26 April 2004

HSBC BANK CANADA
FIRST QUARTER 2004 RESULTS – HIGHLIGHTS

- Net income was C$92 million for the quarter ended 31 March 2004, an increase of 26.0 per cent from C$73 million in the same period of 2003.

- Return on average common equity was 21.3 per cent for the quarter ended 31 March 2004 compared with 19.0 per cent for the same period in 2003.

- The cost:income ratio was 56.0 per cent for the quarter ended 31 March 2004 compared with 54.9 per cent for the quarter ended 31 March 2003.

- Total assets were C$38.6 billion at 31 March 2004 compared with C$35.4 billion at 31 March 2003.

- Total funds under management of C$15.8 billion at 31 March 2004 compared with C$11.5 billion at 31 March 2003.

HSBC Bank Canada recorded net income of C$92 million for the quarter ended 31 March 2004, an increase of C$19 million, or 26.0 per cent, from C$73 million for the first quarter of 2003. Net income for the first quarter of 2004 benefited from a one-time change following the adoption of the Canadian Institute of Chartered Accountants new accounting requirements in accounting for mortgage loan prepayment fees that increased income before taxes by C$14 million. Excluding this increase, net income was C$83 million, 13.7 per cent higher when compared with the first quarter of 2003.

Commenting on the results, Lindsay Gordon, President and Chief Executive Officer, said: "Results for the quarter were good. We are pleased with the solid growth in consumer and commercial loans. However, low interest rates and the competitive environment in residential mortgages and personal deposits have impacted our net interest margins. The improvement in equity markets and our ongoing investments in the wealth management businesses have resulted in strong growth in funds under management and in higher retail brokerage commissions. Credit losses were lower for the quarter compared with the same period in 2003, which was reflective of the improving credit environment. This was partially related to the low interest rate environment and recovering economy in Canada and in the United States.

"Our focus for 2004 is to continue the excellent service that we provide to our customers and to grow our various core lines of businesses. This means we must be focused on allocating our resources to those businesses that offer the greatest opportunities for growth while continuing our strong expense discipline and risk management.

"We are excited to welcome Intesa Bank Canada customers and the opportunity to provide them with the expanded range of products and services that HSBC offers. The acquisition of Intesa Bank Canada, expected to close in the second quarter of 2004 subject to regulatory approval, will enable us to increase core business operations in central Canada and strengthen our position as a leading alternative to the big domestic banks."

Net interest income

Net interest income for the quarter ended 31 March 2004 was C$216 million compared with C$218 million in the same quarter of 2003. Personal lending in consumer loans continued to be strong in the first quarter of 2004 and was aided by two successive decreases, of 25 basis points each, in the Bank of Canada's overnight lending rate and prospects of an improving economy during 2004.

The net interest margin, as a percentage of average interest earning assets, was 2.57 per cent for the quarter ended 31 March 2004 compared with 2.79 per cent for the same period in 2003. It was negatively impacted by extremely competitive product pricing, particularly in personal financial services, and the low interest rate environment. This was consistent with the trend experienced by the industry in 2003.

Other income

Other income was C$127 million for the quarter ended 31 March 2004 compared with C$101 million for the same period in 2003, an increase of 25.7 per cent. Capital market fees in the first quarter of 2004 were higher than the same period in 2003 due to increased retail brokerage commissions which were driven by the rebound in equity markets, beginning in 2003, and an increase in the number of investment advisors. Higher realised gains from merchant banking activities benefited other income in the first quarter of 2004 compared with the same period in 2003. Foreign exchange revenue was higher in the first quarter of 2004 as customer activity increased due to the continued volatility of the Canadian and US dollars. Credit fees were higher in the first quarter of 2004 compared with the first quarter of 2003. This was due to higher volumes in bankers' acceptances in 2004 driven by customer preference for shorter-term funding in a decreasing interest rate environment.

Non-interest expenses

Non-interest expenses were C$192 million for the quarter ended 31 March 2004 compared with C$175 million for the same quarter in 2003. Salaries and benefits in the first quarter of 2004 were higher than in the first quarter of 2003 due largely to increased variable compensation resulting from higher capital market fees. In addition, the first quarter of 2004 included C$2 million of stock-based compensation, and C$3 million of higher pension and other post-retirement costs. Other non-interest expenses were comparable with the first quarter of 2003.

Credit quality and provision for credit losses

The provision for credit losses was C$14 million for the quarter ended 31 March 2004 compared with C$20 million in the first quarter of 2003. The decrease in the provision reflects the continuing improvement in the performance of the credit portfolio primarily from declining corporate default rates and encouraging economic conditions in Canada and the United States.

Gross impaired loans decreased C$41 million, or 16.9 per cent, to C$202 million at 31 March 2004 compared with C$243 million at 31 March 2003 and is consistent with C$203 million at 31 December 2003. Total impaired loans, net of specific allowances for credit losses, were C$138 million at 31 March 2004 compared with C$164 million at 31 March 2003 and C$148 million at 31 December 2003. The general allowance for credit losses was C$258 million compared with C$247 million at 31 March 2003 and C$258 million at 31 December 2003. The allowance for credit losses, as a percentage of loans outstanding, was 1.24 per cent at 31 March 2004 compared with 1.33 per cent at 31 March 2003 and 1.24 per cent at 31 December 2003.

Balance sheet

Total assets at 31 March 2004 were C$38.6 billion, up C$1.1 billion from C$37.5 billion at 31 December 2003. Total assets grew C$3.2 billion from C$35.4 billion at 31 March 2003. The increase in assets during the first quarter of 2004 continued to be driven by growth in residential mortgages, personal loans and commercial loans.

Total deposits increased C$0.7 billion to C$30.0 billion at 31 March 2004 from C$29.3 billion at 31 December 2003. Compared with deposits at 31 March 2003, total deposits grew C$1.6 billion from C$28.4 billion.

Impact of new accounting policy

In the first quarter of 2004, we adopted the Canadian Institute of Chartered Accountants' new accounting requirements that provide additional guidance on appropriate accounting policies. Residential mortgage loan prepayment fees arising from repayment or renegotiation of the related mortgage, previously deferred and amortised, will now be recognised when received. As a result, C$14 million, before income taxes, of previously deferred mortgage prepayment fees were recognised and disclosed separately on the statement of income.

Discontinued operations

In the first quarter of 2004, Canadian Western Bank (CWB) and HSBC Bank Canada signed a letter of intent for CWB to acquire all of the shares of HSBC Canadian Direct Insurance Incorporated (CDII) for a cash payment of C$25.4 million. The transaction is expected to close in the second quarter of 2004, subject to regulatory approval. For financial reporting, the income and expenses of CDII have been disclosed on the statement of income as income from discontinued operations, net of income taxes, for the current and comparative quarters. On the balance sheet, CDII assets at 31 March 2004 of C$79 million have been recorded as assets held for sale and included in other assets. Correspondingly, CDII liabilities of C$60 million have been recorded as liabilities pending sale and included in other liabilities.

Total assets under administration

Funds under management were C$15.8 billion at 31March 2004 compared with C$14.3 billion at 31 December 2003. Including custody and administration balances, total assets under administration were C$20.7 billion compared with C$18.7 billion at 31 December 2003. Growth in funds under management in the first quarter of 2004 was aided by the increased number of investment advisors and by the general rebound in equity markets.

Capital ratios

The bank's tier 1 capital ratio was 8.3 per cent and the total capital ratio was 10.9 per cent at 31 March 2004. This compares with 8.4 per cent and 11.1 per cent, respectively, at 31 December 2003 and 7.9 per cent and 10.8 per cent, respectively, at 31 March 2003. The ratios in the first quarters of 2004 and 2003 were reduced by dividends on common shares of C$50 million in 2004 and C$150 million in 2003.

Preferred share dividends

A regular dividend of 39.0625 cents per share (totalling C$2 million) has been declared on the Class 1 Preferred Shares – Series A. The dividend will be payable in cash on 30 June 2004, for shareholders of record on 15 June 2004.

About HSBC Bank Canada

HSBC Bank Canada (HSB.PR.A - TSX), a subsidiary of HSBC Holdings plc, has more than 160 offices. With over 9,500 offices in 79 countries and territories and assets of US$1,034 billion at 31 December 2003, 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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Copies of HSBC Bank Canada's first quarter 2004 report will be sent to shareholders during May 2004.

This document may contain 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, competition, 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.

Figures in C$ millions (except per share amounts)	Quarter ended **31 March 2004**	31 December 2003	31 March 2003
Earnings			
Net income	**92**	73	73
Basic earnings per share	**0.19**	0.15	0.15
Performance ratios (%)			
Return on average common equity	**21.3**	17.0	19.0
Return on average assets	**0.95**	0.75	0.81
Net interest margin	**2.57**	2.54	2.79
Cost:income ratio	**56.0**	61.4	54.9
Other income:total income ratio	**37.0**	35.0	31.7
Credit information			
Impaired loans	**202**	203	243
Allowance for credit losses			
- Balance at end of period	**322**	313	326
- As a percentage of impaired loans	**159 %**	154 %	134 %
- As a percentage of loans outstanding	**1.24 %**	1.24 %	1.33 %
Average balances			
Assets	**38,061**	37,717	35,587
Loans	**25,423**	25,113	23,960
Deposits	**29,895**	29,700	28,464
Common equity	**1,711**	1,658	1,510
Capital ratios (%)			
Tier 1	**8.3**	8.4	7.9
Total capital	**10.9**	11.1	10.8
Total assets under administration			
Funds under management	**15,775**	14,323	11,528
Custodial accounts	**4,971**	4,409	3,285
Total assets under administration	**20,746**	18,732	14,813

Figures in C$ millions (except per share amounts)	*Quarter ended* ***31 March 2004***	*31 December 2003*	*31 March 2003*
Interest and dividend income			
Loans	**340**	343	333
Securities	**21**	25	28
Deposits with regulated financial institutions	**14**	13	13
Total interest income	**375**	381	374
Interest expense			
Deposits	**150**	159	147
Debentures	**9**	8	9
Total interest expense	**159**	167	156
Net interest income	**216**	214	218
Provision for credit losses	**14**	8	20
Net interest income after provision for credit losses	**202**	206	198
Other income			
Deposit and payment service charges	**20**	20	20
Credit fees	**18**	18	16
Capital market fees	**32**	29	16
Mutual fund and administration fees	**14**	14	13
Foreign exchange	**17**	17	14
Trade finance	**6**	6	6
Trading revenue	**2**	1	3
Securitisation income	**6**	2	5
Other	**12**	8	8
Total other income	**127**	115	101
Net interest and other income	**329**	321	299
Non-interest expenses			
Salaries and employee benefits	**100**	106	85
Premises and equipment	**27**	24	28
Other	**65**	72	62
Total non-interest expenses	**192**	202	175
Income before effect of accounting change	**137**	119	124
Effect of accounting change	**14**	-	-
Income before provision for income taxes and non-controlling interest in income of trust	**151**	119	124
Provision for income taxes	**(56)**	(42)	(47)
Non-controlling interest in income of trust	**(4)**	(4)	(4)
Income from continuing operations	**91**	73	73
Income from discontinued operations	**1**	-	-
Net income	**92**	73	73
Preferred share dividends	**2**	2	2
Net income attributable to common shares	**90**	71	71
Average common shares outstanding (000)	**471,168**	471,168	471,168
Basic earnings per share (C$)	**0.19**	0.15	0.15

Figures in C$ millions	***At 31 March 2004***	*At 31 December 2003*	*At 31 March 2003*
Assets			
Cash and deposits with Bank of Canada	**446**	256	273
Deposits with regulated financial institutions	**3,933**	3,373	3,485
	4,379	3,629	3,758
Investment securities	**1,997**	2,234	2,607
Trading securities	**758**	642	642
	2,755	2,876	3,249
Assets purchased under reverse repurchase agreements	**1,279**	1,572	577
Loans			
- Businesses and government	**12,213**	11,664	12,091
- Residential mortgage	**10,965**	10,880	9,946
- Consumer	**2,860**	2,702	2,493
- Allowance for credit losses	**(322)**	(313)	(326)
	25,716	24,933	24,204
Customers' liability under acceptances	**3,249**	3,247	2,779
Land, buildings and equipment	**102**	111	111
Other assets	**1,119**	1,141	721
	4,470	4,499	3,611
Total assets	**38,599**	37,509	35,399
Liabilities and shareholders' equity			
Deposits			
- Regulated financial institutions	**631**	641	827
- Individuals	**14,185**	13,924	14,318
- Businesses and governments	**15,150**	14,774	13,231
	29,966	29,339	28,376
Subordinated debentures	**506**	504	519
Acceptances	**3,249**	3,247	2,779
Assets sold under repurchase agreements	**47**	30	80
Other liabilities	**2,740**	2,340	1,821
Non-controlling interest in trust and subsidiary	**230**	230	230
	6,266	5,847	4,910
Shareholders' equity			
- Preferred shares	**125**	125	125
- Common shares	**950**	950	950
- Contributed surplus	**171**	169	165
- Retained earnings	**615**	575	354
	1,861	1,819	1,594
Total liabilities and shareholders' equity	**38,599**	37,509	35,399

Figures in C$ millions	*Quarter ended*		
	31 March 2004	*31 December 2003*	*31 March 2003*
Cash flows provided by/(used in):			
- operating activities	**426**	(109)	375
- financing activities	**592**	167	(96)
- investing activities	**(834)**	(426)	(319)
Increase/(decrease) in cash and cash equivalents	**184**	(368)	(40)
Cash and cash equivalents, beginning of period	**3,449**	3,817	3,637
Cash and cash equivalents, end of period	**3,633**	3,449	3,597
Represented by:			
- Cash resources per balance sheet	**4,379**	3,629	3,758
- less non-operating deposits[⌖]	**(746)**	(180)	(161)
- Cash and cash equivalents, end of period	**3,633**	3,449	3,597

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