22 July 2002

HSBC BANK CANADA
2002 INTERIM RESULTS - HIGHLIGHTS

- Net income was C$117 million for the half-year ended 30 June 2002, an increase of 10.4 per cent over the same period in 2001.

- Net income was C$41 million for the quarter ended 30 June 2002, a decrease of 19.6 per cent over the second quarter of 2001.

- Return on average common equity was 14.8 per cent for the six months ended 30 June 2002 and 10.1 per cent for the quarter ended 30 June 2002.

- The cost:income ratio (excluding amortisation of goodwill and intangible assets) was 58.1 per cent for the half-year ended 30 June 2002 and 64.2 per cent for the quarter ended 30 June 2002.

- Total assets of C$35.1 billion at 30 June 2002 compared to C$30.8 billion at 30 June 2001.

- Total assets under administration were C$15.4 billion at 30 June 2002, of which C$11.0 billion were funds under management and C$4.4 billion were custody and administration accounts.

HSBC Bank Canada recorded net income of C$117 million for the six months ended 30 June 2002, an increase of C$11 million, or 10.4 per cent, from C$106 million for the six months ended 30 June 2001. Net income for the quarter ended 30 June 2002 was C$41 million compared to C$51 million for the second quarter of 2001, a decrease of 19.6 per cent. The decrease largely resulted from a one-off restructuring cost of C$28 million as a result of the withdrawal from institutional equity sales, trading and research activities.

Martin Glynn, President and Chief Executive Officer, said: "Growth in net interest income compensated for higher credit loss provisions and one-off expenses recorded in the second quarter of 2002. While the difficult capital market conditions during the first half of 2002 continued to have a negative impact on our capital market revenues, fee income from personal and commercial banking showed good growth over the prior year comparative periods.

"Provisions for credit losses rose in the quarter to cover an exposure in the telecommunications sector. However, our underlying credit quality remains strong, we remain prudently provisioned and our allowance for credit losses exceeds the total of impaired loans.

"The decision to withdraw from institutional equities sales, trading and research activities was a difficult one, but we believe that it was necessary. We must ensure that we continue to operate in businesses that are profitable or strategically relevant to our North American and international operations.

"The expansion of our wealth management business is a core component of HSBC's overall growth strategy for Canada. As we continue to implement this strategy, I am confident that we will be successful in maintaining our reputation for outstanding customer service."

Net interest income

Net interest income for the second quarter of 2002 was C$213 million, an increase of C$27 million, or 14.5 per cent, over the second quarter of 2001. For the six months ended 30 June 2002 net interest income was C$424 million, an increase of 17.5 per cent over the comparative period in 2001.

The increase in net interest income in the first half of 2002 was driven primarily by growth in the loan portfolio, particularly residential mortgages as the low interest rate environment had a positive impact on the housing market across Canada, and the benefit of lower funding costs. As a result, the net interest margin widened to 2.86 per cent for the half-year ended 30 June 2002 compared with 2.67 per cent for the similar period in 2001.

Other income

Other income was C$103 million in the second quarter of 2002 compared to C$104 million in the second quarter of 2001. For the six months ended 30 June 2002, other income was C$213 million compared to C$206 million for the same period in 2001. The continuing weakness in the global equity markets, combined with the restructuring of the institutional equity business during the second quarter of 2002, resulted in lower capital market fees for the first two quarters of 2002 compared to the similar periods in 2001. The increase of C$7 million in securitisation income was due to gains arising in the first quarter of 2002. Canadian accounting standards require gains arising after 1 July 2001 to be recognised in the period the assets are sold, rather than deferring and amortising the gains over the life of the assets.

Excluding capital market fees, trading revenue and securitisation income, income from the bank's other lines of business increased 8.3 per cent for the six months ended 30 June 2002 compared to the similar period in 2001. Commercial credit fee income increased 24.0 per cent, primarily from increased activity in guarantees, letters of credit and bankers acceptances. Similarly, trade finance revenues increased 18.2 per cent due to increased volumes.

Non-interest expenses

Non-interest expenses were C$205 million in the quarter ended 30 June 2002 compared to C$172 million in the second quarter of 2001. For the six months ended 30 June 2002, non-interest expenses were C$374 million compared to C$336 million for the same period of 2001. During the second quarter of 2002, a restructuring charge of C$28 million was recorded relating to the withdrawal from institutional equity trading, sales and research activities.

Salaries and employee benefits were lower due primarily to lower performance-based compensation. Other non-interest expenses (excluding restructuring costs) were higher for the second quarter of 2002 compared to the second quarter of 2001 due primarily to a one-off operating loss. The increases were offset by lower volume-driven transaction expenses resulting from the lower capital market fees in the first half of 2002.

The cost:income ratio, excluding amortisation of goodwill and intangible assets, for the second quarter of 2002 was 64.2 per cent (55.4 per cent excluding restructuring costs) compared to 58.6 per cent in the second quarter of 2001. For the six months ended 30 June 2002, the cost:income ratio, excluding amortisation of goodwill and intangible assets, was 58.1 per cent (53.7 per cent excluding restructuring costs) compared to 58.6 per cent for the similar period in 2001.

Provision for income taxes

The provision for income taxes was C$23 million for the second quarter of 2002 compared to C$38 million for the same quarter in 2001. On a year-to-date basis, the provision for income taxes was C$70 million in 2002 compared to C$79 million in 2001. The lower effective tax rate in 2002 reflects lower tax rates in Canada.

Credit quality and provision for credit losses

The provision for credit losses was C$43 million in the second quarter of 2002 compared to C$25 million in the second quarter of 2001. For the six months ended 30 June 2002, the provision for credit losses was C$68 million compared to C$38 million for the same period in 2001. The higher provision level in the second quarter of this year related to an exposure in the telecommunications sector. Excluding this, the provision for credit losses would have been in line with recent quarters. Overall, underlying credit quality remained strong. The allowance for credit losses was in excess of impaired loans by C$12 million at 30 June 2002.

Balance sheet

Total assets at 30 June 2002 were C$35.1 billion, up C$1.8 billion from 31 December 2001. Loans increased by C$1.2 billion due primarily to the continued growth in residential mortgages, net of securitisations.

Total deposits increased C$1.4 billion from 31 December 2001 to 30 June 2002. Personal deposits grew C$0.2 billion and commercial deposits increased by C$0.9 billion over the same period.

Total assets under administration

Funds under management were C$11.0 billion at 30 June 2002 compared to C$11.1 billion at 31 March 2002 and C$10.0 billion at 30 June 2001. Net new funds invested by customers during the second quarter of 2002 offset the fall in the equity markets over the same period. Including custody and administration balances, total assets under administration were C$15.4 billion, an increase of C$2.0 billion over 31 March 2002. This increase was attributed to HSBC Securities (Canada) Inc. assuming carrying broker activities for Merrill Lynch HSBC Canada Inc. in the second quarter of 2002.

Capital ratios

The bank’s tier 1 capital ratio was 8.1 per cent and the total capital ratio was 11.1 per cent at 30 June 2002. This compares with 8.4 per cent and 11.1 per cent, respectively, at 30 June 2001 and 8.7 per cent and 11.4 per cent at 31 March 2002. Ratios remained strong and afforded a C$150 million common share dividend paid in the second quarter of 2002.

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 1 October 2002, the first business day after 30 September 2002 for shareholders of record on 13 September 2002.

About HSBC Bank Canada

HSBC Bank Canada (HSB.PR.A - TSX), a subsidiary of HSBC Holdings plc, has more than 160 offices. With some 7,000 offices in 81 countries and territories and assets of US$696 billion at 31 December 2001, 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 Interim Report will be sent to shareholders during August 2002.

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* ***30 June 2002***	*31 March 2002*	*30 June 2001*	*Half-year ended* ***30 June 2002***	*30 June 2001*
Earnings					
Net income	**41**	76	51	**117**	106
Basic earnings per share	**0.09**	0.16	0.11	**0.25**	0.22
Performance ratios (%)					
Return on average common equity	**10.1**	19.7	14.6	**14.8**	15.5
Return on average assets	**0.45**	0.89	0.63	**0.67**	0.66
Net interest margin	**2.82**	2.91	2.70	**2.86**	2.67
Cost:income ratio⌖	**64.2**	52.0	58.6	**58.1**	58.6
Other income:total income ratio	**32.6**	34.3	35.9	**33.4**	36.3

⌖*Excluding amortisation of goodwill and intangible assets.*

Credit information					
Impaired loans	**347**	282	252		
Allowance for credit losses					
- Balance at end of period	**359**	331	297		
- As a percentage of impaired loans	**103 %**	117 %	118 %		
- As a percentage of loans outstanding	**1.53 %**	1.45 %	1.37 %		
Average balances					
Assets	**34,598**	33,741	31,405	**34,172**	31,057
Loans	**22,885**	22,047	20,914	**22,468**	20,574
Deposits	**27,738**	26,712	25,119	**27,228**	24,867
Common equity	**1,563**	1,532	1,361	**1,547**	1,335
Capital ratios (%)					
Tier 1	**8.1**	8.7	8.4		
Total capital	**11.1**	11.4	11.1		
Total assets under administration					
Funds under management	**10,974**	11,118	9,959		
Custody and administration accounts	**4,435**	2,302	2,262		
Total assets under administration	**15,409**	13,420	12,221		

Figures in C$ millions (except per share amounts)	*Quarter ended* ***30 June 2002***	*31 March 2002*	*30 June 2001*	*Half-year ended* ***30 June 2002***	*30 June 2001*
Interest and dividend income					
Loans	**318**	299	373	**617**	751
Securities	**28**	27	41	**55**	87
Deposits with regulated financial institutions	**14**	18	32	**32**	74
Total interest income	**360**	344	446	**704**	912
Interest expense					
Deposits	**139**	125	252	**264**	535
Debentures	**8**	8	8	**16**	16
Total interest expense	**147**	133	260	**280**	551
Net interest income	**213**	211	186	**424**	361
Provision for credit losses	**43**	25	25	**68**	38
Net interest income after provision for credit losses	**170**	186	161	**356**	323
Other income					
Deposit and payment service charges	**18**	17	17	**35**	33
Credit fees	**16**	15	13	**31**	25
Capital market fees	**15**	20	24	**35**	46
Mutual fund and administration fees	**15**	15	15	**30**	30
Foreign exchange	**13**	12	12	**25**	24
Trade finance	**7**	6	5	**13**	11
Trading revenue	**5**	2	4	**7**	8
Securitisation income	**2**	12	4	**14**	7
Other	**12**	11	10	**23**	22
Total other income	**103**	110	104	**213**	206
Net interest and other income	**273**	296	265	**569**	529
Non-interest expenses					
Salaries and employee benefits	**83**	85	87	**168**	171
Premises and equipment	**27**	28	30	**55**	59
Other	**67**	56	55	**123**	106
Restructuring costs	**28**	-	-	**28**	-
Total non-interest expenses	**205**	169	172	**374**	336
Income before taxes and non-controlling interest in income of trust	**68**	127	93	**195**	193
Provision for income taxes	**23**	47	38	**70**	79
Non-controlling interest in income of trust	**4**	4	4	**8**	8
Net income	**41**	76	51	**117**	106
Preferred share dividends	**2**	2	2	**4**	4
Net income attributable to common shares	**39**	74	49	**113**	102
Average common shares outstanding (000's)	**456,168**	456,168	456,168	**456,168**	456,168
Basic earnings per share	**0.09**	0.16	0.11	**0.25**	0.22

Figures in C$ millions	***At 30 June 2002***	*At 31 December 2001*	*At 30 June 2001*
Assets			
Cash and deposits with Bank of Canada	**406**	466	349
Deposits with regulated financial institutions	**3,869**	3,261	2,283
	4,275	3,727	2,632
Investment securities	**2,211**	2,474	2,673
Trading securities	**1,087**	1,153	806
	3,298	3,627	3,479
Assets purchased under Reverse repurchase agreements	**822**	428	192
Loans			
Businesses and government	**11,957**	11,575	12,061
Residential mortgage	**9,250**	8,377	7,487
Consumer	**2,236**	2,233	2,084
Allowance for credit losses	**(359)**	(315)	(297)
	23,084	21,870	21,335
Customers' liability under acceptances	**2,424**	2,571	2,048
Land, buildings and equipment	**109**	124	121
Other assets	**1,046**	913	974
	3,579	3,608	3,143
Total assets	**35,058**	33,260	30,781
Liabilities and shareholders' equity			
Deposits			
Regulated financial institutions	**2,064**	1,747	707
Individuals	**13,595**	13,390	12,587
Businesses and governments	**12,437**	11,570	11,382
	28,096	26,707	24,676
Subordinated debentures	**541**	447	439
Acceptances	**2,424**	2,571	2,048
Assets sold under repurchase agreements	**289**	7	-
Other liabilities	**1,890**	1,686	1,880
Non-controlling interest in trust and subsidiary	**230**	230	230
	4,833	4,494	4,158
Shareholders' equity			
Preferred shares	**125**	125	125
Common shares	**935**	935	935
Contributed surplus	**165**	165	165
Retained earnings	**363**	387	283
	1,588	1,612	1,508
Total liabilities and shareholders' equity	**35,058**	33,260	30,781

Figures in C$ millions	*Quarter ended*			*Half-year ended*	
	30 June 2002	*31 March 2002*	*30 June 2001*	***30 June 2002***	*30 June 2001*
Cash flows provided by/(used in):					
Operating activities	**246**	95	82	**341**	323
Financing activities	**1,326**	291	(258)	**1,617**	1,146
Investing activities	**(466)**	(929)	(286)	**(1,395)**	(1,429)
(Increase)/decrease in cash and cash equivalents	**1,106**	(543)	(462)	**563**	40
Cash and cash equivalents, beginning of period	**2,595**	3,138	2,840	**3,138**	2,338
Cash and cash equivalents, end of period	**3,701**	2,595	2,378	**3,701**	2,378
Represented by:					
Cash resources per balance sheet	**4,275**	3,558	2,632		
less non-operating deposits ⌖	**(574)**	(963)	(254)		
Cash and cash equivalents, end of period	**3,701**	2,595	2,378		

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