HSBC BANK CANADA
FIRST QUARTER 2009 REPORT TO SHAREHOLDERS

- Net income attributable to common shares was C$85 million for the quarter ended 31 March 2009, a decrease of 52.8 per cent over the same period in 2008.

- The cost efficiency ratio was 49.1 per cent for the quarter ended 31 March 2009 compared with 46.7 per cent for the same period in 2008.

- Return on average common equity was 10.0 per cent for the quarter ended 31 March 2009 compared with 21.7 per cent for the same period in 2008.

- Total assets were C$70.1 billion at 31 March 2009 compared with C$71.7 billion at 31 March 2008.

- Total funds under management were C$21.5 billion at 31 March 2009 compared with C$26.3 billion at 31 March 2008.

- Tier 1 capital ratio of 10.2 per cent and a total capital ratio of 12.6 per cent at 31 March 2009 compared to 9.1 per cent and 11.3 per cent respectively at 31 March 2008.

The world's local bank

HSBC

First Quarter 2009 Management's Discussion and Analysis

HSBC Bank Canada ("the bank") is an indirectly owned subsidiary of HSBC Holdings plc ("HSBC Holdings"). Throughout the Management's Discussion and Analysis ("MD&A"), the HSBC Holdings Group is defined as the "HSBC Group" or the "Group". The MD&A for the bank for the first quarter of 2009 is dated 5 May 2009. Unless otherwise indicated, all amounts are in Canadian dollars (tabular amounts are in C$ millions) and have been derived directly from our financial statements prepared in accordance with Canadian generally accepted accounting principles ("GAAP") or from the information used to prepare them. Certain prior period amounts have been reclassified to conform to the presentation adopted in the current period. In addition, comparatives for interim 2008 prior to the fourth quarter have been restated to reflect the acquisition of HSBC Financial Corporation Limited ("HSBC Financial") which was accounted for using the continuity of interests method. Reference should be made to the Bank's 2008 Consolidated Financial Statements included in the 2008 Annual Report and Accounts for more detailed information on the acquisition.

Financial Highlights

	Quarter ended		
	31 March 2009	*31 December 2008*	*31 March[(3)] 2008*
Earnings			
Net income attributable to common shares	**$ 85**	$ 115	$ 180
Basic earnings per share (C$)	**0.17**	0.22	0.34
Performance ratios (%) [(1)]			
Return on average common equity	**10.0**	12.8	21.7
Return on average assets	**0.48**	0.61	0.99
Net interest margin	**2.27**	2.44	2.72
Cost efficiency ratio	**49.1**	49.3	46.7
Non-interest revenue: total revenue ratio	**41.0**	37.3	36.0
Credit information			
Gross impaired credit exposures	**$ 1,157**	$ 932	$ 467
Allowance for credit losses			
- Balance at end of period	**709**	615	539
- As a percentage of gross impaired credit exposures	**61** %	66 %	115 %
- As a percentage of gross loans and acceptances	**1.46** %	1.24 %	1.06 %
Average balances [(1)]			
Assets	**$ 72,346**	$ 75,161	$ 73,073
Loans	**42,790**	44,643	43,796
Deposits	**51,805**	53,522	50,973
Common equity	**3,461**	3,565	3,353
Capital ratios (%) [(2)]			
Tier 1	**10.2**	10.1	9.1
Total capital	**12.6**	12.5	11.3
Total assets under administration			
Funds under management	**$ 21,503**	$ 21,287	$ 26,283
Custody accounts	**9,260**	9,221	11,006
Total assets under administration	**$ 30,763**	$ 30,508	$ 37,289

(1) These are non-GAAP amounts or non-GAAP measures. Please refer to the discussion outlining the use of non-GAAP measures in this document in the "GAAP and related non-GAAP measures used in the MD&A" section on page 11.

(2) Calculated using guidelines issued by the Office of the Superintendent of Financial Institutions Canada in accordance with Basel II capital adequacy framework. 31 March 2008 ratios have not been restated to include HSBC Financial.

(3) Restated to reflect acquisition of HSBC Financial.

Analysis of Financial Results

Overview

HSBC Bank Canada recorded net income attributable to common shares for the three months ended 31 March 2009 of C$85 million, a decrease of 52.8 per cent compared to C$180 million reported in the same period in 2008, and a decrease of C$30 million, or 26.1 per cent, from C$115 million for the fourth quarter of 2008. This includes the results of the Consumer Finance business which made a net loss attributable to common shares of C$16 million in the first quarter of 2009 compared to net income attributable to common shares of C$25 million record in the same period of 2008 and C$9 million in the fourth quarter of 2008.

Commenting on the results, Lindsay Gordon, President and Chief Executive Officer of HSBC Bank Canada, said:

"Canada, along with most developed economies, is in recession and this inevitably affected our results in the first quarter. Credit provisions increased and net interest margins declined due to falling interest rates and a very competitive market for deposits. While the economic outlook for the rest of 2009 remains challenging, we remain committed to supporting our core customer relationships and focusing on costs in a less certain environment for revenues. We have a strong and liquid balance sheet further enhanced by a successful preferred share offering completed after the quarter end, and remain committed to maintaining our traditional financial strength."

Net interest income

Net interest income for the three months ended 31 March 2009 was C$350 million compared with C$425 million for the same period last year, a decrease of C$75 million, or 17.6 per cent. Although average interest earning assets decreased only marginally to C$62.4 billion from C$62.9 billion, there was a considerable decrease in net interest margin to 2.27 per cent compared with 2.72 per cent in 2008.

Net interest income from banking operations, which consists of Personal Financial Services, Commercial Banking and Global Banking and Markets, decreased by C$49 million and net interest margin decreased to 1.73 per cent in the quarter from 2.08 per cent in the same period last year. Multiple reductions in prime interest rates during 2008 and 2009 resulted in reduced interest income on our floating rate loans, which was not offset by an equal reduction in interest expense as our deposit rates repriced downwards more slowly. Also impacting net interest margin was the reduction in the value of interest free funds and low interest deposits in a falling interest rate environment as well as the lower rates earned on government and other securities. Wider credit spreads experienced across the banking industry also adversely impacted the relative cost of wholesale funding compared with the same period in the prior year. The reduction in average interest earning assets reflected the sale of the automobile loan portfolio in July 2008. Net interest income for the Consumer Finance business decreased by C$26 million compared to the same quarter in 2008 mainly as a result of a reduction in average receivables including consumer finance automobile and other loans.

Net interest income for the first quarter of 2009 was C$25 million, or 6.7 per cent lower compared with the fourth quarter of 2008 of which C$18 million arose from banking operations and C$7 million from the Consumer Finance business. Although average interest earning assets increased to C$62.4 billion from C$61.1 billion in the previous quarter, this was offset by a 17 basis points reduction in net interest margin to 2.27 per cent. This was primarily as a result of factors noted above, particularly further reductions in the prime rate recorded in the first quarter of 2009 and lower yields on securities.

Non-interest revenue

For the three months ended 31 March 2009, non-interest revenue was C$243 million, C$4 million, or 1.7 per cent, higher compared with C$239 million for the same period last year.

Analysis of Financial Results *(continued)*

Revenues from customer banking activities, including deposit and payment service charges, trade finance and credit fees, were comparable to the prior year reflecting the underlying strength and robustness of our core banking business. Securitization income increased, partially due to increased activity and falling interest rates also generated a benefit. Volatility in market interest rates and credit spreads continued to affect the valuation of trading assets and liabilities, which have significantly impacted reported results. Trading revenue was higher mainly as a result of the impact of mark to market gains from interest rate derivatives used as economic hedges. These gains were offset by the impact of narrowing credit spreads on the value of certain debt obligations recorded at fair value. This generated a charge to income in the first quarter of C$9 million compared to a credit of C$18 million in the first quarter of 2008. Capital market fees were higher due to increased underwriting activity in 2009, particularly from Canadian Bank preferred share and public sector debt issues. Investment administration fees were lower reflecting the reduced market values of customer portfolios. As a result of further economic weakness in the first quarter of 2009, the bank recorded, as a reduction of other income, a provision of C$20 million in respect of a loss contingency arising from a transaction occurring in a previous year.

Non-interest revenue in the first quarter of 2009 was C$20 million or 9.0 per cent higher compared with C$223 million in the last quarter of 2008. A C$1 million provision for other than temporary impairment of available-for-sale securities has been recorded during the quarter compared to an impairment of C$49 million on Canadian non-bank sponsored Asset Backed Commercial Paper ("non-bank ABCP") and provisions for other than temporary impairment of available-for-sale securities of C$8 million that were recorded in the fourth quarter of 2008. Securitization income in the first quarter of 2009 was C$13 million higher than the fourth quarter of 2008 due to increased activity as well as the continuing benefit from falling interest rates. Trading revenue was C$28 million lower than the fourth quarter of 2008. Higher mark to market gains in the first quarter of 2009 from interest rate derivatives used for economic hedges and balance sheet management were offset by very strong foreign exchange revenue arising from volatile foreign exchange markets and the favourable impact of foreign currency funding in a lower interest rate environment in the fourth quarter of 2008. Trading revenue was also adversely impacted in the first quarter of 2009 by C$9 million arising from the impact of narrowing credit spreads on the value of certain debt obligations recorded at fair value compared to a credit of C$73 million recorded in the fourth quarter of 2008. Other non-interest revenue in the first quarter of 2009 was negatively impacted by the effect of the loss contingency referred to above.

There was no material income statement impact arising from the restructuring of the bank's non-bank ABCP as a result of the implementation of the Montreal Accord in the first quarter of 2009.

Non-interest expenses

For the three months ended 31 March 2009, non-interest expenses were C$291 million compared with C$310 million for the same period last year, a decrease of C$19 million, or 6.1 per cent. Salaries and benefits were lower, reflecting a lower number of staff, particularly in the Consumer Finance business as a result of changes in its branch network. Premises costs increased modestly, in part as a result of increased amortization costs. Other non-interest expenses were lower due to reductions in a number of expense categories, particularly IT expenses and marketing. The cost efficiency ratio for the first quarter of 2009 increased to 49.1 per cent from 46.7 per cent in the same period in 2008, as a result of the decrease in total revenue.

Non-interest expenses for the first quarter were C$291 million compared to C$295 million for the fourth quarter of 2008. Salaries and benefits were higher due to reduced variable compensation recorded in the fourth quarter of 2008 as well as lower pension and benefits expenses arising from the release of the pension plan valuation allowance. Premises and equipment expenses were in line with the fourth quarter of 2008. Other expenses were C$27 million lower as a result of lower marketing expenditures and an increased focus on containment initiatives on other discretionary expenditures. The cost efficiency ratio improved slightly from 49.3 per cent in the fourth quarter of 2008 to 49.1 per cent in the current period.

Analysis of Financial Results *(continued)*

Credit quality and provision for credit losses

For the three months ended 31 March 2009, the provision for credit losses was C$161 million compared with C$75 million for the same period in 2008 and C$136 million recorded in the fourth quarter of 2008. Included in these amounts were provisions of C$77 million for the three months ended 31 March 2009 related to the Consumer Finance business compared with C$50 million and C$57 million for the same period in 2008 and for the fourth quarter of 2008 respectively. The increase has been driven by continuing economic weakness and deterioration in credit conditions for certain borrowers as well as deterioration in the Consumer Finance business sector.

Gross impaired credit exposures were C$1,157 million compared with C$932 million at 31 December 2008, and C$467 million at 31 March 2008. Total impaired exposures, net of specific allowances for credit losses, were C$923 million at 31 March 2009 compared with C$770 million at 31 December 2008 and C$366 million at 31 March 2008.

The general allowance for credit losses of C$475 million at 31 March 2009 is C$22 million higher than C$453 million at 31 December 2008 and C$37 million higher than C$438 million at 31 March 2008 mainly due to higher provisions in the Consumer Finance business due to worsening economic conditions. The total allowance for credit losses, as a percentage of loans and acceptances outstanding, was 1.46 per cent at 31 March 2009 compared with 1.24 per cent at 31 December 2008 and 1.06 per cent at 31 March 2008. The bank considers the total allowance for credit losses to be appropriate given the credit quality of its portfolios and the current credit environment.

Income taxes

The effective tax rate in the first quarter of 2009 was 28.9 per cent, which compared to 32.6 per cent in the same quarter of 2008 and 23.8 per cent in the fourth quarter of 2008, which benefited from the non-taxable release of a pension plan allowance.

Balance sheet

Total assets at 31 March 2009 were C$70.1 billion, a decrease of C$1.9 billion from 31 December 2008, and C$1.6 billion from 31 March 2008. Global and credit market conditions have caused a tightening of available credit, as well as an extremely competitive environment for both personal and commercial deposits. Commercial loans decreased by C$0.6 billion from the end of 2008. Residential mortgage originations decreased by C$0.2 billion and, when combined with a C$0.2 billion increase in securitizations in the first quarter of 2009, resulted in an overall decrease of C$0.4 billion. Consumer loans and personal lines of credit in the Personal Financial Services business were up slightly to C$5.4 billion while receivables of the Consumer Finance business decreased by C$0.2 billion. Liquidity remained strong at 31 March 2009, with more than C$17.0 billion of securities and reverse repurchase agreements compared to C$17.5 billion at 31 December 2008 and C$14.8 billion at 31 March 2008.

Total deposits decreased by C$2.2 billion to C$49.8 billion at 31 March 2009 from C$52.0 billion at 31 December 2008 and were C$0.2 billion lower compared with C$50.0 billion at 31 March 2008. Personal deposits grew by C$1.0 billion over 31 December 2008 mainly driven by growth in the number of High Rate and Direct Savings accounts, while higher cost wholesale deposits decreased by C$2.5 billion as a result of lower client borrowings and securitizations of C$1.3 billion.

Risk Management

Total assets under administration

Funds under management were C$21.5 billion at 31 March 2009 largely unchanged from C$21.3 billion at 31 December 2008. However, declines in equity markets during 2008 caused a decrease from C$26.3 billion at 31 March 2008. Including custody and administration balances, total assets under administration were C$30.8 billion compared with C$30.5 billion at 31 December 2008 and C$37.3 billion at 31 March 2008.

All of our business activities involve the measurement, evaluation, acceptance and management of some degree of risk, or combinations of risks. Risk management is the identification, analysis, evaluation and management of the factors that could adversely affect our resources, operations, reputation and financial results. The most important risk categories that we are exposed to include credit, liquidity, market, operational and fiduciary risks. A discussion of our risk management activities including both quantitative and qualitative factors is included on pages 23 to 38 of our 2008 Annual Report and Accounts. Unless stated, there have been no changes in our processes nor material changes in quantitative factors during the first quarter of 2009.

Impaired loans

The following table provides details of the impaired loan portfolio:

	At 31 March 2009	*At 31 December 2008*
Business and government		
Real estate	**$ 449**	$ 452
Manufacturing [(1)]	**145**	143
Trade	**84**	30
Services	**84**	39
Other	**120**	24
Total business and government loans	**882**	688
Personal		
Residential mortgages	**52**	37
Consumer finance loans	**195**	181
Other consumer loans	**28**	26
Total personal loans	**275**	244
Total impaired loans, guarantees, acceptances and letters of credit[(1)]	**$ 1,157**	$ 932
Specific allowances	**$ 234**	$ 162
General allowances	**475**	453
Total allowance for credit losses	**$ 709**	$ 615
Net impaired loans and acceptances	**$ 448**	$ 317

(1) Includes C$21 million (2008 - C$5 million) of impaired guarantees, acceptances and letters of credit.

Available-for-sale securities

On 21 January 2009 implementation of the approved restructuring plan proposed by signatories to the Montreal Accord (“the Plan”) was completed. Our existing non-bank ABCP with a par value of C$330 million was exchanged for C$328 million of restructured notes in a variety of asset classes all which are expected to be substantially repaid or mature on or before January 2017. There was no material impact on reported results due to this transaction. The new restructured notes were recorded at fair value on the balance sheet and have been classified as HFT. The carrying value of the new notes at 31 March 2009 was C$204 million. Our valuation was based on our assessment of current estimates of future cash flows, which are subject to change. Items that may also have a material impact on the fair value of the restructured notes include any further changes in economic conditions including credit spreads and interest rates.

Detailed information on the valuation of our non-bank ABCP is included in our 2008 Annual Report and Accounts on pages 62 and 63, as well as note 3 of these interim consolidated financial statements.

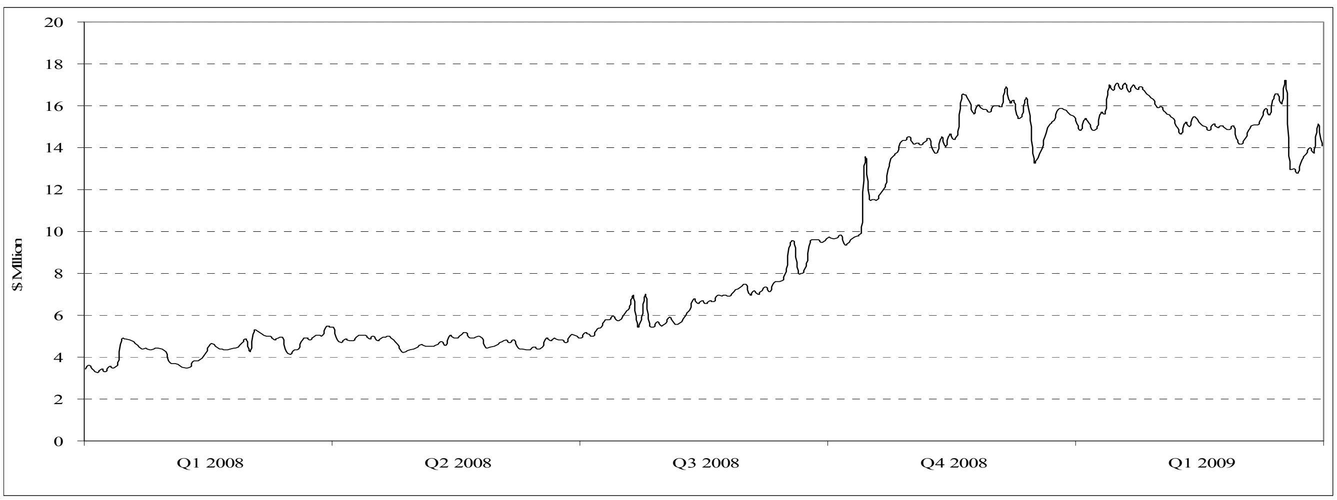
Risk Management *(continued)*

Value at Risk (VaR)

Information in connection with value at risk is included in our 2008 Annual Report and Accounts on pages 35 to 37. VaR disclosed in the table and graph below is the bank's total value at risk for both trading and non-trading financial instruments and is within the bank's limits.

	Quarter ended	
	31 March 2009	*31 December 2008*
End of quarter	**$ 14**	$ 15
Average	**15**	14
Minimum	**13**	9
Maximum	**17**	17

Daily value at risk



Capital Management

	At 31 March 2009	*At 31 December 2008*
Total Tier 1 capital	**$ 4,198**	$ 4,197
Total Tier 2 capital	**1,009**	1,004
Total Tier 1 and Tier 2 capital available for regulatory purposes	**5,207**	5,201
Total risk-weighted assets	**$ 41,188**	$ 41,623
Actual regulatory capital ratios		
Tier 1 capital	**10.2 %**	10.1 %
Total capital	**12.6 %**	12.5 %
Actual assets to capital multiple	**13.6 x**	14.0 x
Minimum regulatory capital ratios required		
Tier 1 capital	**7 %**	7 %
Total capital	**10 %**	10 %

On 8 April 2009, the bank completed an issue of 10 million Class 1, Series E Preferred Shares of C$25 each resulting in pro-forma Tier 1 and total capital ratios at 31 March 2009 of 10.8 per cent and 13.2 per cent respectively.

Other Information

Related party transactions

Related party transaction policies and practices are unchanged from those outlined on page 20 of the 2008 Annual Report and Accounts. All transactions with related parties continue 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.

Financial instruments, including off-balance sheet arrangements

During the normal course of business, the bank makes extensive use of financial instruments including funding loans, purchasing securities and other investments, accepting deposits and entering into various derivative instrument contracts. The most significant off-balance sheet arrangements are guarantees and letters of credit, and derivatives, which were described on pages 18 and 19 of the 2008 Annual Report and Accounts. Although the notional values of these financial instruments are not recorded on the balance sheet, derivatives, guarantees and letters of credit are recorded at fair value. In addition, in certain circumstances, the bank provides guarantees and letters of credit facilities to borrowers. There have been no changes in the basis of calculating the fair value of financial instruments from 31 December 2008, and there have been no significant changes in the fair value of financial instruments that arose from factors other than normal economic, industry and market conditions.

Accounting policies and critical accounting estimates

These unaudited interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). The key assumptions and bases for estimates that are made under GAAP, and their impact on the amounts reported in the unaudited interim consolidated financial statements and notes, remain substantially unchanged from those described on pages 15 to 19 of the 2008 Annual Report and Accounts. There were no changes to the significant accounting policies and methods of computation from those used in the preparation of the bank's consolidated financial statements for the year ended 31 December 2008, which were outlined on pages 51 to 58 of the 2008 Annual Report and Accounts.

The Canadian Accounting Standards Board approved certain amendments to the CICA Handbook effective for the first quarter of 2009. See note 2 on page 20 regarding the changes in accounting policies effective for the first quarter of 2009 and their impact on classification of certain assets in the bank's consolidated financial statements.

Management's best estimate of the fair value of the bank's non-bank ABCP is included on page 21. Information relating to estimates used in the valuation of non-bank ABCP is included on pages 62 and 63 of the 2008 Annual Report and Accounts.

Outstanding shares and securities

	At 5 May 2009	
	Number	***Amount***
HSBC Canada Asset Trust Securities (HSBC 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
- Series E [6]	10,000,000	250
Preferred Shares – Class 2		
- Series B [7]	86,450,000	346
		946
Common shares	498,668,000	$ 1,225

Other Information *(continued)*

(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.
(6) Cash dividends are non-cumulative and are payable quarterly in an amount of C$0.4125 per share except for the first dividend approved to be paid on 30 June 2009 of C$0.3762 per share.
(7) Cash dividends are non-cumulative and are payable quarterly in an amount of C$0.0775 per share.

During the first quarter of 2009, C$70 million in dividends were declared and paid on common shares.

Further details regarding features of the bank's securities and shares, including certain restrictions regarding distributions payable for HSBC HaTS, are disclosed in notes 11 and 13 of the 2008 Annual Report and Accounts.

Dividend record and payable dates for the bank's preferred shares for the remainder of 2009, subject to approval by the Board, are:

2009	
Record Date	Payable Date
15 June	30 June
15 September	30 September
15 December	31 December

The payable dates for HSBC HaTS distributions in 2009 are 30 June 2009 and 31 December 2009.

Management's responsibility for financial information

A rigorous and comprehensive financial governance framework is in place at the bank and its subsidiaries at both the management and board levels. Each year, the 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. Certifications, signed by the CEO and CFO, were filed with the Canadian Securities Administrators in March 2009 when the Annual Report and Accounts and other annual disclosure documents were filed. In those filings, the CEO and CFO certify, as required in Canada by National Instrument 52-109 (Certification of Disclosure in Issuers' Annual and Interim Filings), the appropriateness of the financial disclosures in the annual filings, the design and effectiveness of disclosure controls and procedures as well as the design and effectiveness of internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting in accordance with GAAP. The CEO and CFO have signed certifications relating to the appropriateness of the financial disclosures in interim filings with securities regulators, including this MD&A and the accompanying unaudited interim consolidated financial statements for the quarter ended 31 March 2009, and their responsibility for the design and maintenance of disclosure controls and procedures and internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting in accordance with GAAP. There have been no changes in internal controls over financial reporting during the quarter ended 31 March 2009 that have materially affected or are reasonably likely to affect internal control over financial reporting.

As in prior quarters, the bank's 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 the bank's businesses, strategies and objectives can be found in the Management's Discussion and Analysis in the 2008 Annual Report and Accounts, which can be accessed on the bank's web site at www.hsbc.ca. Readers are also encouraged to visit the site to view other quarterly financial information.

Other Information *(continued)*

Regulatory filings

The bank's continuous disclosure materials, including interim and annual filings, are available on the bank's 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 the bank. 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 the bank operates. Canada has an extremely competitive banking environment and pressures on interest rates and the bank's 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 the bank's revenues. In addition, there may be a number of factors relating to the valuation of non-bank ABCP. The factors disclosed above may not be complete and there could be other uncertainties and potential risk factors not considered here which may impact the bank's results and financial condition.

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

The bank uses 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 measures under GAAP and are unlikely to be comparable to similar measures used by other companies. The following outlines various GAAP and 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.

Other Information *(continued)*

Quarterly summary of condensed statements of income (unaudited)

Figures in C$ millions (except per share amounts)	*Quarter ended* **31 March 2009**	*31 December 2008*	*30 September 2008*	*30 June 2008*	*31 March 2008*	*31 December 2007*	*30 September 2007*	*30 June 2007*
Net interest income	**$ 350**	$ 375	$ 421	$ 423	$ 425	$ 429	$ 445	$ 430
Non-interest revenue	**243**	223	171	204	239	198	202	187
Total revenue	**593**	598	592	627	664	627	647	617
Non-interest expenses	**291**	295	314	311	310	339	311	312
Net operating income	**302**	303	278	316	354	288	336	305
Provision for credit losses	**161**	136	86	82	75	72	65	53
Income before the under noted	**141**	167	192	234	279	216	271	252
Provision for income taxes	**39**	38	62	64	89	85	94	87
Non-controlling interest in income of trust	**6**	7	6	7	6	7	6	7
Net income	**$ 96**	$ 122	$ 124	$ 163	$ 184	$ 124	$ 171	$ 158
Preferred share dividends	**11**	7	4	5	4	5	4	5
Net income attributable to common shares	**$ 85**	$ 115	$ 120	$ 158	$ 180	$ 119	$ 167	$ 153
Basic earnings per share (C$)	**0.17**	0.22	0.23	0.30	0.34	0.23	0.32	0.30

The quarterly trends in revenue and expenses were disclosed on page 13 of the 2008 Annual Report and Accounts.

Review of Customer Group Results

Personal Financial Services

Income before taxes and non-controlling interest in income of trust, for the first quarter of 2009 was C$3 million, compared with C$30 million for the same period in 2008. Net interest income was lower due to the continued narrowing of deposit margins partially offset by increased loan margins in the residential mortgage and personal loan portfolios. Non-interest revenue was lower driven by a C$16 million provision in 2009 relating to a loss contingency arising from a transaction occurring in a previous year and decreased fee income from assets under administration due to the downturn in global equity markets. Non-interest expenses were lower due to lower overall staff costs including decreased variable compensation. Provision for credit losses were higher due to specific loan provisions, partially offset by lower provisions resulting from the sale of the automobile portfolio in 2008.

Income before taxes and non-controlling interest in income of trust was C$3 million compared with the C$17 million for the fourth quarter of 2008. Net interest income was lower due to the continued narrowing of deposit margins partially offset by increased loan margins in the residential mortgage and personal loan portfolios. Non-interest revenue was adversely impacted by a C$16 million provision relating to the loss contingency noted above and the prior quarter included a C$19 million impairment recorded on holdings of non-bank ABCP. Excluding these items, non-interest revenue was higher due to higher income from asset securitizations. Non-interest expenses were lower due to decreased marketing costs and other administrative expenses, partially offset by higher statutory benefits and pension expenses. The provision for credit losses was higher due to increased specific and collective loan loss provisions.

Commercial Banking

Income before taxes and non-controlling interest in income of trust for the first quarter of 2009 was C$94 million compared with C$129 million for the same period in 2008. Net interest income was higher as pricing initiatives and the favourable spread between prime rate and bankers' acceptances rate led to increased lending margins. This was partially offset by lower deposit margins as a result of a lower interest rate environment. Non-interest revenue was higher due to fees from bankers' acceptances and other financial guarantees, trade finance revenues and Payments and Cash Management income. Non-interest expenses were higher due to increased capital taxes. The provision for credit losses was higher due to continued deterioration in the credit environment.

Income before taxes and non-controlling interest in income of trust was C$94 million compared with C$43 million for the fourth quarter of 2008. Net interest income was lower due to decreases in volumes and deposit margins. However, this was partially offset by pricing initiatives and favourable spread between prime rate and the bankers' acceptances rate which contributed to higher lending margins. Non-interest revenues increased as the fourth quarter of 2008 included C$19 million impairment recorded on holdings of non-bank ABCP. Underlying non-interest revenues were higher largely driven by increased fees from bankers' acceptances and other financial guarantees. Non-interest expenses increased primarily due to higher statutory benefits and pension expenses. The provision for credit losses was lower due to a decrease in specific impairments during the quarter.

Review of Customer Group Results *(continued)*

Global Banking and Markets

Income before taxes and non-controlling interest in income of trust for the first quarter of 2009 was C$58 million compared with C$81 million for the same period in 2008. Net interest income was lower due to narrowing of interest margins resulting from the challenging interest rate environment. Non-interest revenues were higher due to increased trading income. This mainly arose from the impact of mark to market gains from interest rate derivatives used as economic hedges offset by the impact of narrowing credit spreads on the value of certain debt obligations recorded at fair value where there was a charge to income in the first quarter of 2009 compared to a credit in the first quarter of 2008. Non-interest expenses were higher due to an increase in support costs. The provision for credit losses was higher due to specific loan losses in the quarter.

Income before taxes and non-controlling interest in income of trust was C$58 million compared with C$90 million for the fourth quarter of 2008. Net interest income decreased as a result of lower interest margins arising from the challenging interest rate environment. Non-interest revenues decreased mainly as a result of lower trading revenues. The fourth quarter of 2008 benefited from very strong foreign exchange revenue arising from volatile foreign exchange markets as well as the favourable impact of foreign currency funding in a lower interest rate environment, which factors were not repeated in 2009. In addition, trading income in the fourth quarter of 2008 also benefited by from widening credit spreads on the value of certain debt obligations recorded at fair value, compared to a charge in the first quarter of 2009 as noted above. This was offset by the positive impact in the first quarter of 2009 of mark to market gains from interest rate derivatives used for economic hedges and balance sheet management. Non-interest expenses were higher due to an increase in variable compensation and support costs.

Consumer Finance

Loss before taxes for the first quarter of 2009 was C$14 million compared with income before taxes of C$39 million for the same period in 2008 and C$17 million for the fourth quarter of 2008. Net interest income compared with the same period in 2008 was lower due to the sale of the consumer finance auto loan portfolio during 2008 as well as a reduction in the origination of customer receivables resulting from tightening credit standards applied in view of deteriorating economic conditions. Non-interest revenue was lower due to mark to market losses from interest rate derivatives used as economic hedges and a charge arising from the impact of narrowing credit spreads on the value of certain debt obligations recorded at fair value. A reduction of the Consumer Finance branch network resulting from lower origination volumes, together with other cost containment measures caused a reduction in non-interest expenses.

Net interest income compared with the fourth quarter of 2008 was lower as a result of lower customer volumes. Non-interest revenue was lower due to mark to market losses on interest rate derivatives and a charge arising from the impact of narrowing credit spreads, whereas in the previous quarter credit spreads widened which resulted in a credit being recorded in income. Non-interest expenses were lower mostly arising from the impact of charges in the fourth quarter of 2008 relating to branch closures and other restructuring charges as well as cost containment measures in the first quarter of 2009.

Provisions for credit losses increased considerably compared to the same quarter in 2008 as well as the fourth quarter of 2008 due to increased delinquencies, resulting from weak economic conditions, particularly higher levels of unemployment and bankruptcies and lower real estate values compared to previous periods.

Transition to International Financial Reporting Standards ("IFRS")

The Canadian Accounting Standards Board announced that for fiscal years commencing on or after January 1, 2011, all publicly accountable enterprises will be required to report financial results in accordance with IFRS. The purpose for adopting IFRS is to promote the comparability of world-wide financial reporting. Accordingly, all interim and annual financial reporting, including comparative figures, will be prepared in accordance with IFRS from January 1, 2011 onwards.

HSBC Holdings, our ultimate parent, adopted IFRS in 2005. Accordingly for a number of years, we have been reporting our results on an IFRS basis for inclusion in the HSBC Group's consolidated financial results and have identified the most significant differences between Canadian GAAP and IFRS. As a result, our financial systems are able to process and report financial information on an IFRS basis. In addition, prior to the adoption of IFRS, we plan to replace our core financial reporting processes which will give us an enhanced ability to report financial results using various GAAP standards, including IFRS. Our transition to IFRS for local reporting will build on our existing HSBC Group IFRS reporting process.

During 2008 we developed an implementation strategy and timetable for our transition. A detailed assessment of the implementation of IFRS for stand-alone reporting is progressing as planned with substantial completion expected in 2009. Subsequent to completion of the detailed assessment we plan to establish an appropriate governance structure to manage resource commitments and the execution of the implementation. Management believes that it has made available sufficient resources to successfully complete the transition on time. At present, we are unable to quantify and disclose the estimated potential impact of the transition on our financial results as we have not finalized our detailed assessment, and, in addition, accounting standards and their interpretation are subject to change prior to eventual adoption. In the reporting periods leading up to the first fiscal year of adoption of IFRS, we will disclose the impact of the transition on our financial results as it becomes known.

Consolidated Statements of Income (Unaudited)

Figures in C$ millions (except per share amounts)	*Quarter ended* **31 March 2009**	*31 December 2008*	*31 March (1) 2008*
Interest income:			
Loans	**$ 551**	$ 670	$ 819
Securities	**68**	68	76
Deposits with regulated financial institutions	**4**	21	36
	623	759	931
Interest expense:			
Deposits	**225**	332	441
Interest bearing liabilities of subsidiaries, other than deposits	**38**	42	55
Debentures	**10**	10	10
	273	384	506
Net interest income	**350**	375	425
Non-interest revenue			
Deposit and payment service charges	**27**	30	27
Credit fees	**34**	30	32
Capital market fees	**26**	22	22
Investment administration fees	**26**	28	33
Foreign exchange	**10**	13	11
Trade finance	**7**	7	5
Trading revenue	**76**	104	54
Losses on available-for-sale securities	**(1)**	(55)	–
Gains on other securities	**1**	–	1
Securitization income	**35**	22	27
Other	**2**	22	27
	243	223	239
Total revenue	**593**	598	664
Non-interest expenses:			
Salaries and employee benefits	**160**	137	171
Premises and equipment	**41**	41	38
Other	**90**	117	101
	291	295	310
Net operating income before provision for credit losses	**302**	303	354
Provision for credit losses	**161**	136	75
Income before taxes and non-controlling interest in income of trust	**141**	167	279
Provision for income taxes	**39**	38	89
Non-controlling interest in income of trust	**6**	7	6
Net income	**$ 96**	$ 122	$ 184
Preferred share dividends	**11**	7	4
Net income attributable to common shares	**$ 85**	$ 115	$ 180
Average number of common shares outstanding (000's)	**498,668**	517,122	526,349
Basic earnings per common share	**$ 0.17**	$ 0.22	$ 0.34

(1) Restated to reflect the acquisition of HSBC Financial Corporation Limited (page 20).

The accompanying notes are an integral part of these interim consolidated financial statements.

Consolidated Balance Sheets (Unaudited)

Figures in C$ millions	***At 31 March 2009***	*At 31 December 2008*	*At 31 March 2008* (1)
Assets			
Cash resources:			
Cash and non-interest bearing deposits with the Bank of Canada and other banks	**$ 446**	$ 434	$ 535
Deposits with regulated financial institutions	**1,403**	1,421	3,173
	1,849	1,855	3,708
Securities:			
Available-for-sale	**11,078**	9,683	6,411
Held-for-trading	**1,816**	1,079	1,630
Other	**57**	56	42
	12,951	10,818	8,083
Securities purchased under reverse repurchase agreements	**4,070**	6,682	6,700
Loans:			
Business and government	**22,454**	23,067	21,940
Residential mortgages	**11,526**	11,869	12,292
Consumer finance loans	**3,832**	4,029	4,872
Other consumer loans	**5,424**	5,296	5,361
Allowance for credit losses	**(709)**	(615)	(539)
	42,527	43,646	43,926
Other:			
Customers' liability under acceptances	**5,394**	5,209	6,265
Derivatives	**1,901**	2,448	905
Land, buildings and equipment	**123**	126	141
Other assets	**1,314**	1,265	1,935
	8,732	9,048	9,246
	$ 70,129	$ 72,049	$ 71,663
Liabilities and Shareholders' equity			
Deposits:			
Regulated financial institutions	**$ 999**	$ 1,264	$ 1,646
Individuals	**22,147**	21,064	19,455
Businesses and governments	**26,659**	29,634	28,891
	49,805	51,962	49,992
Other:			
Acceptances	**5,394**	5,209	6,265
Interest bearing liabilities of subsidiaries, other than deposits	**4,284**	4,164	5,193
Derivatives	**1,487**	2,023	692
Securities sold under repurchase agreements	**493**	715	712
Securities sold short	**591**	631	906
Other liabilities	**2,661**	1,974	2,917
Non-controlling interest in trust and subsidiary	**430**	430	430
	15,340	15,146	17,115
Subordinated debentures	**795**	788	805
Shareholders' equity:			
Capital stock			
Preferred shares	**696**	696	350
Common shares	**1,225**	1,225	1,293
Contributed surplus	**1**	–	234
Retained earnings	**1,965**	1,950	1,851
Accumulated other comprehensive income	**302**	282	23
	4,189	4,153	3,751
Total liabilities and shareholders' equity	**$ 70,129**	$ 72,049	$ 71,663

(1) Restated to reflect the acquisition of HSBC Financial Corporation Limited (page 20).

The accompanying notes are an integral part of these interim consolidated financial statements.

Consolidated Statements of Changes in Shareholders' Equity (Unaudited)

Figures in C$ millions	Quarter ended 31 March 2009	31 December 2008	31 March 2008 (1)
Preferred shares:			
Balance at beginning of period	**$ 696**	$ 350	$ 350
Issued	**–**	346	–
Balance at end of period	**696**	696	350
Common shares:			
Balance at beginning period	**1,225**	1,293	1,293
Recapitalization	**–**	(68)	–
Balance at end of period	**1,225**	1,225	1,293
Contributed surplus:			
Balance at beginning of period	**–**	238	232
Stock-based compensation	**1**	1	2
Recapitalization	**–**	(239)	–
Balance at end of period	**1**	–	234
Retained earnings:			
Balance at the beginning of period	**1,950**	1,994	1,736
Net income for the period	**96**	122	184
Preferred share dividends	**(11)**	(7)	(4)
Common share dividends	**(70)**	(120)	(65)
Recapitalization	**–**	(39)	–
Balance at end of period	**1,965**	1,950	1,851
Accumulated other comprehensive income (loss) - available-for-sale securities			
Balance at beginning of period	**85**	(20)	1
Net change in unrealized gains and losses on available-for-sale securities	**29**	105	8
Balance at end of period	**114**	85	9
Accumulated other comprehensive income – cash flow hedges			
Balance at beginning of period	**197**	19	–
Net change in cash flow hedges	**(9)**	178	14
Balance at end of period	**188**	197	14
Total accumulated other comprehensive income	**302**	282	23
Total shareholders' equity	**$ 4,189**	$ 4,153	$ 3,751

(1) Restated to reflect the acquisition of HSBC Financial Corporation Limited (page 20).

Consolidated Statements of Comprehensive Income (Unaudited)

Figures in C$ millions	Quarter ended 31 March 2009	31 December 2008	31 March 2008 (1)
Net income	**$ 96**	$ 122	$ 184
Other comprehensive income (loss) on available-for-sale securities:			
Net unrealized gains (losses) from changes in fair value (net of taxes of $12, $40, $4)	**29**	89	8
Reclassification of realized losses to earnings (net of taxes of $-, $7, $-)	**–**	16	–
	29	105	8
Other comprehensive income (loss) on cash flow hedges:			
Unrealized gains (losses) from changes in fair value (net of taxes of $(7), $84, $7)	**(9)**	178	14
Comprehensive income for the periods	**$ 116**	$ 405	$ 206

(1) Restated to reflect the acquisition of HSBC Financial Corporation Limited (page 20).

The accompanying notes are an integral part of these interim consolidated financial statements.

Consolidated Statements of Cash Flows (Unaudited)

Figures in C$ millions	Quarter ended 31 March 2009	31 December 2008	31 March 2008 [1]
Cash flows provided by/(used in) operating activities			
Net income	**$ 96**	$ 122	$ 184
Adjustment to net income to determine net cash provided by operating losses:			
Amortization expense	**10**	6	15
Provision for credit losses	**161**	136	75
Provision for impairment of available-for-sale securities	**1**	54	–
Future income taxes	**–**	36	10
Net accrued interest receivable and payable	**27**	–	28
Trading securities, net	**(737)**	300	(403)
Other, net	**575**	(592)	360
	133	62	269
Net cash flows provided by (used in) financing activities:			
Deposits (repaid) received	**(2,157)**	773	1,114
Interest bearing liabilities of subsidiaries, other than deposits	**120**	(617)	10
Securities (purchased) sold under repurchase agreements	**(222)**	362	392
Dividends paid	**(81)**	(176)	(69)
	(2,340)	342	1,447
Net cash flows provided by (used in) investing activities:			
Loans repaid (funded), excluding securitizations, net	**202**	(928)	(1,483)
Proceeds from loans securitized	**1,316**	1,636	934
Non-trading securities purchased	**(3,262)**	(3,744)	(1,924)
Non-trading securities sold	**109**	35	208
Non-trading securities matured	**1,234**	1,456	1,170
Other securities, net	**(1)**	–	–
Securities sold (purchased) under reverse repurchase agreements	**2,612**	366	(578)
Net change in non-operating and other deposits with regulated financial institutions	**19**	692	(55)
Acquisition of land, buildings and equipment, including software	**(9)**	(16)	(7)
	2,220	(503)	(1,735)
Increase (decrease) in cash and cash equivalents	**13**	(99)	(19)
Cash and cash equivalents, beginning of period	**420**	519	528
Cash and cash equivalents, end of period	**$ 433**	$ 420	$ 509
Represented by:			
Cash and non-interest bearing deposits with the Bank of Canada and other banks	**446**	434	535
Less non-operating deposits with other banks [2]	**(13)**	(14)	(26)
Cash and cash equivalents, end of period	**$ 433**	$ 420	$ 509

(1) Restated to reflect the acquisition of HSBC Financial Corporation Limited (page 20).
(2) Non-operating deposits comprised primarily of cash restricted for recourse on securitization transactions.

The accompanying notes are an integral part of these consolidated financial statements.

Notes to Consolidated Financial Statements (Unaudited)

All tabular amounts are in C$ millions of dollars unless stated otherwise

HSBC Bank Canada ("the bank", "we", "our") is a subsidiary of HSBC Holdings plc ("the Parent"). In these consolidated financial statements, HSBC Group means the Parent and its subsidiary companies.

1. Basis of Preparation

These consolidated financial statements should be read in conjunction with the notes to the consolidated financial statements of the bank for the year ended 31 December 2008 as set out on pages 23 to 37 and 47 to 94 of the 2008 Annual Report and Accounts. These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles (GAAP) and, except where stated, using the same accounting policies and methods of computation as were used for the bank's consolidated financial statements for the year ended 31 December 2008.

Effective 30 November 2008, the bank acquired from a United States ("US") affiliate, HSBC Finance Corporation, 100 per cent of the voting share capital of HSBC Financial Corporation Limited ("HSBC Financial"), the Canadian holding company for its Canadian consumer finance activities. The acquisition was accounted for using the continuity of interests method and, therefore, certain comparative periods in these interim consolidated financial statements and notes have been restated to include the financial position, the results of operations and changes in cash flows of HSBC Financial for all periods prior to the acquisition. Full details of the acquisition were set out in note 2 to the bank's 2008 consolidated financial statements.

2. Accounting policies

There have been no changes in accounting policies relating to measurement or computation of amounts included in the financial statements. Changes in policies relating to presentation and disclosure have been adopted as follows:

i) Goodwill and intangible assets

Effective 1 January 2009, CICA Handbook Section 3064, *Goodwill and Intangible Assets,* replaces CICA Handbook Sections 3062, *Goodwill and Other Intangible Assets*, and 3450, *Research and Development Costs*. Section 3064 provides guidance on the definition of an intangible asset and the recognition of internally generated intangible assets.

The application of this standard did not have a material impact on the bank's financial position and results of operations. However, the standard requires that certain computer software with a net book value of C$56 million (31 December 2008 - C$54 million, 31 March 2008 - C$47 million) be reclassified from computer equipment which is included in "land, buildings and equipment" to intangible assets, which are included in other assets. Corresponding amortization of C$2 million for the 3 months ended 31 March 2009 (three months ended 31 December 2008 - C$3 million; three months ended 31 March 2008 - C$2 million) was reclassified from "Premises and equipment" to "Other non-interest expense".

ii) Credit risk and the fair value of financial assets and financial liabilities

On 20 January, 2009, the CICA issued Abstract 173 ("EIC-173"), *Credit Risk and the Fair Value of Financial Assets and Financial Liabilities*, which requires entities to take into account their own credit risk and the credit risk of counterparties when determining the fair value of certain financial assets and financial liabilities, including derivative instrument, EIC-173 applies to the bank effective 31 March 2009 and is required to be applied retrospectively without restatement. The application of this abstract did not have a material impact on the bank's financial position and results of operations.

Notes to Consolidated Financial Statements (Unaudited)

3. Securities

Canadian non-bank sponsored asset backed commercial paper

At 31 December 2008, we held C$330 million (2007 – C$328 million) in par value holdings of Canadian non-bank sponsored asset backed commercial paper ("non-bank ABCP") that was subject to the standstill and court approved restructuring plan proposed by signatories to the Montreal Accord ("the Plan"). At 31 December 31 2008, the carrying amount of non-bank ABCP was C$212 million, of which C$31 million was classified as held-for-trading ("HFT") and C$181 million was classified as available-for-sale ("AFS"). Upon implementation of the Plan on 21 January 2009, our existing non-bank ABCP with a par value of C$330 million was exchanged for C$328 million of restructured notes in a variety of asset classes, all which are expected to be substantially repaid or mature on or before January 2017. The new restructured notes were recorded at fair value on the balance sheet and classified as HFT. There was no material impact on our reported results as a result of this transaction.

The carrying value of the bank's restructured notes at 31 March 2009 is C$204 million. The recorded net carrying value of the restructured notes represents management's best estimate of the fair value of the restructured notes at 31 March 2009.

Information relating to the bank's use of a model to determine the fair value of non-bank ABCP is contained in the 2008 Annual Report and Accounts. In the current quarter, as a result of updating the model's assumptions based on the terms of the Plan as well as changes in market conditions, the fair value of the new notes increased by C$5 million which was recognized in trading revenue.

At 31 March 2009, the effect of a 100 basis point adverse change in the discount rate, the valuation model's significant non-observable input, would result in a reduction in the carrying value of approximately C$11 million.

4. Allowance for credit losses

A continuity of the bank's allowance for credit losses, is as follows:

	Quarter ended 31 March 2009				
	Business and government	*Residential mortgages*	*Consumer finance loans*	*Other consumer loans*	*Total*
Specific allowance at beginning of period	**$ 161**	**$ 1**	**$ –**	**$ –**	**$ 162**
Provision for credit losses	**78**	**–**	**–**	**–**	**78**
Write-offs	**(6)**	**–**	**–**	**–**	**(6)**
Specific allowance at end of period	**233**	**1**	**–**	**–**	**234**
General allowance at beginning of period	**234**	**1**	**194**	**24**	**453**
Provision for credit losses	**–**	**–**	**77**	**6**	**83**
Write-offs, net of recoveries	**–**	**–**	**(55)**	**(6)**	**(61)**
General allowance at end of period	**234**	**1**	**216**	**24**	**475**
Total allowance[(1)]	**$ 467**	**$ 2**	**$ 216**	**$ 24**	**$ 709**

(1) Includes a general allowance for customers who can utilize facilities through either direct borrowings or acceptances.

Notes to Consolidated Financial Statements (Unaudited)

	Quarter ended 31 March 2008				
	Business and government	*Residential mortgages*	*Consumer finance loans*	*Other consumer loans*	*Total*
Specific allowance at beginning of period	$ 68	$ 1	$ –	$ 15	$ 84
Provision for credit losses	17	–	–	8	25
Recoveries	–	–	–	1	1
Write-offs	(2)	–	–	(7)	(9)
Specific allowance at end of period	83	1	–	17	101
General allowance at beginning of period	234	1	161	34	430
Provision for credit losses	–	–	50	–	50
Write offs, net of recoveries	–	–	(42)	–	(42)
General allowance at end of period	234	1	169	34	438
Total allowance(1)	$ 317	$ 2	$ 169	$ 51	$ 539

(1) Includes a general allowance for customers who can utilize facilities through either direct borrowings or acceptances.

5. Loan Securitization

a) Securitization activity during the first quarter of 2009 is as follows:

	Residential mortgages
New securitization activity	
Securitized and sold	**$ 1,320**
Net cash proceeds received	**1,316**
Retained rights to future excess interest	**46**
Retained servicing liability	**8**
Pre-tax gain on sale	**34**
Key assumptions at time of sale	
Prepayment rate	**18.00%**
Excess spread	**1.53%**
Expected credit losses	**0.00%**
Discount rate	**3.11%**

b) The outstanding securitized loans sold to unrelated third parties and removed from the consolidated balance sheet are as follows:

	At 31 March 2009	*At 31 December 2008*
Residential mortgages		
Conventional	**$ 1,281**	$ 1,417
Mortgage-backed securities(1)	**6,001**	4,827
	$ 7,282	$ 6,244

(1) Excludes insured mortgages which were securitized and retained by the bank of C$73 million (2008 - C$874 million). These assets are classified as AFS securities.

Notes to Consolidated Financial Statements (Unaudited)

6. Financial Liabilities

Information relating to financial liabilities designated as held-for-trading under the fair value option is as follows:

	At 31 March 2009			
	Contractual amount payable at maturity	*Fair value*	*Cumulative fair value gain*	*Cumulative fair value gain attributable to credit risk*
Deposits	**$ 593**	**$ 450**	**$ 143**	**$ 6**
Interest bearing liabilities of subsidiaries, other than deposits	**675**	**672**	**3**	**14**
Subordinated debentures	**400**	**347**	**53**	**111**
	$ 1,668	**$ 1,469**	**$ 199**	**$ 131**

	At 31 December 2008			
	Contractual amount payable at maturity	*Fair value*	*Cumulative fair value gain*	*Cumulative fair value gain attributable to credit risk*
Deposits	$ 692	$ 557	$ 135	$ 6
Interest bearing liabilities of subsidiaries, other than deposits	675	672	3	24
Subordinated debentures	400	338	62	126
	$ 1,767	$ 1,567	$ 200	$ 156

7. Capital stock issued and outstanding shares

	At 31 March 2009		*At 31 December 2008*		*At 31 March 2008*	
	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	7,000,000	175
Preferred Shares – Class 2						
– Series B	**86,450,000**	**346**	86,450,000	346	–	–
		$ 696		$ 696		$ 350
Common shares						
– HSBC Bank Canada	**498,668,000**	**1,225**	498,668,000	1,225	498,668,000	1,225
– HSBC Financial Corporation Limited	**–**	**–**	–	–	27,681,210	68
		$ 1,225		$ 1,225		$ 1,293

On 8 April 2009, the issue of 10,000,000 Class 1 Preferred Shares Series E of C$25 each for cash was completed at a coupon of 6.60 per cent and raised approximately C$246 million, net of issue of costs.

8. Stock-based compensation

The expense for stock-based compensation was as follows:

	Quarter ended		
	31 March 2009	*31 December 2008*	*31 March 2008*
Group share options and savings-related option plans	**$ 1**	$ 1	$ 1
Restricted share plan	**6**	7	6
	$ 7	$ 8	$ 7

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

9. Employee future benefits

The expense for employee future benefits was as follows:

	Quarter ended		
	31 March 2009	31 December 2008	31 March 2008
Pension plans – defined benefit	**$ 4**	$ (9)	$ 4
Pension plans – defined contribution	**5**	3	5
Other benefits	**3**	3	3
	$ 12	$ (3)	$ 12

10. Customer group segmentation

The bank reports and manages its operations according to the customer group definitions of the HSBC Group.

	Quarter ended		
	31 March 2009	31 December 2008	31 March 2008
Personal Financial Services			
Net interest income	**$ 78**	$ 88	$ 96
Non-interest revenue	**68**	61	86
Total revenue	**146**	149	182
Non-interest expenses	**129**	138	142
Net operating income	**17**	11	40
Provision for (recovery of) credit losses	**14**	(6)	10
Income before taxes and non-controlling interest in income of trust	**3**	17	30
Provision for income taxes	**–**	4	9
Non-controlling interest in income of trust	**1**	2	1
Net income	**2**	11	20
Preferred share dividends	**1**	1	1
Net income attributable to common shares	**$ 1**	$ 10	$ 19
Average assets	**$ 18,229**	$ 18,932	$ 19,196
Commercial Banking			
Net interest income	**176**	178	173
Non-interest revenue	**61**	28	50
Total revenue	**237**	206	223
Non-interest expenses	**82**	78	79
Net operating income	**155**	128	144
Provision for credit losses	**61**	85	15
Income before taxes and non-controlling interest in income of trust	**94**	43	129
Provision for income taxes	**27**	6	41
Non-controlling interest in income of trust	**4**	4	4
Net income	**63**	33	84
Preferred share dividends	**2**	3	2
Net income attributable to common shares	**$ 61**	$ 30	$ 82
Average assets	**$ 26,241**	$ 27,335	$ 26,481

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

10. Customer group segmentation *(continued)*

	Quarter ended		
	31 March 2009	*31 December 2008*	*31 March 2008*
Global Banking and Markets			
Net interest (expense) income	**$ (5)**	$ 1	$ 29
Non-interest revenue	**104**	112	83
Total revenue	**99**	113	112
Non-interest expenses	**32**	23	31
Net operating income	**67**	90	81
Provision for credit losses	**9**	–	–
Income before taxes and non-controlling interest in income of trust	**58**	90	81
Provision for income taxes	**17**	22	25
Non-controlling interest in income of trust	**1**	1	1
Net income	**40**	67	55
Preferred share dividends	**1**	1	1
Net income attributable to common shares	**$ 39**	$ 66	$ 54
Average assets	**$ 23,958**	$ 24,574	$ 22,220
Consumer Finance			
Net interest income	**$ 101**	$ 108	$ 127
Non-interest revenue	**10**	22	20
Total revenue	**111**	130	147
Non-interest expenses	**48**	56	58
Net operating income	**63**	74	89
Provision for credit losses	**77**	57	50
(Loss) Income before taxes	**(14)**	17	39
(Recovery of) provision for income taxes	**(5)**	6	14
Net (loss) income	**(9)**	11	25
Preferred share dividends	**7**	2	–
Net (loss) income attributable to common shares	**$ (16)**	$ 9	$ 25
Average assets	**$ 3,918**	$ 4,320	$ 5,176

11. Guarantees, commitments and contingent liabilities

Except as stated, there have been no significant changes to guarantees, commitments and contingent liabilities since 31 December 2008.

Credit-related commitments

In the normal course of business, we enter into various off-balance sheet commitments and contingent liability contracts. The primary purpose of these contracts is to make funds available for the financing needs of customers. The credit instruments reported below represent the maximum amount of additional credit that we could be obligated to extend should contracts be fully utilized.

	At 31 March 2009	*At 31 December 2008*
Financial and performance standby letters of credit	**$ 2,476**	$ 2,570
Documentary and commercial letters of credit	**334**	397
Commitments to extend credit	**37,660**	37,426
Credit and yield enhancement	**13**	14
	$ 40,483	$ 40,407

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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)
Class 1 Preferred Shares – Series E (HSB.PR.E)

HSBC Canada Asset Trust
Asset Trust Securities – Series 2010 (HSBC HaTSTM) (HBH.M)

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