HSBC BANK CANADA
THIRD QUARTER 2006 REPORT TO SHAREHOLDERS

- Net income attributable to common shares was C$138 million for the quarter ended 30 September 2006, an increase of 22.1 per cent over the quarter ended 30 September 2005.
- Net income attributable to common shares was C$369 million for the nine months ended 30 September 2006, an increase of 13.5 per cent over the same period in 2005.
- Return on average common equity was 23.0 per cent and 21.2 per cent for the quarter and nine months ended 30 September 2006 compared with 20.9 per cent and 20.4 per cent, respectively, for the same periods in 2005.
- The cost efficiency ratio was 48.2 per cent and 51.3 per cent for the quarter and nine months ended 30 September 2006 compared with 51.2 per cent and 52.9 per cent, respectively, for the same periods in 2005.
- Total assets were C$55.9 billion at 30 September 2006 compared with C$49.4 billion at 30 September 2005.
- Total funds under management were C$22.4 billion at 30 September 2006 compared with C$19.9 billion at 30 September 2005.

The world's local bank

HSBC

Third Quarter 2006 Management's Discussion and Analysis (MD&A)

Our MD&A is dated 31 October 2006. Unless otherwise indicated, all amounts are in Canadian dollars and have been derived from financial statements prepared in accordance with Canadian generally accepted accounting principles (GAAP). Certain prior period amounts have been reclassified to conform to the presentation adopted in the current period.

Financial Highlights

	Quarter ended			Nine months ended	
Figures in C$ millions (except per share amounts)	***30 September 2006***	*30 June 2006*	*30 September 2005*	***30 September 2006***	*30 September 2005*
Earnings					
Net income attributable to common shares	**138**	115	113	**369**	325
Basic earnings per share	**0.28**	0.24	0.23	**0.76**	0.67
Performance ratios[⁜] **(%)**					
Return on average common equity	**23.0**	19.9	20.9	**21.2**	20.4
Return on average assets	**1.01**	0.88	0.92	**0.94**	0.93
Net interest margin	**2.31**	2.35	2.36	**2.34**	2.38
Cost efficiency ratio	**48.2**	52.6	51.2	**51.3**	52.9
Non-interest revenue:total revenue ratio	**36.2**	37.7	35.7	**37.0**	36.7
Credit information					
Gross impaired credit exposures	**166**	159	132		
Allowance for credit losses	**318**	319	337		
– As a percentage of gross impaired credit exposures	**192 %**	201 %	255 %		
– As a percentage of gross loans and acceptances	**0.80 %**	0.84 %	0.93 %		
Average balances[⁜]					
Assets	**53,945**	52,573	48,754	**52,512**	46,502
Loans	**34,144**	33,262	31,535	**33,226**	30,102
Deposits	**42,206**	40,847	38,572	**41,033**	36,779
Common equity	**2,387**	2,316	2,157	**2,326**	2,132
Capital ratios[⁜⁜] **(%)**					
Tier 1	**8.9**	9.0	8.7		
Total capital	**11.1**	11.2	10.9		
Total assets under administration					
Funds under management	**22,372**	21,659	19,872		
Custody accounts	**8,973**	8,494	6,585		
Total assets under administration	**31,345**	30,153	26,457		

⁜ *These are non-GAAP amounts or non-GAAP measures. Please refer to the discussion outlining the use of non-GAAP measures in this document on page 11.*

⁜⁜ *Calculated in accordance with guidelines issued by the Office of the Superintendent of Financial Institutions Canada.*

Financial Commentary

Overview

HSBC Bank Canada recorded net income attributable to common shares of C$138 million for the quarter ended 30 September 2006, an increase of C$25 million, or 22.1 per cent, from C$113 million for the same period in 2005. This increase was due to a broad-based growth in total revenue. In particular, a growth in loan volumes drove net interest income and non-interest revenue upward, with the latter also benefiting from higher securitisation and wealth management income.

Net income attributable to common shares for the nine months ended 30 September 2006 was C$369 million compared with C$325 million for the same period in 2005, an increase of C$44 million, or 13.5 per cent.

Commenting on the results, Lindsay Gordon, President and Chief Executive Officer, said: "Results for the third quarter were robust. Investments in areas such as wealth management and payments and cash management have helped to grow non-interest revenue on a year-on-year basis and throughout this year. The cost efficiency ratio improved because we were able to make our business more efficient without impacting our traditionally high customer service values.

"We are, therefore, well placed to continue growth through the remainder of 2006 and into next year. Our strategic focus remains on maintaining very high standards of customer care while investing in expansion in carefully targeted sectors.

"We will only be able to achieve our goals if we have the full support of our staff. Our people make this business a success and I am immensely proud that HSBC Bank Canada has been named one of 'The Financial Post's 10 Best Companies to Work For' in Canada and one of MediaCorp's 'Canada's Top 100 Employers'. This will solidify our standing as an employer of choice, which will help serve our customers and grow our business into the future."

Net interest income

Net interest income for the third quarter of 2006 was C$282 million compared with C$261 million for the same period in 2005, an increase of C$21 million, or 8.0 per cent. Growth in loans and deposits across our customer groups continues to benefit net interest income. Average loans for the third quarter were C$34.1 billion compared with C$31.5 billion for the same period in 2005. Corporate and commercial lending grew as Canadian customers continued to invest heavily in developing their businesses. Consumer spending remained strong, driving personal lending and residential mortgage borrowing continued to grow. Average deposits in the third quarter were C$42.2 billion compared with C$38.6 billion for the same period in 2005. Deposits grew in the third quarter due to the success of new products, such as the High Rate Savings Account and enhanced services created by the Payments and Cash Management business. We also experienced higher trading activity in fixed income securities resulting in increased income from that business in the third quarter.

While the prime lending rates in Canada and the US did not change in the third quarter of 2006, competitive forces continued to put pressure on the net interest margin, particularly in personal products such as residential mortgages and deposits. The net interest margin, as a percentage of average interest earning assets, was 2.31 per cent for the third quarter compared with 2.36 per cent for the same period in 2005.

Net interest income in the third quarter was C$6 million higher compared with the previous quarter, due to there being one extra day in the quarter as well as growth in loans and deposits. Average loans for the third quarter were C$34.1 billion compared with C$33.3 billion in the previous quarter, while average deposits grew from C$40.8 billion to C$42.2 billion through the quarter. The net interest margin, as a percentage of average interest earning assets, was four basis points lower compared with the previous quarter.

Financial Commentary *(continued)*

On a year-to-date basis, net interest income was C$824 million compared with C$741 million for the same period last year, an increase of C$83 million, or 11.2 per cent. Year-to-date net interest income in 2006 benefited from continued growth in assets and deposits. Average loans in the nine months to 30 September 2006 were C$33.2 billion compared with C$30.1 billion in the same period last year, while average deposits were C$41.0 billion compared with C$36.8 billion in the same period last year. The net interest margin, as a percentage of average interest earning assets, was 2.34 per cent compared with 2.38 per cent for the same period in 2005.

Non-interest revenue

Non-interest revenue for the third quarter of 2006 was C$160 million compared with C$145 million in the same period of 2005, an increase of C$15 million, or 10.3 per cent. Securitisation income rose due to increased recurring income from previous securitisations. Increased loan volumes and general customer activity helped boost income from credit fees and deposits and payment service charges. Other non-interest revenue was impacted by lower immigrant investor program fees.

Non-interest revenue was C$7 million lower than in the previous quarter. This fall was due to a C$10 million increase in the fair value of our investments in private equity funds, recorded in the second quarter of 2006, which increased investment securities gains.

On a year-to-date basis, non-interest revenue was C$483 million, C$54 million, or 12.6 per cent higher compared with C$429 million for the same period last year. Investment administration fees increased on continued growth in our wealth management businesses and higher credit fees from increased customer activity. Non-interest revenue also benefited from an increase in the fair value of our private equity fund investments and higher securitisation income. These increases were partially offset by lower immigrant investor program fees.

Non-interest expenses and operating efficiency

Non-interest expenses for the third quarter of 2006 were C$213 million compared with C$208 million in the same quarter of 2005, an increase of C$5 million, or 2.4 per cent. The cost efficiency ratio benefited from balancing a continued focus on operating efficiency with investment in our businesses and a reallocation of resources to areas with identified growth potential. The cost efficiency ratio in the third quarter was 48.2 per cent compared with 51.2 per cent for the same period in 2005. Salaries and employee benefits expenses for the nine months to 30 September 2006 were higher due primarily to expanding the workforce to fulfil strategic growth initiatives. Other non-interest expenses were slightly lower as increased investment in our business was offset by lower fees paid on the guarantee of our customers' deposits. As a result of our significant growth since we became part of the HSBC Group, the guarantee of customer deposits by HSBC Holdings plc, for deposits taken after 30 June 2005, was discontinued. This growth has also contributed to several upgrades of our credit ratings as highlighted in the commentary on page 7.

Non-interest expenses were C$20 million lower than the previous quarter due primarily to lower salaries and benefits expenses. Pension benefit costs were lower and in the second quarter a charge of C$9 million was recognised arising from the waiver of the total shareholder return-related performance condition in respect of the 2003 awards under the HSBC Holdings Group Share Option Plan.

On a year-to-date basis, non-interest expenses were C$670 million compared with C$619 million for the same period last year, an increase of C$51 million, or 8.2 per cent. The cost efficiency ratio was 51.3 per cent compared with 52.9 per cent for the same period in 2005. Salaries and benefits expenses were higher due to an increased employee base, increased variable compensation, higher stock option expense, and increased pension costs. Other non-interest expenses were higher as recurring operating expenses and an increase in spending on brand awareness initiatives offset lower fees paid on the guarantee of our customers' deposits.

Financial Commentary *(continued)*

Credit quality and provision for credit losses

Credit quality continued to be stable in the third quarter. The provision for credit losses of C$5 million for this quarter was in line with the previous quarter as well as the same period in 2005. On a year-to-date basis, the provision for credit losses was C$17 million compared with C$21 million for the same period last year. Defaults on consumer loans continue to be stable and corporate default rates continue to be at historically low levels, in line with the rest of the industry in Canada.

Gross impaired credit exposures were C$166 million, C$34 million, or 25.8 per cent, higher compared with C$132 million at the same time last year, and were higher than the balance at the previous quarter end of C$159 million. Total impaired credit exposures, net of specific allowances for credit losses, were C$117 million compared with C$105 million at the same time last year and C$78 million at the previous quarter end. The general allowance for credit losses remained at C$269 million compared with the previous quarter and was lower than the C$283 million at the same time last year, due to a C$14 million reversal in the fourth quarter of 2005 to reflect the consistently low loss experience in Western Canada over the past few years, and the strength of the economy. The total allowance for credit losses, as a percentage of loans and acceptances outstanding, was 0.80 per cent compared with 0.84 per cent at the previous quarter end and 0.93 per cent at the same time last year.

Income taxes

The effective tax rate in the third quarter of 2006 was 34.9 per cent compared with 36.4 per cent in the same quarter of 2005 and 39.4 per cent in the previous quarter. The lower tax rate in third quarter of 2006 reflects increased income that is subject to a lower rate of tax. The income tax provision in the second quarter of 2006 included a C$6 million charge to reflect the write-down of future income tax assets resulting from tax rate decreases announced in the federal budget. In addition, the expense related to stock options is not deductible for income tax purposes and, therefore, increased the effective tax rate in the second quarter.

On a year-to-date basis in 2006, the effective tax rate was 36.4 per cent compared with 34.8 per cent for the same period last year. The effective tax rate in 2005 benefited from a reduction in tax expense resulting from adjustments to the net realizable values of certain future income tax assets. Excluding these impacts, the effective tax rate in 2006 was in line with the same period last year.

Balance sheet

Total assets at 30 September 2006 were C$55.9 billion, an increase of C$6.5 billion over the same time last year. The strong economy in Canada encouraged continued business investment by customers and consumer spending which was the key driver of balance sheet growth. Commercial loans and bankers' acceptances grew C$3.4 billion, primarily in western Canada. Residential mortgages increased C$2.7 billion, before securitisation of C$2.5 billion in the period, on continued strong activity in the residential housing markets across Canada. Consumer loans increased C$0.8 billion, which was before securitisation of C$0.9 billion of personal lines of credit and consumer term loans in the period. Increased trading and balance sheet management activity increased the securities portfolio by C$0.7 billion and balances under reverse repurchase agreements by C$2.0 billion. Other assets were C$0.8 billion higher due mainly to larger settlement balances resulting from increased trading activity in our capital markets businesses.

Total deposits grew C$4.2 billion to C$42.8 billion at 30 September 2006 from C$38.6 billion at the same time last year. Deposits from individuals benefited from success of our new High Rate Savings Account and initiatives such as our 25th Anniversary Sale campaign. Commercial deposits were higher due to growth in term products, driven by higher interest rates, and increased payments and cash management balances. Other liabilities increased C$0.7 billion largely from an increase in activities in our capital markets business.

Financial Commentary *(continued)*

Compared with 31 December 2005, total assets were C$6.7 billion higher largely from growth in loans and capital markets activities. Deposit growth benefited from increased cash management balances from corporate customers as well as higher personal balances.

Total assets under administration

Funds under management were C$22.4 billion at 30 September 2006 compared with C$19.9 billion at the same time last year. Including custody and administration balances, total assets under administration were C$31.3 billion compared with C$26.5 billion at 30 September 2005.

Funds under management benefited from increased acquisition of mandates in managing institutional clients as well as the success of our Private Client products. Despite the volatile equity markets in Canada and the US during 2006, we grew our retail investor base in our full service brokerage as well as in our on-line division. Custodial balances grew C$2.4 billion due to growth in the corporate custody business and increased securitised assets under management.

Compared with the previous quarter, funds under management were higher by C$0.7 billion, with growth in personal wealth management balances as well as institutional funds. Custodial balances increased C$0.5 billion due to growth in the corporate custody business.

Capital management

The tier 1 capital ratio was 8.9 per cent and the total capital ratio was 11.1 per cent at 30 September 2006. These compare with 9.0 per cent and 11.2 per cent, respectively, at 30 June 2006 and 8.7 per cent and 10.9 per cent, respectively, at 30 September 2005.

In addition to net income of C$382 million year-to-date, capital increased from an issuance of C$200 million in subordinated debentures in the first quarter of 2006. This was partially offset by C$193 million in dividends declared on our preferred shares and common shares, and the redemption of C$60 million in subordinated debentures in the first quarter of 2006.

Financial instruments

During the normal course of our business, we make extensive use of financial instruments, including funding loans, purchasing investments, accepting deposits and entering into various derivative instruments. Financial instruments are generally carried at cost or amortized cost, except those held for trading purposes, which are carried at their estimated fair value. There was no change to the basis of calculating the fair value of financial instruments from 31 December 2005, and no significant changes in fair value of financial instruments that arose from factors other than normal economic, industry and market conditions.

Off-balance sheet arrangements

We enter into a number of off-balance sheet arrangements in the normal course of operations. The most significant off-balance sheet arrangements we enter into are guarantees and letters of credit, and derivatives, which were described on page 14 of our 2005 Annual Report and Accounts. There were no significant changes to these off-balance sheet arrangements from 31 December 2005.

Financial Commentary *(continued)*

Credit ratings

On 19 June 2006, Standard & Poor's Ratings Services ("S&P") raised our short and long-term counterparty credit ratings concurrent with an upgrade of its ratings of our parent, HSBC Holdings plc.

On 25 October 2006, S&P raised its ratings of our long-term counterparty credit, preferred shares, senior debt and subordinated debt. These ratings upgrades followed S&P's revision of our group status to core to the HSBC Group based on our growing integration with and increasing contribution to the HSBC Group.

On 6 October 2006, Dominion Bond Rating Service ("DBRS") upgraded its ratings of our deposits, debt instruments and preferred shares, as a result of implementation of a new support assessment methodology for banks.

These ratings reflect the quality and success of our business in Canada and of HSBC globally, as well as a strengthening of the financial services industry in general in Canada. Our current ratings are as follows:

	S&P	DBRS
Short-term instruments	A-1+	R-1 (high)
Deposits and senior debt	AA	AA
Subordinated debt	AA-	AA (low)
Preferred shares	P-1	Pfd-1
HSBC Canada Asset Trust Securities	P-1	A (high)

Outstanding shares and securities

	At 31 October 2006	
(amounts are in C$ millions)	*Number*	*Amount*
HSBC Canada Asset Trust Securities (HaTS™)[1]		
– Series 2010[2]	200,000	200
– Series 2015[3]	200,000	200
		400
Preferred Shares – Class 1		
– Series C[4]	7,000,000	175
– Series D[5]	7,000,000	175
		350
Common shares	488,668,000	1,125

1 *Reported in non-controlling interest in trust and subsidiary in the Consolidated Balance Sheet.*
2 *Cash distributions are non-cumulative and are payable semi-annually in an amount of C$38.90 per unit.*
3 *Cash distributions are non-cumulative and are payable semi-annually in an amount of C$25.75 per unit.*
4 *Cash dividends are non-cumulative and are payable quarterly in an amount of C$0.31875 per share.*
5 *Cash dividends are non-cumulative and are payable quarterly in an amount of C$0.3125 per share.*

Further details regarding features of our securities and shares are disclosed in notes 9 and 11 to the Consolidated Financial Statements in our 2005 Annual Report and Accounts.

Unless we fail to declare dividends on our preferred shares, cash distributions will be made to the holders of our HaTS with payable dates in 2006 of 30 June and 31 December.

Financial Commentary *(continued)*

Dividend record and payable dates in 2006 for our preferred shares, subject to approval by our Board of Directors, are:

Record Date	Payable Date
March 15	March 31
June 15	June 30
September 15	September 30
December 15	December 31

During 2006, we declared and paid dividends on our common shares as follows:

(amounts are in C$ millions)	*Amount*
First quarter	60
Second quarter	60
Third quarter	60
Total	180

Quarterly summary of condensed statements of income (unaudited)

Our quarterly earnings, revenue and expense are impacted by a number of trends and recurring factors, which include seasonality, general economic trends and competition.

Seasonal factors impact our results in most quarters. The first quarter has the fewest number of days, and therefore net interest income is lower compared with the other three quarters. The second and third quarters generally have lower capital market revenues as market activity is slower than in the first and fourth quarters.

Strong economic conditions over the past eight quarters have impacted our businesses favourably. The low, but rising, interest rate environment, and higher consumer and business spending has resulted in growth in our loans and deposits. Additionally, this has benefited our wealth management businesses. The favourable economic conditions, along with our risk management efforts, have positively impacted our loan portfolio, which has resulted in relatively low loan losses each quarter.

Competitive factors have increased over the eight quarters, resulting in spread compression in loan and deposit products, particularly in Personal Financial Services.

Over the last eight quarters, our business has been affected by a number of favourable and unfavourable items. In the second quarter of 2006, we recorded an incremental expense relating to an increase in the fair value of stock options issued in 2003, and a write-down of our future income tax assets. Also in the quarter, we recorded a significant gain on our investment in private equity funds. In the fourth quarter of 2005, resolution of the tax deductibility of our guarantee expense reduced non-interest expenses and income taxes. In the first quarter of 2005, non-interest expenses were lower on successful resolution of certain commodity tax issues from previous years.

Financial Commentary *(continued)*

The following table summarizes our results for the eight most recently completed quarters.

Figures in C$ millions (except per share amounts)	***Quarter ended*** **30 September 2006**	*30 June 2006*	*31 March 2006*	*31 December 2005*	*30 September 2005*	*30 June 2005*	*31 March 2005*	*31 December 2004*
Net interest income	**282**	276	266	269	261	243	237	229
Non-interest revenue	**160**	167	156	141	145	140	144	143
Total revenue	**442**	443	422	410	406	383	381	372
Non-interest expenses	**213**	233	224	205	208	209	202	207
Net operating income	**229**	210	198	205	198	174	179	165
Provision for credit losses	**5**	6	6	6	7	6	8	22
Income before the under noted	**224**	204	192	199	191	168	171	143
Provision for income taxes	**76**	78	65	58	67	55	57	51
Non-controlling interest in income of trust	**6**	6	7	6	7	5	4	4
Net income	**142**	120	120	135	117	108	110	88
Preferred share dividends	**4**	5	4	3	4	4	2	2
Net income attributable to common shares	**138**	115	116	132	113	104	108	86
Basic earnings per share (C$)	**0.28**	0.24	0.24	0.27	0.23	0.21	0.22	0.18

Personal Financial Services

Income, before taxes and non-controlling interest in income of trust, for the third quarter of 2006 was C$44 million, compared with C$39 million for the same period in 2005. Total revenue was C$12 million higher with increases in both net interest income and non-interest revenue. Net interest income was C$4 million higher and was driven by increased consumer spending, a buoyant residential housing market, and higher deposit spreads resulting from increased interest rates. Offsetting this was the impact of continued competitive pressures on spreads on loan products. Average assets for the quarter were C$18.3 billion, compared with C$17.9 billion in the third quarter of 2005. Net interest income was impacted by securitisations of personal loans and residential mortgages totaling C$3.3 billion from the fourth quarter of 2005 to the current quarter. Deposit growth in the period benefited from the success of our new High Rate Savings Account and an increase in interest rates. Non-interest revenue was C$8 million higher primarily due to increased securitisation income, and investment administration fees resulting from growth in personal funds under management. Non-interest expenses were C$6 million higher in 2006 and were largely related to continued investments in the business, which increased salaries and benefits, and other expenses. These were partially offset by a lower deposit guarantee fee expense.

Income, before taxes and non-controlling interest in income of trust, was C$9 million higher compared with the previous quarter. Total revenue was C$3 million lower primarily from lower securities commissions as customer activity is typically slower over the summer months. Net interest income was stable as growth in assets was offset by lower spreads on deposits. Non-interest expenses were lower as employee benefit and pensions costs were lower largely resulting from a charge in the second quarter of 2006 arising from the waiver of the total shareholder return-related performance condition in respect of the 2003 awards under the HSBC Holdings Group Share Option Plan.

On a year-to-date basis, income, before taxes and non-controlling interest in income of trust, was C$111 million compared with C$106 million for the same period last year. Total revenue was higher as net interest income benefited from asset growth, securitisation income increased, and revenue from the wealth management businesses was driven by increased funds under management. This was offset by higher non-interest expenses arising from the investments in the business and the impact of the higher stock option expense in 2006. Partially offsetting this was a lower deposit guarantee fee expense.

Financial Commentary *(continued)*

Commercial Banking

Income, before taxes and non-controlling interest in income of trust, for the third quarter of 2006 was C$130 million, compared with C$108 million for the same period in 2005. Growth in loans and deposits was the largest contributing factor to the increased net interest income. Average assets for the quarter were C$20.1 billion compared with C$17.0 billion for the same period in 2005. Loans were higher due to growth in the number of clients and business investment by customers, driven primarily by the strong economy in Canada. Growth in deposits was aided by the increase in number of customers as well as enhanced services and products in the Payments and Cash Management businesses. Non-interest revenue was unchanged from the prior year quarter as increased credit fees were offset by lower immigrant investor program fees. Non-interest expenses were lower due to lower costs associated with lower volumes related to immigrant investor programs and from a lower deposit guarantee expense.

Income, before taxes and non-controlling interest in income of trust, was C$8 million higher compared with the previous quarter. Net interest income was higher on growth in the business. Non-interest revenue was lower due solely to the large adjustment recorded last quarter resulting from an increase in the fair value of our investments in private equity funds. Non-interest expenses were lower due to employee benefit and pensions costs and from a charge in the second quarter of 2006 arising from the waiver of the total shareholder return-related performance condition in respect of the 2003 awards under the HSBC Holdings Group Share Option Plan.

On a year-to-date basis, income, before taxes and non-controlling interest in income of trust, was C$363 million compared with C$308 million in the same period last year. Contributing to total revenue growth was higher net interest income as average assets were C$19.2 billion compared with C$16.7 billion for the same period in 2005. Non-interest revenue was also higher from the associated increase in credit fees and activity charges and higher fair value gains from our investments in private equity funds. These were partially offset by lower trade finance income and lower immigrant investor program fees. Non-interest expenses were higher due largely to continued investments in the business, which increased salaries and benefits, and other expenses, and the impact of the higher stock option expense in 2006. These were partially offset by a lower deposit guarantee fee expense in 2006.

Corporate, Investment Banking and Markets

Income, before taxes and non-controlling interest in income of trust, for the third quarter of 2006 was C$50 million, compared with C$44 million for the same period in 2005. Total revenue was higher due to increased debt capital markets underwriting fees and higher gains from foreign exchange trading. Growth in the business resulted in higher non-interest expenses, primarily in salaries and benefits, and operating costs. These were partially offset by lower deposit guarantee fee expenses in 2006.

Income, before taxes and non-controlling interest in income of trust, was C$3 million higher compared with the previous quarter. Net interest income was impacted in the third quarter by inversion of the yield curve. Non-interest revenue was higher due to increased debt capital markets underwriting fees. Non-interest expenses were higher due largely to higher variable compensation associated with higher revenue.

On a year-to-date basis, income, before taxes and non-controlling interest in income of trust, was C$146 million compared with C$116 million in the same period last year. Net interest income was driven by growth of assets as well as an increase in interest rates. Non-interest revenue was higher on increased foreign exchange trading gains, from the volatility in foreign exchange rates, and higher capital market fees in 2006. Non-interest expenses were comparable as higher salaries and benefits costs were offset by a lower deposit guarantee fee expense.

Financial Commentary *(continued)*

GAAP and related non-GAAP measures used in the MD&A

We use both GAAP and certain non-GAAP measures to assess performance. Securities regulators require that companies caution readers that earnings and other measures adjusted to a basis other than GAAP do not have standardized measuring under GAAP and are unlikely to be comparable to similar measures used by other companies. The following outlines various GAAP or non-GAAP measures, which management regularly monitors, to more clearly indicate the derivation of the measure.

Return on average common equity – Average common equity is calculated using month end balances of common equity for the period.

Return on average assets – Average assets are calculated using average daily balances for the period.

Net interest margin – Calculated as net interest income divided by average interest earning assets. Average interest earning assets are calculated using average daily balances for the period.

Cost efficiency ratio – Calculated as non-interest expenses divided by total revenue.

Non-interest revenue:total revenue ratio – Calculated as non-interest revenue divided by total revenue.

Average balances – Average assets, loans, and deposits are calculated using daily average balances for the period. Average common equity is calculated using month end balances of common equity for the period.

Risk management

Our risk management policies and practices are unchanged from those outlined in pages 18 to 22 of our 2005 Annual Report and Accounts.

Related party transactions

Our related party transaction policies and practices are unchanged from those outlined in page 26 of our 2005 Annual Report and Accounts. All transactions with related parties continued to be priced and accounted for as if they were provided in an open market on an arm's length basis or, where no market exists, at fair value.

Accounting policies and critical accounting estimates

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 2005 and were outlined on pages 39 to 73 of our 2005 Annual Report and Accounts. There were no changes to our significant accounting policies from 31 December 2005.

The key assumptions and bases for estimates that we have made under GAAP, and their impact on the amounts reported in the interim consolidated financial statements and notes, remain substantially unchanged from those described on pages 12 to 14 of our 2005 Annual Report and Accounts.

Financial Commentary *(continued)*

Management's responsibility for financial information

A rigorous and comprehensive financial governance framework is in place at HSBC Bank Canada and our subsidiaries at both the management and board levels. Each year, our 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. We filed certifications, signed by the CEO and CFO, with the Canadian Securities Administrators in March 2006 when we filed our Annual Report and Accounts and other annual disclosure documents. In those filings, our CEO and CFO certify, as required in Canada by Multilateral Instrument 52-109 (Certification of Disclosure in Issuers' Annual and Interim Filings), the appropriateness of the financial disclosures in our annual filings and the effectiveness of our disclosure controls and procedures. Our CEO and CFO certify the appropriateness of the financial disclosures in our interim filings with securities regulators, including this MD&A and the accompanying unaudited interim consolidated financial statements for the period ended 30 September 2006, and that they are responsible for the design and maintenance of disclosure controls and procedures.

As in prior quarters, our audit committee reviewed this document, including the attached unaudited interim consolidated financial statements, and approved the document prior to its release.

A comprehensive discussion of our businesses, strategies and objectives can be found in Management's Discussion and Analysis in our 2005 Annual Report and Accounts, which can be accessed on our web site at www.hsbc.ca. Readers are also encouraged to visit the site to view other quarterly financial information.

The attached unaudited interim consolidated financial statements have not been reviewed by our external auditors.

Regulatory filings

Our continuous disclosure materials, including our interim and annual filings, are available on our web site at www.hsbc.ca, and on the Canadian Securities Administrators' web site at www.sedar.com.

Caution regarding forward-looking financial statements

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, technological change, global capital market activity, changes in government monetary and economic policies, changes in prevailing interest rates, inflation level 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 interest 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.

Consolidated Statement of Income (Unaudited)

Figures in C$ millions (except per share amounts)	*Quarter ended* ***30 September 2006***	*30 June 2006*	*30 September 2005*	*Nine months ended* ***30 September 2006***	*30 September 2005*
Interest and dividend income					
Loans	**566**	523	417	**1,551**	1,187
Securities	**47**	46	31	**136**	80
Deposits with regulated financial institutions	**59**	55	45	**172**	114
	672	624	493	**1,859**	1,381
Interest expense					
Deposits	**383**	341	226	**1,015**	621
Debentures	**7**	7	6	**20**	19
	390	348	232	**1,035**	640
Net interest income	**282**	276	261	**824**	741
Non-interest revenue					
Deposit and payment service charges	**23**	23	20	**67**	62
Credit fees	**28**	27	23	**80**	69
Capital market fees	**27**	26	25	**85**	81
Investment administration fees	**26**	25	24	**75**	58
Foreign exchange	**8**	8	7	**23**	20
Trade finance	**6**	6	7	**18**	21
Trading revenue	**18**	17	17	**52**	47
Investment securities gains	**5**	13	3	**23**	14
Securitisation income	**10**	11	5	**29**	18
Other	**9**	11	14	**31**	39
	160	167	145	**483**	429
Total revenue	**442**	443	406	**1,307**	1,170
Non-interest expenses					
Salaries and employee benefits	**120**	136	112	**379**	331
Premises and equipment	**26**	27	26	**82**	80
Other	**67**	70	70	**209**	208
	213	233	208	**670**	619
Net operating income before provision for credit losses	**229**	210	198	**637**	551
Provision for credit losses	**5**	6	7	**17**	21
Income before provision and non-controlling interest in income of trust	**224**	204	191	**620**	530
Provision for income taxes	**76**	78	67	**219**	179
Non-controlling interest in income of trust	**6**	6	7	**19**	16
Net income	**142**	120	117	**382**	335
Preferred share dividends	**4**	5	4	**13**	10
Net income attributable to common shares	**138**	115	113	**369**	325
Average common shares outstanding (000)	**488,668**	488,668	488,668	**488,668**	488,668
Basic earnings per share (C$)	**0.28**	0.24	0.23	**0.76**	0.67

See notes to consolidated financial statements

Consolidated Balance Sheet (Unaudited)

Figures in C$ millions	***At 30 September 2006***	*At 31 December 2005*	*At 30 September 2005*
Assets			
Cash and deposits with Bank of Canada	**386**	409	340
Deposits with regulated financial institutions	**4,753**	5,549	5,191
	5,139	5,958	5,531
Investment securities	**3,225**	2,923	2,912
Trading securities	**1,821**	1,418	1,459
	5,046	4,341	4,371
Assets purchased under reverse repurchase agreements	**3,843**	1,752	1,821
Loans			
– Businesses and government	**17,500**	15,571	15,122
– Residential mortgage	**13,597**	12,865	13,407
– Consumer	**3,855**	3,734	3,999
– Allowance for credit losses	**(318)**	(326)	(337)
	34,634	31,844	32,191
Customers' liability under acceptances	**4,880**	4,002	3,903
Land, buildings and equipment	**100**	103	95
Other assets	**2,252**	1,210	1,490
	7,232	5,315	5,488
Total assets	**55,894**	49,210	49,402
Liabilities and shareholders' equity			
Deposits			
– Regulated financial institutions	**1,889**	1,975	1,960
– Individuals	**16,648**	15,300	15,267
– Businesses and governments	**24,278**	21,333	21,353
	42,815	38,608	38,580
Acceptances	**4,880**	4,002	3,903
Assets sold under repurchase agreements	**290**	302	286
Other liabilities	**4,123**	2,849	3,400
Non-controlling interest in trust and subsidiary	**430**	430	430
	9,723	7,583	8,019
Subordinated debentures	**559**	423	423
Shareholders' equity			
– Preferred shares	**350**	350	175
– Common shares	**1,125**	1,125	1,125
– Contributed surplus	**199**	187	184
– Retained earnings	**1,123**	934	896
	2,797	2,596	2,380
Total liabilities and shareholders' equity	**55,894**	49,210	49,402

See notes to consolidated financial statements

Consolidated Statement of Changes in Shareholders' Equity (Unaudited)

Figures in C$ millions	*Quarter ended*			*Nine months ended*	
	30 September 2006	*30 June 2006*	*30 September 2005*	***30 September 2006***	***30 September** 2005*
Preferred shares					
Balance at beginning of period	**350**	350	300	**350**	125
Issued	–	–	–	–	175
Redeemed	–	–	(125)	–	(125)
Balance at end of period	**350**	350	175	**350**	175
Common shares					
Balance at beginning and end of period	**1,125**	1,125	1,125	**1,125**	1,125
Contributed surplus					
Balance at beginning of period	**199**	188	182	**187**	177
Stock-based compensation	–	11	2	**12**	7
Balance at end of period	**199**	199	184	**199**	184
Retained earnings					
Balance at beginning of period	**1,045**	990	858	**934**	770
Net income for the period	**142**	120	117	**382**	335
Preferred share dividends	**(4)**	(5)	(4)	**(13)**	(10)
Common share dividends	**(60)**	(60)	(75)	**(180)**	(195)
Capital issue costs	–	–	–	–	(4)
Balance at end of period	**1,123**	1,045	896	**1,123**	896
Total shareholders' equity	**2,797**	2,719	2,380	**2,797**	2,380

See notes to consolidated financial statements

Condensed Consolidated Statement of Cash Flows (Unaudited)

	Quarter ended			*Nine months ended*	
Figures in C$ millions	***30 September 2006***	*30 June 2006*	*30 September 2005*	***30 September 2006***	*30 September 2005*
Cash flows provided by/(used in) operating activities					
Net income	**142**	120	117	**382**	335
Trading securities	**299**	(358)	(38)	**(403)**	(404)
Other, net	**(313)**	169	333	**333**	593
	128	(69)	412	**312**	524
Cash flows provided by/(used in) financing activities					
Change in deposits	**1,826**	561	1,193	**4,207**	4,732
Securities sold (purchased) under repurchase agreements	**(85)**	210	185	**(12)**	263
Proceeds from issuance of preferred shares	–	–	–	–	175
Redemption of preferred shares	–	–	(125)	–	(125)
Proceeds from asset trust securities issued	–	–	–	–	200
Proceeds from issuance of debentures	–	–	–	**200**	–
Redemption of debentures	–	–	–	**(60)**	–
Dividends paid	**(64)**	(65)	(79)	**(253)**	(255)
	1,677	706	1,174	**4,082**	4,990
Cash flows (used in)/provided by investing activities					
Loans funded, excluding securitisations	**(1,471)**	(1,781)	(1,705)	**(4,518)**	(4,741)
Proceeds from loans securitised	**259**	796	78	**1,710**	846
Investment securities purchased (sold)	**351**	678	(423)	**(302)**	(945)
Securities (purchased) sold under reverse repurchase agreements	**(370)**	(937)	654	**(2,091)**	443
Net change in non-operating deposits with regulated financial institutions	**216**	120	(84)	**561**	(292)
Acquisition of land, buildings and equipment	**(6)**	(4)	(3)	**(12)**	(8)
	(1,021)	(1,128)	(1,483)	**(4,652)**	(4,697)
Increase (decrease) in cash and cash equivalents	**784**	(491)	103	**(258)**	817
Cash and cash equivalents, beginning of period	**4,158**	4,649	4,721	**5,200**	4,007
Cash and cash equivalents, end of period	**4,942**	4,158	4,824	**4,942**	4,824
Represented by:					
Cash resources per balance sheet	**5,139**	4,571	5,531		
less non-operating deposits[†]	**(197)**	(413)	(707)		
Cash and cash equivalents, end of period	**4,942**	4,158	4,824		

[†] *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 the notes to our consolidated financial statements for the year ended 31 December 2005 as set out on pages 39 to 73 of our 2005 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 2005. Certain prior period amounts have been reclassified to conform to the presentation adopted in the current period.

2. Allowance for credit losses

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

	Quarter ended			*Nine months ended*	
	30 September 2006	*30 June 2006*	*30 September 2005*	***30 September 2006***	*30 September 2005*
Balance at beginning of period	**319**	325	338	**326**	349
Provision for credit losses	**5**	6	7	**17**	21
Write-offs	**(7)**	(12)	(8)	**(26)**	(35)
Foreign exchange and other	**1**	–	–	**1**	2
Balance at end of period	**318**	319	337	**318**	337

3. Securitisation

Securitisation activity during the third quarter of 2006 was as follows:

	Residential mortgages
Securitised and sold	259
Net cash proceeds received	257
Retained rights to future excess interest	3
Retained servicing liability	1
Pre-tax gain on sale	1

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

	Residential mortgages
Prepayment rate	43.52
Excess spread	0.67
Expected credit losses	0.01
Discount rate	5.26

Notes to Consolidated Financial Statements (Unaudited) *(continued)*

(all tabular amounts are in C$ millions)

4. Subordinated debentures

On 1 March 2006, we redeemed all of our 7.70 per cent subordinated debentures that mature in 2011, totalling C$60 million, at a redemption price of 100 per cent of the principal amount plus unpaid accrued interest at the redemption date.

On 15 March 2006, we issued C$200 million of subordinated debentures that mature in 2021. Interest at an annual rate of 4.94 per cent is payable half-yearly in arrears until 16 March 2016. Thereafter, interest is payable at an annual rate equal to the 90-day Bankers' Acceptance Rate plus 1.00 per cent, payable quarterly in arrears.

5. Issued and outstanding shares

	At 30 September 2006		*At 31 December 2005*		*At 30 September 2005*	
	Number	***Amount***	*Number*	*Amount*	*Number*	*Amount*
Preferred Shares – Class 1						
– Series C	**7,000,000**	**175**	7,000,000	175	7,000,000	175
– Series D	**7,000,000**	**175**	7,000,000	175	–	–
		350		350		175
Common shares	**488,668,000**	**1,125**	488,668,000	1,125	488,668,000	1,125

6. Stock-based compensation

The expense for stock-based compensation was as follows:

	Quarter ended			*Nine months ended*	
	30 September 2006	*30 June 2006*	*30 September 2005*	***30 September 2006***	*30 September 2005*
Group share options and savings-related option plans	–	11	2	**12**	7
Restricted share plan	**4**	4	2	**10**	5
	4	15	4	**22**	12

7. Employee future benefits

The expense for employee future benefits was as follows:

	Quarter ended			*Nine months ended*	
	30 September 2006	*30 June 2006*	*30 September 2005*	***30 September 2006***	*30 September 2005*
Pension plans – defined benefit	–	6	–	**10**	3
Pension plans – defined contribution	**4**	3	3	**10**	8
Other benefits	**2**	2	2	**6**	6
	6	11	5	**26**	17

Notes to Consolidated Financial Statements (Unaudited) *(continued)*

8. Customer group segmentation

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

Prior to 2006, we primarily measured the performance of each customer group based on the net income of the customer group, excluding expenses related to the deposit guarantee. These expenses were previously consolidated and disclosed separately in a customer group entitled "Other". With the termination of the deposit guarantee for new deposits after 30 June 2005, customer group results are now measured including all relevant expenses. As a result, beginning in fiscal 2006, expenses related to the deposit guarantee have been included in non-interest expenses of each customer group.

Certain comparative amounts have been restated to conform to the current period's disclosure.

	Quarter ended			*Nine months ended*	
	30 September 2006	*30 June 2006*	*30 September 2005*	***30 September 2006***	*30 September 2005*
Personal Financial Services					
Net interest income	**96**	95	92	**283**	264
Non-interest revenue	**74**	78	66	**227**	202
Total revenue	**170**	173	158	**510**	466
Non-interest expenses	**122**	134	116	**386**	349
Net operating income	**48**	39	42	**124**	117
Provision for credit losses	**4**	4	3	**13**	11
Income before taxes and non-controlling interest in income of trust	**44**	35	39	**111**	106
Provision for income taxes	**15**	14	13	**39**	35
Non-controlling interest in income of trust	**1**	2	2	**5**	5
Net income	**28**	19	24	**67**	66
Average assets	**18,343**	17,990	17,936	**17,934**	16,832
Commercial Banking					
Net interest income	**156**	148	140	**447**	396
Non-interest revenue	**48**	58	48	**155**	143
Total revenue	**204**	206	188	**602**	539
Non-interest expenses	**73**	82	76	**235**	221
Net operating income	**131**	124	112	**367**	318
Provision for credit losses	**1**	2	4	**4**	10
Income before taxes and non-controlling interest in income of trust	**130**	122	108	**363**	308
Provision for income taxes	**44**	46	38	**128**	104
Non-controlling interest in income of trust	**4**	3	4	**11**	9
Net income	**82**	73	66	**224**	195
Average assets	**20,062**	19,195	16,967	**19,198**	16,666

Notes to Consolidated Financial Statements (Unaudited) *(continued)*

8. Customer group segmentation (continued)

	Quarter ended			*Nine months ended*	
	30 September 2006	*30 June 2006*	*30 September 2005*	***30 September 2006***	*30 September 2005*
Corporate, Investment Banking and Markets					
Net interest income	**30**	33	29	**94**	81
Non-interest revenue	**38**	31	31	**101**	84
Total revenue	**68**	64	60	**195**	165
Non-interest expenses	**18**	17	16	**49**	49
Net operating income	**50**	47	44	**146**	116
Provision for credit losses	**–**	–	–	**–**	–
Income before taxes and non-controlling interest in income of trust	**50**	47	44	**146**	116
Provision for income taxes	**17**	18	16	**52**	40
Non-controlling interest in income of trust	**1**	1	1	**3**	2
Net income	**32**	28	27	**91**	74
Average assets	**15,540**	15,388	13,851	**15,380**	13,004

9. Guarantees, commitments and contingent liabilities

Amounts relating to off-balance sheet credit instruments were as follows:

	At 30 September 2006	*At 31 December 2005*	*At 30 September 2005*
Financial and performance standby letters of credit	**1,958**	2,235	2,182
Documentary and commercial letters of credit	**442**	516	488
Commitments to extend credit			
– Original term of one year or less	**27,259**	23,768	23,216
– Original term of more than one year	**4,018**	3,702	3,565
Credit and yield enhancement	**48**	32	17
	33,725	30,253	29,468

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

WEB SITE
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 C (HSB.PR.C)
Class 1 Preferred Shares – Series D (HSB.PR.D)

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 around 9,500 offices in 76 countries and territories and assets of US$1,738 billion at 30 June 2006, the HSBC Group is one of the world's largest banking and financial services organisations.

Published by HSBC Bank Canada, Vancouver
Printed by Western Printers, Burnaby

(This page intentionally left blank.)

(This page intentionally left blank.)

HSBC Bank Canada
885 West Georgia Street
Vancouver, B.C.
Canada V6C 3E9
Telephone: (604) 685-1000
Web: hsbc.ca