HSBC BANK CANADA
SECOND QUARTER 2009 REPORT TO SHAREHOLDERS

- Net income attributable to common shares was C$114 million for the quarter ended 30 June 2009, a decrease of 27.8 per cent over the same period in 2008.

- Net income attributable to common shares was C$199 million for the half-year ended 30 June 2009, a decrease of 41.1 per cent over the same period in 2008.

- Return on average common equity was 13.3 per cent for the quarter ended 30 June 2009 and 11.6 per cent for the half-year ended 30 June 2009 compared with 18.6 per cent and 20.0 per cent respectively for the same periods in 2008.

- The cost efficiency ratio was 48.9 per cent for the quarter ended 30 June 2009 and 49.0 per cent for the half-year ended 30 June 2009 compared with 49.6 per cent and 48.1 per cent respectively for the same periods in 2008.

- Total assets were C$70.5 billion at 30 June 2009 compared with C$72.5 billion at 30 June 2008.

- Total funds under management were C$24.5 billion at 30 June 2009 compared with C$27.1 billion at 30 June 2008.

- Tier 1 capital ratio of 11.2 per cent and a total capital ratio of 13.8 per cent at 30 June 2009 compared to 9.3 per cent and 11.5 per cent respectively at 30 June 2008.

The world's local bank

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Second Quarter 2009 Management's Discussion and Analysis

HSBC Bank Canada ("the bank", "we", "our") 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 second quarter of 2009 is dated 22 July 2009. We prepare our consolidated financial statements in accordance with Canadian generally accepted accounting principles ("GAAP"). This information is derived from our consolidated financial statements or from the information used to prepare them. Unless otherwise stated, all references to "$" means Canadian dollars. All tabular amounts are in millions of dollars except where otherwise stated. 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			*Half-year ended*	
	30 June 2009	*31 March 2009*	*30 June 2008* [(3)]	***30 June 2009***	*30 June 2008* [(3)]
Earnings					
Net income attributable to common shares	**$ 114**	$ 85	$ 158	**$ 199**	$ 338
Basic earnings per share (C$)	**0.23**	0.17	0.30	**0.40**	0.64
Performance ratios (%) [(1)]					
Return on average common equity	**13.3**	10.0	18.6	**11.6**	20.0
Return on average assets	**0.64**	0.48	0.86	**0.56**	0.93
Net interest margin	**2.40**	2.27	2.67	**2.33**	2.69
Cost efficiency ratio	**48.9**	49.1	49.6	**49.0**	48.1
Non-interest revenue: total revenue ratio	**40.5**	41.0	32.5	**40.8**	34.3
Credit information					
Gross impaired credit exposures	**$ 1,088**	$ 1,157	$ 450		
Allowance for credit losses					
– Balance at end of period	**718**	709	544		
– As a percentage of gross impaired credit exposures	**66 %**	61 %	121 %		
– As a percentage of gross loans and acceptances	**1.54 %**	1.46 %	1.06 %		
Average balances [(1)]					
Assets	**$ 71,273**	$ 72,346	$ 73,624	**$ 71,808**	$ 73,349
Loans	**41,032**	42,790	44,696	**41,908**	44,246
Deposits	**50,182**	51,805	51,831	**50,624**	51,402
Common equity	**3,441**	3,461	3,420	**3,451**	3,398
Capital ratios (%) [(2)]					
Tier 1	**11.2**	10.2	9.3		
Total capital	**13.8**	12.6	11.5		
Total assets under administration					
Funds under management	**$ 24,469**	$ 21,503	$ 27,118		
Custody accounts	**9,451**	9,260	10,699		
Total assets under administration	**$ 33,920**	$ 30,763	$ 37,817		

(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 13.

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

(3) Restated to reflect acquisition of HSBC Financial Corporation Limited.

Analysis of Financial Results

Overview

HSBC Bank Canada recorded net income attributable to common shares for the three months ended 30 June 2009 of C$114 million, a decrease of C$44 million, or 27.8 per cent compared to C$158 million in the same quarter in 2008. Compared to the C$85 million achieved in the first quarter of 2009, however, net income attributable to common shares for the three months ended 30 June 2009 increased by C$29 million, or 34.1 per cent. This includes the results of the Consumer Finance business which incurred a net loss attributable to common shares of C$17 million in the second quarter of 2009 compared to net income attributable to common shares of C$16 million for the same quarter of 2008 and a net loss attributable to common shares of C$16 million in the first quarter of the current year.

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

“HSBC Bank Canada achieved an increase in revenues and net income in the second quarter of 2009, compared to the first quarter. The net interest margin improved thanks to a more stable interest rate environment. This, together with encouraging increases in debt and equity capital markets activity, and lower loan loss provisions, contributed to an overall improvement in our results between the first and second quarters. However, the results for the year to date clearly reflect the ongoing recession both in Canada and around the world, which has significantly reduced net interest margins, and significantly increased provisions for credit losses, compared to 2008.

“Although the economic outlook for the rest of 2009 remains uncertain, we remain committed to supporting our core customer relationships and stay focussed on managing costs. Our capital ratios were enhanced by a successful preferred share offering at the beginning of the second quarter and we intend to maintain our traditional financial strength, with appropriate focus on risk management.”

Net interest income

Net interest income for the second quarter of 2009 was C$368 million, compared with C$423 million for the same quarter in 2008, a decrease of C$55 million, or 13.0 per cent. Average interest earning assets decreased 3.3 per cent from C$63.7 billion to C$61.6 billion. In addition, there was a decrease in net interest margin to 2.40 per cent in the quarter compared with 2.67 per cent in the same quarter of 2008.

Net interest income from banking operations, which consists of Personal Financial Services, Commercial Banking and Global Banking and Markets, decreased by C$29 million and net interest margin decreased to 1.85 per cent in the second quarter from 2.03 per cent in the same period last year, while average interest earning assets decreased from C$58.5 billion to C$57.8 billion. 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 deposits re-priced 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 or 20.5 per cent compared to the same quarter in 2008 mainly as a result of a reduction in average receivables of C$1.1 billion or 23.7 per cent, including consumer finance, automobile and other loans.

Net interest income for the three months ended 30 June 2009 was C$368 million, C$18 million or 5.1 per cent higher compared with the first quarter of 2009. Net interest margin increased to 2.40 per cent from 2.27 per cent recorded in the earlier quarter. Interest rate actions undertaken by central banks in prior periods had been largely concluded by the beginning of the second quarter, and there was a greater benefit from the impact of re-pricing of personal and wholesale deposits from earlier rate reductions. Spreads on commercial loans improved during the quarter due to re-pricing initiatives undertaken with customers to reflect the current credit environment.

On a year-to-date basis, net interest income was C$718 million in 2009, compared with C$848 million in the same period last year, a decrease of C$130 million, or 15.3 per cent. This was a result of lower average interest earning assets of C$62.0 billion compared to C$63.3 billion, together with the impact of a reduction of net interest margin to 2.33 per cent from 2.69 per cent.

Non-interest revenue

Non-interest revenue was C$251 million in the second quarter of 2009, compared with C$204 million for the same quarter in 2008, an increase of C$47 million, or 23.0 per cent. Overall trading revenue was C$48 million higher in the second quarter of 2009, of which C$13 million was associated with the bank's core trading activities. The remaining increase of C$35 million arose from various mark-to-market gains and losses driven by the volatility in market interest rates and tightening credit spreads. This included gains of C$38 million arising on derivatives used to hedge certain of our interest rate exposures where hedge accounting was not applied and translation gains of C$47 million on US$ denominated funding where the corresponding translation loss on US$ denominated available-for-sale ("AFS") securities was charged to shareholders' equity through accumulated other comprehensive income. It also included a valuation gain of C$11 million on non-bank Asset Backed Commercial Paper ("ABCP"), partially offset by losses of C$66 million on certain of our own debt obligations designated at fair value. Revenues from customer banking activities, including deposit and payment service charges, trade finance and credit fees, were C$8 million higher in total than the same quarter in the 2008 reflecting the underlying strength and robustness of our core banking business. Capital market fees were C$7 million higher due to increased underwriting activity in 2009 and an increase in equity and debt markets which resulted in increased commissions earned on client trading activities. Gains on AFS securities of C$27 million were realized as certain securities were sold, partially offset by an other-than-temporary impairment of C$6 million recorded on certain AFS mortgage backed securities. Investment administration fees were C$7 million lower reflecting the lower market values of customer portfolios compared to the prior year. Securitization income was reduced by C$19 million due to lower securitization funding requirements with correspondingly lower realized gains on transactions.

Non-interest revenue for the three months ended 30 June 2009 was C$251 million, C$8 million or 3.3 per cent higher than the first quarter of 2009. Gains on AFS securities were C$22 million higher than the first quarter of 2009, capital market fees were C$8 million better and credit fees were C$5 million higher. These were partially offset by a reduction of securitization income of C$31 million and trading revenue that was C$14 million lower. Trading revenue was impacted by an increase in core trading activities (C$2 million), offset by decreases in mark-to-market gains on hedging derivatives (C$18 million) and increased losses on the fair value of our own debt obligations (C$64 million), partially offset by higher translation gains on US$ funding of US$ AFS securities (C$59 million). Other revenue was C$18 million higher due to the effect of a provision of C$20 million in respect of a loss contingency recorded in the prior quarter.

On a year-to-date basis, non-interest revenue was C$494 million in 2009, compared with C$443 million in the same period last year, an increase of C$51 million, or 11.5 per cent. The most significant positive variances included an increase in trading revenue of C$70 million (of which C$16 million was attributable to core trading activities, C$90 million to mark-to-market gains on hedging derivatives, C$38 million to translation gains on US$ funding of US$ AFS securities, and C$17 million to mark-to-market gains on non-bank ABCP, partially offset by losses of C$92 million on the fair value of our own debt obligations), gains on AFS of C$20 million, and capital market and credit fees of C$22 million, partially offset by lower investment administration fees of

C$14 million and lower securitization income of C$11 million. In addition, other income was lower, partially as a result of a reduction in the number of closed Canadian Immigrant Investor Program ("Canadian IIP") transactions and the loss contingency provision of C$20 million noted above.

Non-interest expenses

Non-interest expenses were C$303 million in the second quarter of 2009, compared with C$311 million for the same period in 2008, a decrease of C$8 million, or 2.6 per cent. Salaries and employee benefits were C$4 million lower, reflecting a lower number of staff, particularly in the Consumer Finance business as a result of reductions in its branch network offset by higher costs incurred to reduce staffing levels by the bank and the Consumer Finance business. Premises and equipment costs increased by C$4 million, in part as a result of increased amortization costs arising from investments in new equipment and technology. Other non-interest expenses were C$8 million lower due to reductions in a number of expense categories compared to the prior year, mainly due to lower levels of commodity tax provisions, transaction related costs and information technology expenses offset by higher marketing expenses. The cost efficiency ratio for the second quarter of 2009 decreased to 48.9 per cent from 49.6 per cent in the same period in 2008.

Non-interest expenses for the three months ended 30 June 2009 were C$303 million, C$12 million or 4.1 per cent higher compared with the first quarter of 2009. Salaries and employee benefits were C$5 million higher mainly as a result of costs incurred to reduce staffing levels both in the bank as well as the Consumer Finance business. In addition, increased capital market revenues in the second quarter of 2009 resulted in higher variable compensation. There was also a planned increase in marketing expenses of C$3 million.

On a year-to-date basis, non-interest expenses were C$594 million in 2009, compared with C$621 million in the same period last year, a decrease of C$27 million, or 4.3 per cent. Salaries and employee benefits were C$15 million lower, reflecting a lower number of staff, particularly in the Consumer Finance business as a result of reductions in its branch network offset by higher costs incurred to reduce staffing levels. Premises and equipment costs increased by C$7 million, in part as a result of increased amortization costs. Other non-interest expenses were C$19 million lower due to reductions in information technology expenses, lower commodity tax provisions, certain transaction related costs and the impact of cost control initiatives including corporate travel. The cost efficiency ratio for the first half of 2009 increased marginally to 49.0 per cent from 48.1 per cent in the same period in 2008.

Credit quality and provision for credit losses

The provision for credit losses was C$126 million for the second quarter of 2009, compared with C$82 million in the second quarter of 2008 and C$161 million in the first quarter of 2009. On a year-to-date basis, the provision for credit losses was C$287 million in 2009, compared with C$157 million for the same period in 2008. Provisions included C$59 million for the quarter and C$143 million year-to-date for banking operations. Provisions for the Consumer Finance business included C$67 million for the quarter and C$144 million year-to-date, compared with C$57 million and C$107 million for the respective periods in 2008. Increases have mainly been driven by deteriorating credit conditions in the commercial business sector and in the Consumer Finance business caused by economic conditions including higher unemployment.

Gross impaired credit exposures were C$1,088 million at 30 June 2009, compared with C$932 million at 31 December 2008, and C$450 million at 30 June 2008. Total impaired exposures, net of specific allowances for credit losses, were C$850 million at 30 June 2009, compared with C$770 million at 31 December 2008 and C$354 million at 30 June 2008.

Analysis of Financial Results *(continued)*

The general allowance for credit losses was C$480 million at 30 June 2009, an increase of C$27 million from 31 December 2008 and an increase of C$32 million from 30 June 2008, mainly due to higher provisions in the Consumer Finance business resulting from worsening economic conditions. The total allowance for credit losses, as a percentage of loans and acceptances outstanding, was 1.54 per cent at 30 June 2009, compared with 1.24 per cent at 31 December 2008 and 1.06 per cent at 30 June 2008.

Income taxes

The effective tax rate in the second quarter of 2009 was 29.5 per cent, compared to 28.2 per cent in the same quarter of 2008 and 28.9 per cent in the first quarter of 2009. The effective tax rate for the year-to-date 2009 was 29.3 per cent, compared with 30.6 per cent for the same period in 2008.

Balance sheet

Total assets at 30 June 2009 were C$70.5 billion, a decrease of C$1.5 billion from 31 December 2008 and C$2.0 billion from 30 June 2008, as a result of lower commercial credit demand and an extremely competitive environment for both personal and commercial deposits. Commercial loans and acceptances decreased from the end of 2008 by C$2.3 billion to C$26.0 billion. Although residential mortgages decreased in the first quarter of 2009, recent activity in housing markets resulted in higher mortgage originations in the second quarter. Overall, mortgage loans decreased by less than 0.3 per cent compared with 31 December 2008, although after securitizations the overall decrease was C$0.3 billion or 2.4 per cent. Consumer loans and personal lines of credit in the Personal Financial Services business were up by C$0.3 billion, net of C$1.5 billion of auto loans sold in the third quarter of 2008, to C$5.6 billion while receivables of the Consumer Finance business decreased by C$0.5 billion due to the auto loan sale in the third quarter of 2008. Liquidity remained strong at 30 June 2009, with more than C$19.3 billion of securities and reverse repurchase agreements compared to C$17.5 billion at 31 December 2008 and C$15.3 billion at 30 June 2008.

Total deposits decreased by C$2.4 billion to C$49.6 billion at 30 June 2009 from C$52.0 billion at 31 December 2008 and C$51.3 billion at 30 June 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, included in business and government deposits, decreased by C$2.9 billion as a result of lower client borrowings and funding from securitizations of C$1.7 billion.

Total assets under administration

An increase in equity markets as well as new product sales during the second quarter resulted in an increase in funds under management to C$24.5 billion at 30 June 2009 from C$21.3 billion at 31 December 2008. However, declines in equity markets during 2008 caused a decrease in funds under management from the C$27.1 billion at 30 June 2008. Including custody and administration balances, total assets under administration were C$33.9 billion, compared with C$30.5 billion at 31 December 2008 and C$37.8 billion at 30 June 2008.

Risk Management

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 second quarter of 2009.

Impaired loans

The following table provides details of the impaired loan portfolio:

	At 30 June 2009	*At 31 December 2008*
Business and government		
Real estate	**$ 473**	$ 452
Manufacturing [1]	**127**	143
Trade	**93**	30
Services	**97**	39
Other	**20**	24
Total business and government loans	**810**	688
Personal		
Residential mortgages	**56**	37
Consumer finance loans	**192**	181
Other consumer loans	**30**	26
Total personal loans	**278**	244
Total impaired loans, guarantees, acceptances and letters of credit[1]	**$ 1,088**	$ 932
Specific allowances	**$ 238**	$ 162
General allowances	**480**	453
Total allowance for credit losses	**$ 718**	$ 615
Net impaired loans and acceptances	**$ 370**	$ 317

(1) Includes C$7 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. The restructured notes were recorded at fair value on the balance sheet and have been classified as held-for-trading ("HFT"). The carrying value of the notes at 30 June 2009 was C$275 million (31 March 2009 – C$204 million) which includes C$60 million of notes acquired in connection with a loan foreclosure proceeding. 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)*

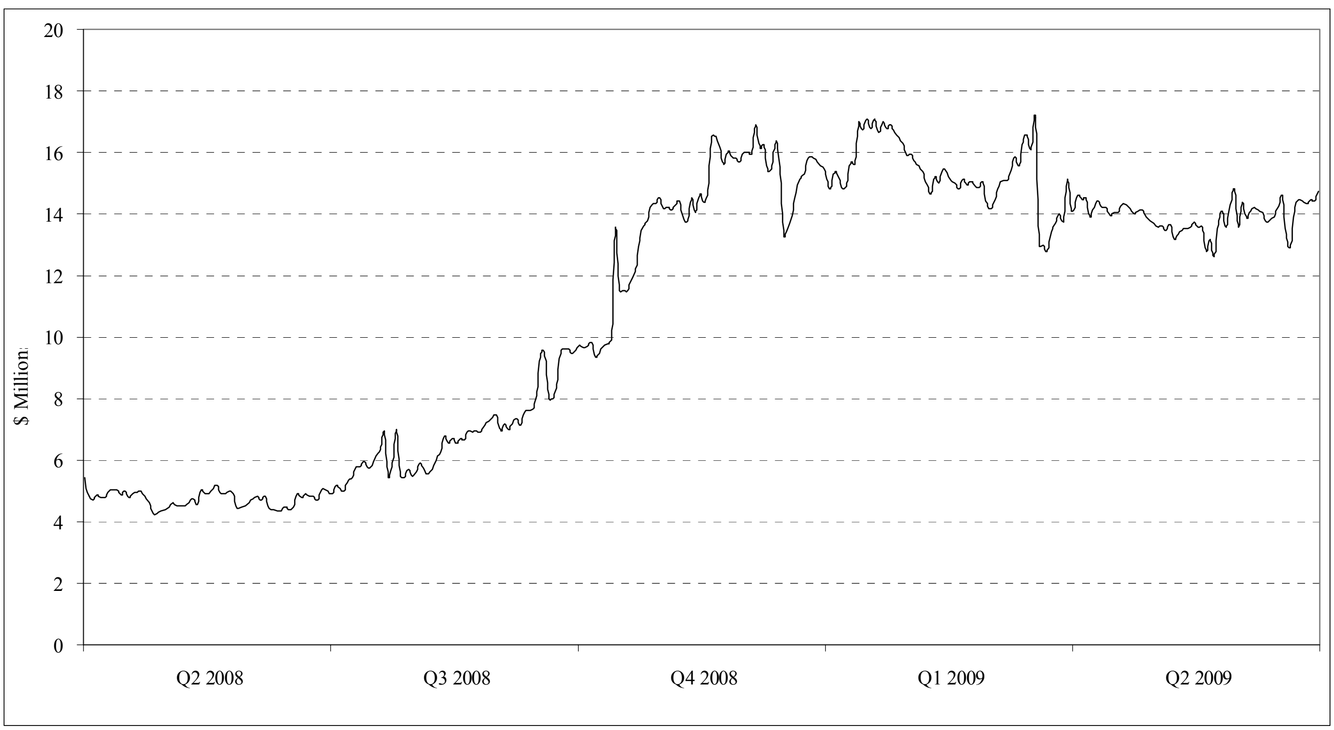
Value at Risk (VaR)

VaR is a technique that estimates the potential losses that could occur on risk positions as a result of movements in market rates and prices over a specified time horizon and to a given level of confidence.

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	
	30 June 2009	*31 December 2008*
End of quarter	**$ 15**	$ 15
Average	**14**	14
Minimum	**13**	9
Maximum	**15**	17

Daily value at risk



Risk Management *(continued)*

Capital Management

	At 30 June 2009	At 31 December 2008
Total Tier 1 capital	**$ 4,495**	$ 4,197
Total Tier 2 capital	**1,040**	1,004
Total Tier 1 and Tier 2 capital available for regulatory purposes	**5,535**	5,201
Total risk-weighted assets	**$ 40,254**	$ 41,623
Actual regulatory capital ratios		
Tier 1 capital	**11.2 %**	10.1 %
Total capital	**13.8 %**	12.5 %
Actual assets to capital multiple	**12.9 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.

Credit Ratings

Following a review by Standard & Poor's ("S&P") of the hybrid capital securities of various European banks, including those of the bank's ultimate parent, HSBC Holdings, there was a consequential downgrade in the ratings of our preferred shares and HSBC Canada Asset Trust securities. In addition, as a result of a change in their ratings methodology, DBRS® downgraded the ratings on preferred shares and hybrid securities of a number of Canadian banks, including those of HSBC Bank Canada.

Investment grade ratings on our short-term instruments, deposits, senior debt and subordinated debt are unchanged from 2008 and remain among the highest assigned to the Canadian banks.

The bank's 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 (Low)	Pfd-2 (high)
HSBC Canada Asset Trust Securities	P-1 (Low)	A (low)

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.

Certain amendments to the CICA Handbook were effective for the first quarter of 2009. See note 2 on page 23 regarding the changes in accounting policies 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 in note 3 on page 24. 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 22 July 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.
(7) Cash dividends are non-cumulative and are payable quarterly in an amount of C$0.0775 per share.

During the second quarter of 2009, C$70 million (31 March 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 September	30 September
15 December	31 December

The remaining payable date for HSBC HaTS distributions in 2009 is 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 30 June 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 30 June 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* ***30 June 2009***	*31 March 2009*	*31 December 2008*	*30 September 2008*	*30 June 2008*	*31 March 2008*	*31 December 2007*	*30 September 2007*
Net interest income	**$ 368**	$ 350	$ 375	$ 421	$ 423	$ 425	$ 429	$ 445
Non-interest revenue	**251**	243	223	171	204	239	198	202
Total revenue	**619**	593	598	592	627	664	627	647
Non-interest expenses	**303**	291	295	314	311	310	339	311
Net operating income	**316**	302	303	278	316	354	288	336
Provision for credit losses	**126**	161	136	86	82	75	72	65
Income before the under noted	**190**	141	167	192	234	279	216	271
Provision for income taxes	**54**	39	38	62	64	89	85	94
Non-controlling interest in income of trust	**7**	6	7	6	7	6	7	6
Net income	**$ 129**	$ 96	$ 122	$ 124	$ 163	$ 184	$ 124	$ 171
Preferred share dividends	**15**	11	7	4	5	4	5	4
Net income attributable to common shares	**$ 114**	$ 85	$ 115	$ 120	$ 158	$ 180	$ 119	$ 167
Basic earnings per share (C$)	**0.23**	0.17	0.22	0.23	0.30	0.34	0.23	0.32

The quarterly trends in revenue and expenses were disclosed on page 13 of the 2008 Annual Report and Accounts. Comparatives prior to fourth quarter 2008 have been restated to reflect the acquisition of HSBC Financial.

Review of Customer Group Results

Personal Financial Services

Income before taxes and non-controlling interest in income of trust for the second quarter of 2009 was C$6 million compared with C$40 million for the same period in 2008, a decrease of C$34 million or 85.0 per cent. Net interest income was C$21 million lower mainly due to continued spread compression on retail deposits, particularly High Rate Savings Accounts, Direct Savings Accounts and term deposits which are being driven to support the Bank's core deposits and to acquire new customers. Non-interest revenue was C$22 million lower mainly due to lower securitization volumes, correspondingly lower realized gains on securitization transactions, lower investment administration fees and foreign exchange revenues. These were partially offset by a gain from mark-to-market of non-bank ABCP and higher security and bond commissions due to recent activity in stock markets resulting in higher client trading volumes. Non-interest expenses were C$5 million lower mainly due to lower variable compensation, reversal of commodity tax provisions and additional GST recoveries partially offset by higher costs associated with reducing staffing levels. The provision for credit losses was C$4 million lower mainly due to the prior year's provision relating to auto finance loans which were sold in 2008.

Income before taxes and non-controlling interest in income of trust was C$6 million compared with C$3 million for the first quarter of 2009 an increase of C$3 million, or 100.0 per cent. Net interest income was C$11 million higher due to greater benefits realized on the re-pricing of personal deposits from the current interest rate environment and increase in mortgage penalty fees as clients amend their mortgages to take advantage of lower rates. Non-interest revenue was C$7 million lower mainly due to lower gains and recurring income from securitized assets. This was partially offset by a certain loss contingency recorded in the prior quarter, higher security and bond commissions and a gain from mark-to-market of non-bank ABCP. Non-interest expenses were C$10 million higher mainly due to increase in variable incentive due to increase in variable revenues in second quarter, reversal of commodity tax provisions in first quarter and higher cost associated with reducing staffing levels. The provision for credit losses was C$9 million lower mainly due to a non-bank ABCP related provision recorded in the first quarter of 2009.

On a year-to-date basis, income before taxes and non-controlling interest in income of trust was C$9 million, compared with C$70 million for the same period last year, a decrease of C$61 million. Net interest income was C$39 million lower due to spread compression on retail deposits and lower net interest margins. Non-interest revenue was C$40 million lower mainly due to lower gains and recurring income from securitized assets, a certain contingent loss provision, lower investment administration fees and foreign exchange revenues. These decreases were partially offset by a gain from mark-to-market of non-bank ABCP and increase in security and bond commissions due to recent activity in stock markets resulting in higher client trading volumes. Non-interest expenses were C$18 million lower mainly due to lower salary costs due to lower number of staff, lower fixed and variable compensation, reversal of commodity tax provisions and lower marketing expenses. These are partially offset by higher costs associated with reducing staffing levels. The provision for credit losses was unchanged from the same period last year.

Commercial Banking

Income before taxes and non-controlling interest in income of trust for the second quarter of 2009 was C$93 million, a decrease of C$33 million, or 26.1 per cent compared to C$126 million in the same quarter in 2008. Net interest income decreased C$6 million driven by reduced loan volumes due to reduced customer demand, and lower deposit margins as interest rates fell. This was largely offset by the pricing initiatives and wider Prime to bankers' acceptance spreads which helped contribute to increased loan margins. Non-interest revenue was C$6 million higher driven by growth of fees on bankers' acceptances and revenues from the Payments and Cash Management business as a result of pricing initiatives. Non-interest expenses decreased by C$6 million due to cost control measures. The provision for credit losses was C$39 million higher driven by an increase in losses from the real estate, manufacturing and export sectors.

Review of Customer Group Results *(continued)*

Income before taxes and non-controlling interest in income of trust for the second quarter of 2009 was little changed from the first quarter of 2009. Net interest income was C$12 million lower due to decreased lending volumes and narrowing of deposit margins, partially offset by higher lending margins resulting from pricing initiatives. Non-interest revenue was little changed from the prior quarter. Non-interest expenses were C$7 million lower than the prior quarter driven by tight cost control. Provisions for credit losses were C$6 million lower due to a decrease in specific provisions.

On a year-to-date basis, income before taxes and non-controlling interest in income of trust was C$187 million, compared with C$255 million in the same period last year, a decrease of C$68 million, or 26.7 per cent. Net interest income was C$3 million lower due to reduced lending volumes and compression of deposit margins, partially offset by an increase in lending margins due to pricing initiatives. Non-interest revenue increased by C$17 million from the prior year. Trading income benefitted from a C$6 million gain on non-bank ABCP held and higher fees from bankers' acceptances and Payments and Cash Management revenues, reflecting pricing initiatives. Non-interest expenses were C$3 million lower compared to the prior year. Provisions for credit losses increased C$85 million resulting from higher losses in the real estate, manufacturing and export sectors.

Global Banking and Markets

Income before taxes and non-controlling interest in income of trust for the second quarter of 2009 was C$108 million, an increase of C$67 million, or 163.4 per cent, compared with the same period in 2008. Net interest income was C$2 million lower compared to the second quarter of 2008 reflecting a falling interest rate environment and reduced net interest margins. Non-interest revenue increased by C$70 million as volatility in market interest rates and tightening credit spreads increased core trading income and mark-to-market gains on derivatives used to hedge certain of our interest rate exposures where hedge accounting was not applied. Translation gains were incurred on US$ denominated funding of US$ denominated AFS securities where the corresponding translation loss was charged to accumulated other comprehensive income. Additionally, the current quarter included a gain on AFS securities. Non-interest expenses were C$2 million higher due to increased salaries and benefit costs and other support costs.

Income before taxes and non-controlling interest in income of trust for the second quarter of 2009 was C$50 million, or 86.2 per cent higher compared with the first quarter of 2009. Net interest income was C$19 million higher as interest rates began to stabilize and funding costs on wholesale deposits were reduced, driving higher net interest margins. Non-interest revenue was C$25 million higher compared to the prior quarter due to gains on AFS securities and higher global investment banking revenues and translation gains on US$ funding of US$ AFS securities. Credit fees increased due to higher fees from bankers' acceptances and other financial guarantees. Non-interest expenses increased C$4 million due to higher variable compensation, in line with higher revenues. The provision for credit losses decreased by C$10 million as the prior quarter included amounts related to non-bank ABCP exposures.

On a year-to-date basis, income before taxes and non-controlling interest in income of trust was C$166 million, an increase of C$44 million, or 36.1 per cent from the same period last year. Net interest income decreased by C$36 million as actions undertaken by the central banks to cut interest rates caused a reduction in net interest margins. Non-interest revenue was C$91 million higher due to increased core trading income, increased mark-to-market gains on hedging derivatives, gains on AFS securities and higher global investment banking revenues. Additionally, translation gains were incurred on US$ funding of US$ AFS securities. These were partially offset by reduced investment administration fees as a result of decreased funds under management due to a decline in equity markets. Non-interest expense was C$3 million higher due to increase in support costs. Provisions for credit losses were C$8 million higher on non-bank ABCP related exposures.

Review of Customer Group Results *(continued)*

Consumer Finance

The loss before taxes for the second quarter of 2009 was C$17 million compared with a profit of C$27 million for the same period in 2008. Net interest income was C$26 million lower due to lower receivables as a result of lower loan originations due to credit tightening decisions and the sale of the auto loan portfolio in the third quarter of 2008 partially offset by lower funding costs. Non-interest revenue was C$7 million lower mainly due to an other-than-temporary impairment of C$6 million recorded on certain AFS mortgage backed securities and the impact of narrowing credit spreads on the value of certain debt obligations recorded at fair value, which generated a charge to income in the second quarter compared to a credit in the prior year period. Non-interest expenses were little changed from the same period in the prior year as lower underlying costs were offset by a C$6 million restructuring charge relating to the closure of 16 offices in the Consumer Finance branch network. The provision for credit losses increased by C$10 million over the comparative period, due to increased delinquency arising from slower economic conditions, particularly higher levels of unemployment, bankruptcies and lower real estate values.

The loss before taxes of C$17 million was C$3 million higher compared to that incurred in the first quarter of 2009. Net interest income was unchanged. Non-interest revenue was lower mainly due to the other-than-temporary impairment recorded on certain AFS mortgage backed securities and the impact of narrowing credit spreads on the value of certain debt obligations recorded at fair value, which generated a higher charge to income in the second quarter. Non-interest expenses were C$5 million higher mainly due to restructuring charges. Credit provisions were C$10 million lower in the second quarter due to reduced delinquency levels compared to the first quarter.

On a year-to-date basis, the loss before taxes was C$31 million compared to income of C$66 million in 2008. Net interest income was C$52 million lower due to lower receivables and the sale of the auto loan portfolio in the third quarter of 2008. Non-interest revenue was C$17 million lower due to mark-to-market losses on 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 as well the other-than-temporary impairment recorded on certain AFS mortgage backed securities. Non-interest expenses decreased by C$9 million from the prior year. 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, which was partially offset by a C$6 million restructuring charge in 2009. The provision for credit losses increased due to higher levels of delinquency in 2009 compared to the same period in 2008 caused by deteriorating economic conditions.

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 of 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. We have reached substantial completion in our detailed assessment of accounting differences between Canadian GAAP and IFRS. During the remainder of 2009, we plan to implement 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. 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.

Consolidated Statements of Income (Unaudited)

Figures in C$ millions (except per share amounts)	Quarter ended 30 June 2009	Quarter ended 31 March 2009	Quarter ended 30 June 2008 (1)	Half-year ended 30 June 2009	Half-year ended 30 June 2008 (1)
Interest income:					
Loans	**$ 496**	$ 551	$ 776	**$ 1,047**	$ 1,595
Securities	**68**	68	64	**136**	140
Deposits with regulated financial institutions	**3**	4	26	**7**	62
	567	623	866	**1,190**	1,797
Interest expense:					
Deposits	**159**	225	381	**384**	822
Interest bearing liabilities of subsidiaries, other than deposits	**31**	38	52	**69**	107
Debentures	**9**	10	10	**19**	20
	199	273	443	**472**	949
Net interest income	**368**	350	423	**718**	848
Non-interest revenue:					
Deposit and payment service charges	**27**	27	28	**54**	55
Credit fees	**39**	34	30	**73**	62
Capital market fees	**34**	26	27	**60**	49
Investment administration fees	**28**	26	35	**54**	68
Foreign exchange	**9**	10	13	**19**	24
Trade finance	**6**	7	6	**13**	11
Trading revenue	**62**	76	14	**138**	68
Gains (losses) on available-for-sale securities	**21**	(1)	–	**20**	–
Gains on other securities	**1**	1	1	**2**	2
Securitization income	**4**	35	23	**39**	50
Other	**20**	2	27	**22**	54
	251	243	204	**494**	443
Total revenue	**619**	593	627	**1,212**	1,291
Non-interest expenses:					
Salaries and employee benefits	**165**	160	169	**325**	340
Premises and equipment	**43**	41	39	**84**	77
Other	**95**	90	103	**185**	204
	303	291	311	**594**	621
Net operating income before provision for credit losses	**316**	302	316	**618**	670
Provision for credit losses	**126**	161	82	**287**	157
Income before taxes and non-controlling interest in income of trust	**190**	141	234	**331**	513
Provision for income taxes	**54**	39	64	**93**	153
Non-controlling interest in income of trust	**7**	6	7	**13**	13
Net income	**$ 129**	$ 96	$ 163	**$ 225**	$ 347
Preferred share dividends	**15**	11	5	**26**	9
Net income attributable to common shares	**$ 114**	$ 85	$ 158	**$ 199**	$ 338
Average common shares outstanding (000)	**498,668**	498,668	526,349	**498,668**	526,349
Basic earnings per share (C$)	**0.23**	0.17	0.30	**0.40**	0.64

(1) Restated to reflect the acquisition of HSBC Financial Corporation Limited (see note 1 on page 23).

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

Consolidated Balance Sheets (Unaudited)

Figures in C$ millions	***At 30 June 2009***	*At 31 December 2008*	*At 30 June (1) 2008*
Assets			
Cash resources:			
Cash and non-interest bearing deposits with the Bank of Canada and other banks	**$ 688**	$ 434	$ 549
Deposits with regulated financial institutions	**1,322**	1,421	2,755
	2,010	1,855	3,304
Securities:			
Available-for-sale	**10,866**	9,683	6,869
Held-for-trading	**2,222**	1,079	1,408
Other	**53**	56	48
	13,141	10,818	8,325
Securities purchased under reverse repurchase agreements	**6,211**	6,682	6,970
Loans:			
Business and government	**20,401**	23,067	21,930
Residential mortgages	**11,580**	11,869	12,454
Consumer finance loans	**3,494**	4,029	4,654
Other consumer loans	**5,617**	5,296	6,470
Allowance for credit losses	**(718)**	(615)	(544)
	40,374	43,646	44,964
Other:			
Customers' liability under acceptances	**5,605**	5,209	5,740
Derivatives	**1,419**	2,448	579
Land, buildings and equipment	**121**	126	138
Other assets	**1,593**	1,265	2,520
	8,738	9,048	8,977
	$ 70,474	$ 72,049	$ 72,540
Liabilities and Shareholders' equity			
Deposits:			
Regulated financial institutions	**$ 1,040**	$ 1,264	$ 1,439
Individuals	**22,036**	21,064	19,465
Businesses and governments	**26,497**	29,634	30,347
	49,573	51,962	51,251
Other:			
Acceptances	**5,605**	5,209	5,740
Interest bearing liabilities of subsidiaries, other than deposits	**3,276**	4,164	5,337
Derivatives	**1,088**	2,023	591
Securities sold under repurchase agreements	**1,892**	715	372
Securities sold short	**925**	631	818
Other liabilities	**2,548**	1,974	3,385
Non-controlling interest in trust and subsidiary	**430**	430	430
	15,764	15,146	16,673
Subordinated debentures	**826**	788	802
Shareholders' equity:			
Capital stock			
Preferred shares	**946**	696	350
Common shares	**1,225**	1,225	1,293
Contributed surplus	**2**	–	235
Retained earnings	**2,004**	1,950	1,944
Accumulated other comprehensive income	**134**	282	(8)
	4,311	4,153	3,814
Total liabilities and shareholders' equity	**$ 70,474**	$ 72,049	$ 72,540

(1) Restated to reflect the acquisition of HSBC Financial Corporation Limited (see note 1 on page 23).

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* **30 June 2009**	*31 March 2009*	*30 June 2008* (1)	*Half-year ended* **30 June 2009**	*30 June 2008* (1)
Preferred shares:					
Balance at beginning of period	**$ 696**	$ 696	$ 350	**$ 696**	$ 350
Issued	**250**	–	–	**250**	–
Balance at end of period	**946**	696	350	**946**	350
Common shares:					
Balance at beginning and end of period	**1,225**	1,225	1,293	**1,225**	1,293
Contributed surplus:					
Balance at beginning of period	**1**	–	234	**–**	232
Stock-based compensation	**1**	1	1	**2**	3
Balance at end of period	**2**	1	235	**2**	235
Retained earnings:					
Balance at beginning of period	**1,965**	1,950	1,851	**1,950**	1,736
Net income for the period	**129**	96	163	**225**	347
Preferred share dividends	**(15)**	(11)	(5)	**(26)**	(9)
Common share dividends	**(70)**	(70)	(65)	**(140)**	(130)
Share issue costs	**(5)**	–	–	**(5)**	–
Balance at end of period	**2,004**	1,965	1,944	**2,004**	1,944
Accumulated other comprehensive income (loss) – available-for-sale securities:					
Balance at beginning of period	**114**	85	9	**85**	1
Net change in unrealized gains on available-for-sale securities, net of income taxes	**(109)**	29	(16)	**(80)**	(8)
Balance at end of period	**5**	114	(7)	**5**	(7)
Accumulated other comprehensive income (loss) – cash flow hedges:					
Balance at beginning of period	**188**	197	14	**197**	–
Net change in cash flow hedges	**(59)**	(9)	(15)	**(68)**	(1)
Balance at end of period	**129**	188	(1)	**129**	(1)
Total accumulated other comprehensive income	**134**	302	(8)	**134**	(8)
Total shareholders' equity	**$ 4,311**	$ 4,189	$ 3,814	**$ 4,311**	$ 3,814

(1) Restated to reflect the acquisition of HSBC Financial Corporation Limited (see note 1 on page 23).

Consolidated Statements of Comprehensive Income (Unaudited)

Figures in C$ millions	*Quarter ended* **30 June 2009**	*31 March 2009*	*30 June 2008* (1)	*Half-year ended* **30 June 2009**	*30 June 2008* (1)
Net income	**$ 129**	$ 96	$ 163	**$ 225**	$ 347
Other comprehensive income (loss) on available-for-sale securities:					
Net unrealized gains (losses) from changes in fair value (net of taxes of $(41), $12, $(6), $(29), $(2))	**(90)**	29	(14)	**(61)**	(6)
Reclassification of realized gains to earnings (net of taxes of $(9), $–, $(1), $(9), $(1))	**(19)**	–	(2)	**(19)**	(2)
	(109)	29	(16)	**(80)**	(8)
Other comprehensive income (loss) on cash flow hedges:					
Unrealized gains (losses) from changes in fair value (net of taxes of $(26), $(7), $(7), $(33), $–)	**(59)**	(9)	(15)	**(68)**	(1)
Comprehensive (loss) income for the periods	**$ (39)**	$ 116	$ 132	**$ 77**	$ 338

(1) Restated to reflect the acquisition of HSBC Financial Corporation Limited (see note 1 page 23).

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 30 June 2009	Quarter ended 31 March 2009	Quarter ended 30 June 2008 (1)	Half-year ended 30 June 2009	Half-year ended 30 June 2008 (1)
Cash flows provided by (used in) operating activities:					
Net income	**$ 129**	$ 96	163	**$ 225**	$ 347
Adjustments to net income to determine net cash provided by operating activities:					
Amortization expense	**2**	10	11	**12**	26
Provision for credit losses	**126**	161	82	**287**	157
Provision for impairment of available-for-sale securities	**6**	1	–	**7**	–
Future income taxes	**(6)**	–	(8)	**(6)**	2
Net accrued interest receivable and payable	**(4)**	27	(28)	**23**	–
Trading securities, net	**(406)**	(737)	222	**(1,143)**	(181)
Other, net	**58**	575	22	**633**	382
	(95)	133	464	**38**	733
Net cash flows provided by (used in) financing activities:					
Deposits (repaid) received	**(232)**	(2,157)	1,259	**(2,389)**	2,373
Interest bearing liabilities of subsidiaries, other than deposits	**(1,008)**	120	153	**(888)**	163
Securities sold (purchased) under repurchase agreements	**1,399**	(222)	(340)	**1,177**	52
Preferred shares issued	**250**	–	–	**250**	–
Dividends paid	**(85)**	(81)	(70)	**(166)**	(139)
	324	(2,340)	1,002	**(2,016)**	2,449
Net cash flows provided by (used in) investing activities:					
Loans repaid (funded), excluding securitizations, net	**1,350**	202	(864)	**1,552**	(2,347)
Proceeds from loans securitized	**352**	1,316	1,000	**1,668**	1,934
Loans purchased from securitization conduits	**–**	–	(900)	**–**	(900)
Non-trading securities purchased	**(2,021)**	(3,262)	(4,030)	**(5,283)**	(5,954)
Non-trading securities sold	**881**	109	1,080	**990**	1,288
Non-trading securities matured	**1,507**	1,234	2,127	**2,741**	3,297
Other securities, net	**4**	(1)	–	**3**	–
Securities (purchased) sold under reverse repurchase agreements	**(2,141)**	2,612	(270)	**471**	(848)
Net change in non-operating and other deposits with regulated financial institutions	**81**	19	421	**100**	366
Acquisition of land, buildings and equipment, including software	**–**	(9)	(17)	**(9)**	(24)
	13	2,220	(1,453)	**2,233**	(3,188)
Increase (decrease) in cash and cash equivalents	**242**	13	13	**255**	(6)
Cash and cash equivalents, beginning of period	**433**	420	509	**420**	528
Cash and cash equivalents, end of period	**675**	433	522	**675**	522
Represented by:					
Cash and non-interest bearing deposits with the Bank of Canada and other banks	**688**	446	549	**688**	549
Less non-operating deposits with banks (2)	**(13)**	(13)	(27)	**(13)**	(27)
Cash and cash equivalents, end of period	**$ 675**	$ 433	$ 522	**$ 675**	$ 522

(1) Restated to reflect the acquisition of HSBC Financial Corporation Limited (see note 1 on page 23).
(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 an indirectly owned subsidiary of HSBC Holdings plc ("HSBC Holdings"). In these consolidated financial statements, HSBC Holdings Group means HSBC Holdings 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. Unless otherwise stated, all tabular amounts are in C$ millions.

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, comparative periods for the quarter and half-year ended 30 June 2008 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, Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3064, *Goodwill and Intangible Assets*, replaced 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$59 million (31 December 2008 – C$54 million, 30 June 2008 – C$50 million) be reclassified from computer equipment which is included in "Land, buildings and equipment" to intangible assets, which are included in "Other assets". Amortization of C$3 million for the three months ended 30 June 2009 (three months ended 31 December 2008 – C$3 million; three months ended 30 June 2008 – C$3 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 instruments. EIC-173 was effective 31 March 2009 and was 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 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 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 restructured notes were recorded at fair value on the balance sheet and classified as held-for-trading ("HFT").

During the second quarter of 2009, following loan foreclosure proceedings, we took possession of collateral on an impaired loan, which consisted of restructured notes with a par value of C$91 million. The notes were recorded at their fair value on the transfer date of C$60 million, determined by using the bank's valuation model for non-bank ABCP. The carrying amount of the loan prior to the foreclosure was C$57 million, net of a loss provision of C$28 million. Following initial recognition and measurement, the notes were classified as HFT and are being accounted for consistently with the bank's other restructured notes.

The par value of the bank's restructured notes at 30 June 2009, including the repossessed notes described above was C$415 million, with a carrying value of C$275 million. The recorded net carrying value of the restructured notes represents management's best estimate of the fair value of the restructured notes at 30 June 2009.

Information relating to the bank's use of a model to determine the fair value of non-bank ABCP is contained in note 3 on page 63 in the 2008 Annual Report and Accounts. In the current quarter, as a result of updating the model's assumptions base on the terms of the Plan as well as changes in market conditions, the fair value of the notes increased by C$11 million which was recognized in trading revenue in the second quarter.

At 30 June 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$16 million.

4. Allowance for credit losses

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

	Quarter ended 30 June 2009					*Half-year ended 30 June 2009*
	Business and government	*Residential mortgages*	*Consumer finance loans*	*Other consumer loans*	*Total*	*Total*
Specific allowance at beginning of period:	**$ 233**	**$ 1**	**$ –**	**$ –**	**$ 234**	**$ 162**
Provision for credit losses	**55**	–	–	–	**55**	**133**
Write-offs, net of recoveries	**(51)**	–	–	–	**(51)**	**(57)**
Specific allowance at end of period	**237**	**1**	–	–	**238**	**238**
General allowance at beginning of period:	**234**	**1**	**216**	**24**	**475**	**453**
Provision for credit losses	–	–	**67**	**4**	**71**	**154**
Write-offs, net of recoveries	–	–	**(62)**	**(4)**	**(66)**	**(127)**
General allowance at end of period	**234**	**1**	**221**	**24**	**480**	**480**
Total allowance [(1)]	**$ 471**	**$ 2**	**$ 221**	**$ 24**	**$ 718**	**$ 718**

(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 30 June 2008					*Half-year ended 30 June 2008*
	Business and government	*Residential mortgages*	*Consumer finance loans*	*Other consumer loans*	*Total*	*Total*
Specific allowance at beginning of period:	$ 83	$ 1	$ –	$ 17	$ 101	$ 84
Provision for credit losses	15	–	–	10	25	50
Write-offs, net of recoveries	(20)	–	–	(10)	(30)	(38)
Specific allowance at end of period	78	1	–	17	96	96
General allowance at beginning of period:	234	1	169	34	438	430
Provision for credit losses	–	–	57	–	57	107
Write-offs, net of recoveries	–	–	(47)	–	(47)	(89)
General allowance at end of period	234	1	179	34	448	448
Total allowance (1)	$ 312	$ 2	$ 179	$ 51	$ 544	$ 544

(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 second quarter of 2009 is as follows:

	Residential mortgages
New securitization activity	
Assets derecognized	**$ 353**
Net cash proceeds received	**352**
Retained rights to future excess interest	**14**
Retained servicing liability	**2**
Pre-tax gain on sale	**9**
Key assumptions at time of sale	
Prepayment rate	**18.00%**
Excess spread	**1.59%**
Expected credit losses	**0.00%**
Discount rate	**4.01%**

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

	At 30 June 2009	*At 31 December 2008*
Residential mortgages		
Conventional	**$ 1,096**	$ 1,417
Mortgage-backed securities(1)	**5,884**	4,827
	$ 6,980	$ 6,244

(1) Excludes insured mortgages which were securitized and retained by the bank of C$394 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 30 June 2009			
	Contractual amount payable at maturity	Fair value	Cumulative fair value gain (loss)	Cumulative fair value gain attributable to credit risk
Deposits	**$ 547**	**$ 489**	**$ 58**	**$ 9**
Interest bearing liabilities of subsidiaries, other than deposits	**200**	**202**	**(2)**	**6**
Subordinated debentures	**400**	**384**	**16**	**52**
	$ 1,147	**$ 1,075**	**$ 72**	**$ 67**

	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 30 June 2009		At 31 December 2008		At 30 June 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
– Series E	**10,000,000**	**250**	–	–	–	–
Preferred Shares – Class 2						
– Series B	**86,450,000**	**346**	86,450,000	346	–	–
		$ 946		$ 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 C$245 million, net of issue of costs.

8. Stock-based compensation

The expense for stock-based compensation was as follows:

	Quarter ended			Half-year ended	
	30 June 2009	31 March 2009	30 June 2008	**30 June 2009**	30 June 2008
Group share options and savings-related option plans	**$ 1**	$ 1	$ 2	**$ 2**	$ 3
Restricted share plan	**7**	6	7	**13**	13
	$ 8	$ 7	$ 9	**$ 15**	$ 16

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

9. Employee future benefits

The expense for employee future benefits was as follows:

	Quarter ended			Half-year ended	
	30 June 2009	31 March 2009	30 June 2008	**30 June 2009**	30 June 2008
Pension plans – defined benefit	**$ 4**	$ 4	$ 4	**$ 8**	$ 8
Pension plans – defined contribution	**5**	5	4	**10**	9
Other benefits	**2**	3	3	**5**	6
	$ 11	$ 12	$ 11	**$ 23**	$ 23

10. Customer group segmentation

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

	Quarter ended			Half-year ended	
	30 June 2009	31 March 2009	30 June 2008	**30 June 2009**	30 June 2008
Personal Financial Services					
Net interest income	**$ 89**	$ 78	$ 110	**$ 167**	$ 206
Non-interest revenue	**61**	68	83	**129**	169
Total revenue	**150**	146	193	**296**	375
Non-interest expenses	**139**	129	144	**268**	286
Net operating income	**11**	17	49	**28**	89
Provision for credit losses	**5**	14	9	**19**	19
Income before taxes and non-controlling interest in income of trust	**6**	3	40	**9**	70
Provision for income taxes	**2**	–	11	**2**	20
Non-controlling interest in income of trust	**2**	1	2	**3**	3
Net income	**2**	2	27	**4**	47
Preferred share dividends	**2**	1	1	**3**	2
Net income attributable to common shares	**$ –**	$ 1	$ 26	**$ 1**	$ 45
Average assets	**$ 18,284**	$ 18,229	$ 20,148	**$ 18,257**	$ 19,672
Commercial Banking					
Net interest income	**$ 164**	$ 176	$ 170	**$ 340**	$ 343
Non-interest revenue	**59**	61	53	**120**	103
Total revenue	**223**	237	223	**460**	446
Non-interest expenses	**75**	82	81	**157**	160
Net operating income	**148**	155	142	**303**	286
Provision for credit losses	**55**	61	16	**116**	31
Income before taxes and non-controlling interest in income of trust	**93**	94	126	**187**	255
Provision for income taxes	**26**	27	32	**53**	73
Non-controlling interest in income of trust	**4**	4	4	**8**	8
Net income	**63**	63	90	**126**	174
Preferred share dividends	**6**	2	3	**8**	5
Net income attributable to common shares	**$ 57**	$ 61	$ 87	**$ 118**	$ 169
Average assets	**$ 24,808**	$ 26,241	$ 26,594	**$ 25,520**	$ 26,538

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

10. Customer group segmentation *(continued)*

	Quarter ended			*Half-year ended*	
	30 June 2009	*31 March 2009*	*30 June 2008*	***30 June 2009***	*30 June 2008*
Global Banking and Markets					
Net interest (expense) income	**$ 14**	$ (5)	$ 16	**$ 9**	$ 45
Non-interest revenue	**129**	104	59	**233**	142
Total revenue	**143**	99	75	**242**	187
Non-interest expenses	**36**	32	34	**68**	65
Net operating income	**107**	67	41	**174**	122
Provision for (recovery of) credit losses	**(1)**	9	–	**8**	–
Income before taxes and non-controlling interest in income of trust	**108**	58	41	**166**	122
Provision for income taxes	**32**	17	10	**49**	35
Non-controlling interest in income of trust	**1**	1	1	**2**	2
Net income	**75**	40	30	**115**	85
Preferred share dividends	**1**	1	1	**2**	2
Net income attributable to common shares	**$ 74**	$ 39	$ 29	**$ 113**	$ 83
Average assets	**$ 24,562**	$ 23,958	$ 21,729	**$ 24,245**	$ 21,974
Consumer Finance					
Net interest income	**$ 101**	$ 101	$ 127	**$ 202**	$ 254
Non-interest revenue	**2**	10	9	**12**	29
Total revenue	**103**	111	136	**214**	283
Non-interest expenses	**53**	48	52	**101**	110
Net operating income	**50**	63	84	**113**	173
Provision for credit losses	**67**	77	57	**144**	107
(Loss) income before taxes	**(17)**	(14)	27	**(31)**	66
(Recovery of) provision for income taxes	**(6)**	(5)	11	**(11)**	25
Net (loss) income	**(11)**	(9)	16	**(20)**	41
Preferred share dividends	**6**	7	–	**13**	–
Net (loss) income attributable to common shares	**$ (17)**	$ (16)	$ 16	**$ (33)**	$ 41
Average assets	**$ 3,619**	$ 3,918	$ 5,153	**$ 3,786**	$ 5,165

11. Guarantees, commitments, legal proceedings and contingent liabilities

Except as stated, there have been no significant changes to guarantees, commitments, legal proceedings 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 30 June 2009	*At 31 December 2008*
Financial and performance standby letters of credit	**$ 2,315**	$ 2,570
Documentary and commercial letters of credit	**333**	397
Commitments to extend credit	**36,706**	37,426
Credit and yield enhancement	**13**	14
	$ 39,367	$ 40,407

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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)

HSBC Bank Canada, a subsidiary of HSBC Holdings plc, has more than 260 offices including over 140 bank branches and is the leading international bank in Canada. With around 9,500 offices in 86 countries and territories and assets of US$2,527 billion at 31 December 2008, the HSBC Group is one of the world's largest banking and financial services organizations.

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