareholder Service Department
100 University Avenue
Toronto, Ontario
Canada M5J 2Y1

Tel: 1 (800) 564-6253
Fax: 1 (800) 453-0330

For other shareholder enquiries please contact:

HSBC Bank Canada
Shareholder Relations
885 West Georgia Street
Vancouver, British Columbia
Canada V6C 3E9
Email: Shareholder_relations@hsbc.ca

Chris Young (604) 641-1976
Stewart Woo (604) 641-2535

HSBC Bank Canada securities are listed on the Toronto Stock Exchange

HSBC Bank Canada

Class 1 Preferred Shares - Series A (HSB.PR.A)
Class 1 Preferred Shares - Series C (HSB.PR.C)

HSBC Canada Asset Trust

Asset Trust Securities – Series 2010 (HSBC HaTS™) (HBH.M)

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.

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HSBC Bank Canada

885 West Georgia Street

Vancouver, B.C.

Canada V6C 3E9

Telephone: (604) 685-1000

Web: hsbc.ca