HSBC BANK CANADA
THIRD QUARTER 2010 REPORT TO SHAREHOLDERS

- Reported net income attributable to common shares was C$89 million for the quarter ended 30 September 2010, a decrease of 11.9 per cent over the same period in 2009.
- Reported net income attributable to common shares was C$325 million for the nine months ended 30 September 2010, an increase of 8.3 per cent over the same period in 2009.
- Return on average common equity was 9.9 per cent for the quarter ended 30 September 2010 and 12.4 per cent for the nine months ended 30 September 2010 compared with 11.8 per cent and 11.7 per cent respectively for the same periods in 2009.
- The cost efficiency ratio was 59.2 per cent for the quarter ended 30 September 2010 and 57.6 per cent for the nine months ended 30 September 2010 compared with 54.7 per cent and 52.8 per cent for the same periods in 2009.
- Total assets were C$74.1 billion at 30 September 2010 compared with C$71.6 billion at 30 September 2009.
- Total funds under management increased to C$29.7 billion at 30 September 2010 compared with C$27.0 billion at 30 September 2009.
- Tier 1 capital ratio of 13.1 per cent and a total capital ratio of 15.8 per cent at 30 September 2010 compared to 11.7 per cent and 14.4 per cent respectively at 30 September 2009.

The world's local bank

HSBC

Third Quarter 2010 Management's Discussion and Analysis

HSBC Bank Canada ("the bank", "we", "our") is an indirectly wholly-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 third quarter of 2010 is dated 2 November 2010. 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.

Financial Highlights

	Quarter ended			*Nine months ended*	
	30 September 2010	*30 June 2010*	*30 September 2009*	***30 September 2010***	*30 September 2009*
Earnings					
Net income attributable to common shares	**$ 89**	$ 152	$ 101	**$ 325**	$ 300
Basic earnings per share (C$)	**0.18**	0.30	0.20	**0.65**	0.60
Performance ratios (%)(1)					
Return on average common equity	**9.9**	17.6	11.8	**12.4**	11.7
Return on average assets	**0.49**	0.85	0.55	**0.60**	0.56
Net interest margin	**2.50**	2.55	2.36	**2.52**	2.36
Cost efficiency ratio	**59.2**	53.2	54.7	**57.6**	52.8
Non-interest revenue: total revenue ratio	**35.3**	40.8	37.6	**35.8**	42.0
Credit information					
Gross impaired credit exposures	**$ 917**	$ 911	$ 1,139		
Allowance for credit losses					
– Balance at end of period	**621**	605	709		
– As a percentage of gross impaired credit exposures	**67.7 %**	66.4 %	62.6 %		
– As a percentage of gross loans and acceptances	**1.5 %**	1.4 %	1.6 %		
Average balances(1)					
Assets	**$ 72,288**	$ 72,109	$ 72,202	**$ 72,142**	$ 71,338
Loans	**35,512**	36,220	38,934	**36,156**	40,461
Deposits	**53,344**	52,929	52,612	**53,198**	51,585
Common equity	**3,610**	3,433	3,366	**3,504**	3,417
Capital ratios (%)(2)					
Tier 1	**13.1**	13.0	11.7		
Total capital	**15.8**	15.6	14.4		
Total assets under administration					
Funds under management	**$ 29,707**	$ 27,890	$ 27,035		
Custody accounts	**9,389**	9,535	10,336		
Total assets under administration	**$ 39,096**	$ 37,425	$ 37,371		

(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 14.*

(2) *Calculated using guidelines issued by the Office of the Superintendent of Financial Institutions Canada in accordance with Basel II capital adequacy framework.*

Analysis of Financial Results

Overview

HSBC Bank Canada recorded net income attributable to common shares for the third quarter of 2010 of C$89 million, a decrease of C$12 million, or 11.9 per cent compared with the C$101 million reported in the same period in 2009, and a decrease of C$63 million or 41.4 per cent compared to C$152 million for the second quarter of 2010. Net income attributable to common shares for the nine months ended 30 September 2010 was C$325 million, compared with the C$300 million reported in the same period in 2009, an increase of C$25 million or 8.3 per cent. Good results during the first nine months of 2010 were somewhat masked by the impact of fair value accounting on economic hedges and changes in the market values of certain non-trading financial assets and liabilities. Even though no economic gain or loss occurred, these adjustments resulted in a mark-to-market loss of C$64 million in the third quarter of 2010, compared to a gain of C$12 million in the same period in 2009 and a loss of C$25 million in the second quarter of 2010. Income before tax excluding these items for the third quarter increased by 37.3 per cent over the comparative period in 2009 and decreased by 19.6 per cent compared to the second quarter of 2010. For the nine months ended 30 September 2010, income before tax excluding these mark-to-market adjustments increased by 69.8 per cent compared to the same period in 2009.

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

“Satisfactory operating results for the third quarter of 2010 reflect the strong fundamentals underpinning the bank’s core businesses.

“Uncertainty remains regarding the strength of Canada’s economic recovery. However, HSBC’s financial strength and strong liquidity position have enabled us to continue meeting our customers’ needs through the tough times and our international connectivity means we are perfectly placed to support their growth ambitions as activity picks up.”

Net interest income

Net interest income for the third quarter of 2010 was C$396 million, compared with C$368 million for the same quarter in 2009, an increase of C$28 million, or 7.6 per cent. This resulted from an increase in average interest earning assets from C$61.8 billion to C$62.8 billion and an increase in net interest margin to 2.50 per cent in the quarter compared with 2.36 per cent in the same quarter of 2009, despite a shift in asset mix from higher earning commercial loans to lower yielding government securities as a result of a lower demand for credit.

Net interest income from core banking operations, which consists of the Personal Financial Services, Commercial Banking and Global Banking and Markets businesses, increased by C$37 million or 13.1 per cent from the same period in 2009. This was as a result of an increase in net interest margin to 2.11 per cent in the third quarter of 2010 from 1.92 per cent in the same period last year, and an increase in average interest earning assets from C$58.3 billion to C$60.0 billion. The net interest margin for core banking operations increased as a result of a reduction in funding and liquidity costs and the positive impact from higher interest rates and a more stable interest rate environment than the comparable period in 2009. In addition, net interest margin in the current quarter was positively impacted by a growth in commercial deposits and pricing initiatives in previous periods on commercial loans, reflecting changes in the credit environment as well as increases in the prime interest rate, although the volumes of commercial loans declined. Net interest income for the Consumer Finance business decreased by C$9 million or 10.5 per cent compared to the same quarter in 2009 mainly as a result of a reduction in average receivables of 20.4 per cent to C$2.8 billion due to lower loan originations, partially offset by lower funding costs.

Analysis of Financial Results *(continued)*

Net interest income for the third quarter of 2010 increased by C$3 million, or 0.8 per cent, compared to the second quarter of 2010. Average interest earning assets increased by 1.7 per cent while the net interest margin decreased by five basis points, to 2.50 per cent, reflecting a movement of funds to lower yielding securities. Compared to the second quarter of 2010, the net interest margin for core banking operations decreased by one basis point, due to lower commercial lending volumes and margins as the prime rate to banker's acceptance spread narrowed. These factors were partially offset by a growth in deposit volumes which were invested in lower yielding securities. The net interest margin for the Consumer Finance business increased by three basis points due to the expiration of promotional pricing on certain loans, partially offset by a decrease in receivables as a result of lower loan originations.

On a year-to-date basis, net interest income was C$1,169 million in 2010 compared with C$1,086 million in the same period last year, an increase of C$83 million, or 7.6 per cent. Net interest margin increased by 16 basis points to 2.52 per cent, while average interest earning assets increased by C$0.6 billion. This increase resulted from the factors noted above, whereas in 2009 the bank experienced a compression of margins resulting from economic actions taken by governments at that time to counter the world-wide recession.

Non-interest revenue

Non-interest revenue was C$216 million in the third quarter of 2010, compared with C$222 million for the same quarter in 2009, a decrease of C$6 million, or 2.7 per cent. Canadian generally accepted accounting principles require that mark-to-market changes in the fair values of derivatives used as hedges for certain of the bank's non-trading assets and liabilities that do not qualify for hedge accounting are recorded in income although no economic loss has arisen. This includes derivatives related to certain mortgage securitization programs where the bank does not expect to realize any gains or losses as the intent is to hold such derivatives to maturity. Similarly, changes in market values of certain other non-trading financial assets and liabilities are also required to be included in reported income, even though no economic gain or loss has resulted. These non-cash items are primarily driven by changes in market interest and foreign exchange rates or refinement of model assumptions used in valuing certain complex financial instruments. Changes in mark-to-market values can create significant inter-period volatility in the bank's reported results, but as these instruments are normally held to their maturity, there is no resulting economic gain or loss. The impact of these mark-to-market changes on non-interest revenue in the Global Banking and Markets business in the third quarter of 2010 was a charge of C$64 million compared to a credit of C$12 million in the third quarter of 2009.

Excluding the impact of the other mark-to-market accounting losses noted above, non-interest revenue increased by C$70 million or 33.3 per cent from the same quarter in 2009. Trading revenue in Global Banking and Markets was C$34 million higher in the third quarter of 2010 compared to the same period in the prior year. The increase compared to the prior year is primarily due to a C$42 million markdown on the bank's non-bank Canadian asset backed commercial paper ("ABCP") portfolio that was recorded in trading income in the third quarter of 2009. This was partially offset by lower trading gains compared to 2009, which benefited from volatile interest and foreign exchange markets and the favourable impact of foreign currency funding in the lower interest rate environment at that time. Other income was C$22 million higher due to increases in recoveries for HSBC Technology Services from other HSBC Group companies and a C$8 million increase in fees from the Global Investor Immigration Services ("GIIS") program, partially offset by a C$3 million write down following a decision to expense certain computer software related to regulatory systems. Gains on available-for-sale ("AFS") securities were C$16 million higher, reflecting gains on securities sold in the third quarter of 2010, compared to a charge of C$11 million for other-than-temporary impairment in the same period last year. Credit fees were C$6 million higher due to pricing initiatives in the Commercial Banking business. Investment administration fees in the Personal Financial Services business were also C$6 million higher reflecting the increased market values of customer portfolios compared to the prior year. Capital market fees in Global Banking and Markets were C$11 million lower due to a lower level of activities in underwriting, advisory, equity and debt markets in 2010 compared to the same period in the previous year.

Analysis of Financial Results *(continued)*

Non-interest revenue for the third quarter of 2010 was C$55 million or 20.3 per cent lower than the second quarter of 2010. Excluding the impact of other mark-to-market accounting losses of C$64 million, which were C$39 million worse than losses of C$25 million in the second quarter of 2010, non-interest revenue decreased by C$16 million or 5.4 per cent. Securitization income was C$10 million higher as a result of a higher volume of transactions compared to the second quarter. Other income was C$7 million higher primarily due to increases in recoveries from other HSBC Group companies and a C$3 million increase in fees from the GIIS program, which were partially offset by a C$5 million decrease due to the sale of insurance annuities in the second quarter. Trading revenue was C$27 million lower mainly reflecting a C$20 million recovery in the second quarter of previously recorded losses arising from the disposal of substantially all of the bank's ABCP portfolio. Gains on AFS securities were C$3 million lower than the second quarter and capital market fees also decreased by C$3 million, reflecting a lower level of activity than in the prior quarter.

On a year-to-date basis, non-interest revenue was C$653 million in 2010, compared with C$788 million in the same period last year, a decrease of C$135 million, or 17.1 per cent. Other mark-to-market losses were C$201 million which, when compared to gains of C$61 million recorded in the same period in 2009, had an adverse impact of C$262 million. Excluding the impact of these items, non-interest revenue increased by C$127 million or 17.5 per cent. Other income was C$65 million higher, primarily due to increases in fees from the GIIS program of C$18 million, increased loan insurance revenues of C$3 million and increases in recoveries from other HSBC Group companies, while 2009 reflected the adverse impact of a C$20 million loss contingency. Credit fees were C$27 million higher due to pricing initiatives and investment administration fees were C$21 million higher reflecting the increased average market values of customer portfolios as well as increased sales of investment products. Trading revenue was C$11 million higher than the same period in 2009. Trading income in 2010 included a C$20 million recovery of previously recorded losses as a result of the disposal of substantially all of the bank's ABCP portfolio, compared to a C$25 million year-to-date mark-to-market write down recorded in 2009. Excluding these ABCP related amounts, trading income decreased by C$34 million in 2010, as 2009 benefited from volatile interest and foreign exchange markets. Securitization income was C$9 million higher compared to the previous year. Foreign exchange revenue was C$5 million higher than the prior year. Capital market fees were C$12 million lower than the same period in 2009, reflecting a lower level of activity in 2010.

Non-interest expenses

Non-interest expenses of C$362 million in the third quarter of 2010 were C$39 million or 12.1 per cent higher than the same period in 2009. Salaries and employee benefits were little changed compared to the previous year. Full time salaries in the Consumer Finance business decreased following reductions in branch operations and there were lower stock-based compensation costs. However, these decreases were offset by higher salary expenses relating to the delivery of technology services to other HSBC Group companies, reflecting the correspondingly higher level of recoveries noted above, and an increase in performance-based incentives as a result of better underlying performance. Premises and equipment expenses increased marginally due to the termination of certain equipment contracts. Other non-interest expenses were C$36 million higher mainly due to increased expenses related to the delivery of technology services to other HSBC Group companies, with the related recoveries recorded in non-interest revenue, and higher brokerage expenses resulting from increased activity in the GIIS program. The cost efficiency ratio for the third quarter of 2010 was 59.2 per cent compared to 54.7 per cent in the same period in 2009 mainly as a reflection of the adverse swing in other mark-to-market accounting gains and losses, which is a non-cash item. Excluding the impact of this swing, the cost efficiency ratio improved by 2.3 percentage points.

Analysis of Financial Results *(continued)*

Non-interest expenses for the third quarter of 2010 were C$9 million or 2.5 per cent higher than the second quarter of 2010. Salaries and employee benefits were marginally lower while premises and equipment expenses were C$5 million lower mainly due to property tax payments as well as certain contract termination expenses in the prior quarter. Other expenses were C$15 million higher, primarily due to increased expenses related to the delivery of technology services to other HSBC Group companies, with the related recoveries recorded in non-interest revenue. The cost efficiency ratio was 59.2 per cent compared to 53.2 per cent in the second quarter as a result of the impact of other mark-to-market losses noted above. Excluding the impact of this item, the cost efficiency ratio worsened by 2.4 percentage points compared to the second quarter due to the cost increases noted above and the decrease in non-interest revenue.

On a year-to-date basis, non-interest expenses were C$1,050 million in 2010, compared with C$989 million in the same period last year, an increase of C$61 million or 6.2 per cent. Salaries and employee benefits were C$5 million lower mainly due to lower full time salaries in the Consumer Finance business following reductions in branch operations and lower stock based compensation following reductions in awards, offset by slightly higher performance-based incentives. Premises and equipment expenses were C$3 million higher compared to the same period in 2009. Other non-interest expenses were C$63 million higher mainly due to increased expenses relating to the delivery of technology services to other HSBC Group companies, with the related recoveries recorded in non-interest revenue, higher brokerage expenses resulting from increased activity in the GIIS program and increased marketing expenditures as the bank continues to promote its brand. This was partially offset by reductions in corporate capital taxes. On a year-to-date basis, the cost efficiency ratio was 57.6 per cent compared to 52.8 per cent in 2009. Excluding the impact of the other mark-to-market items noted above, the cost efficiency ratio improved by 2.7 percentage points compared to the prior year.

Credit quality and provision for credit losses

The provision for credit losses was C$97 million in the third quarter of 2010 and the third quarter of 2009, and C$66 million for the second quarter of 2010. The increase compared to the second quarter resulted from losses on a small number of specific credit facilities. On a year-to-date basis, the provision for credit losses decreased by C$158 million, or 41.1 per cent, to C$226 million in 2010. Although conditions still remain uncertain, the improvement in 2010 compared to 2009 was due to a decrease in specific provisions for credit losses reflecting improved economic conditions and lower delinquencies in the Consumer Finance business. Gross impaired credit exposures were C$917 million, compared with C$1,022 million at 31 December 2009 and C$1,139 million at 30 September 2009. Total impaired exposures, net of specific allowances for credit losses, were C$696 million at 30 September 2010 compared with C$836 million at 31 December 2009 and C$898 million at 30 September 2009. Total impaired exposures includes C$158 million (31 December 2009 – C$214 million, 30 September 2009 – C$218 million) of Consumer Finance and other consumer loans, for which impairment is assessed collectively. The general allowance applicable to Consumer Finance loans was C$148 million compared to C$201 million at 31 December 2009 and C$209 million at 30 September 2009. The total general allowance was C$400 million compared to C$452 million and C$468 million at 31 December 2009 and 30 September 2009 respectively. The total allowance for credit losses, as a percentage of loans and acceptances outstanding, was 1.5 per cent at 30 September 2010, unchanged from 31 December 2009 and slightly lower than 1.6 per cent at 30 September 2009.

Income taxes

The effective tax rate in the third quarter of 2010 was 28.6 per cent, compared with 29.3 per cent in the same quarter of 2009 and 29.8 per cent in the second quarter of 2010. The lower effective tax rate in the current quarter resulted from the recognition of certain investment tax credits relating to prior years.

Analysis of Financial Results *(continued)*

Balance sheet

Total assets at 30 September 2010 were C$74.1 billion, an increase of C$2.8 billion from 31 December 2009 and C$2.5 billion from 30 September 2009. The increase in total assets is primarily due to a C$2 billion increase in settlement accounts (included in “other assets”, with a corresponding increase in “other liabilities”), which can fluctuate significantly from period to period depending on the timing and volume of transactions around reporting periods. The balances in these accounts were particularly high at 30 September 2010 as a result of a substantial increase in activity related to the facilitation of trades on behalf of our HSBC Group affiliates, which is consistent with the bank's strategy to improve and leverage its international connectivity. Liquidity remained strong at 30 September 2010, with C$27.6 billion of cash resources, securities and reverse repurchase agreements, compared to C$25.1 billion at 31 December 2009 and C$24.2 billion at 30 September 2009. This was partially offset by a decrease of C$1.4 billion in business and government loans and customers liabilities under acceptances from the end of 2009, which arose as a result of lower borrowing demands from clients who are de-leveraging their exposures following the effect of the world-wide recession and a reduction in our real estate exposures. There was also a decrease in Consumer Finance receivables of C$0.5 billion and a decrease in the net amount of residential mortgages outstanding of C$0.3 billion as a result of lower loan originations arising from credit tightening decisions. In the Personal Financial Services business higher demand resulted in an increase in consumer loans and personal lines of credit of C$0.2 billion from the end of 2009.

Total deposits increased to C$51.9 billion at 30 September 2010 from C$50.2 billion at 31 December 2009 and C$49.5 billion at 30 September 2009. The main drivers for the increases were business deposits together with smaller increases in wholesale deposits, which are included in business and government deposits.

Total assets under administration

Funds under management were C$29.7 billion at 30 September 2010, an increase of C$1.5 billion from 31 December 2009 and an increase of C$2.7 billion from 30 September 2009. Including custody and administration balances, total assets under administration were C$39.1 billion compared with C$38.9 billion at 31 December 2009 and C$37.4 billion at 30 September 2009.

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 25 to 39 of our 2009 Annual Report and Accounts. Unless stated, there have been no changes in our processes nor material changes in quantitative factors during the third quarter of 2010.

Impaired loans

The following table provides details of the impaired loan portfolio:

	At 30 September 2010	*At 31 December 2009*
Business and government		
Real estate	**$ 396**	$ 439
Manufacturing[1]	**66**	98
Trade	**94**	64
Services	**41**	67
Other	**78**	78
Total business and government loans	**675**	746
Personal		
Residential mortgages	**84**	62
Consumer finance loans	**122**	176
Other consumer loans	**36**	38
Total personal loans	**242**	276
Total impaired loans, guarantees, acceptances and letters of credit[1]	**$ 917**	$ 1,022
Specific allowances	**$ 221**	$ 186
General allowances	**400**	452
Total allowance for credit losses	**$ 621**	$ 638
Net impaired loans and acceptances	**$ 296**	$ 384

(1) *Includes C$8 million (2009 – C$15 million) of impaired acceptances and letters of credit.*

Securities

During the second quarter, the bank disposed of substantially all of its non-bank asset-backed commercial paper (“ABCP”) previously included in trading securities. The carrying value of the remaining holdings amount to nil.

Risk Management *(continued)*

Value at Risk (VaR)

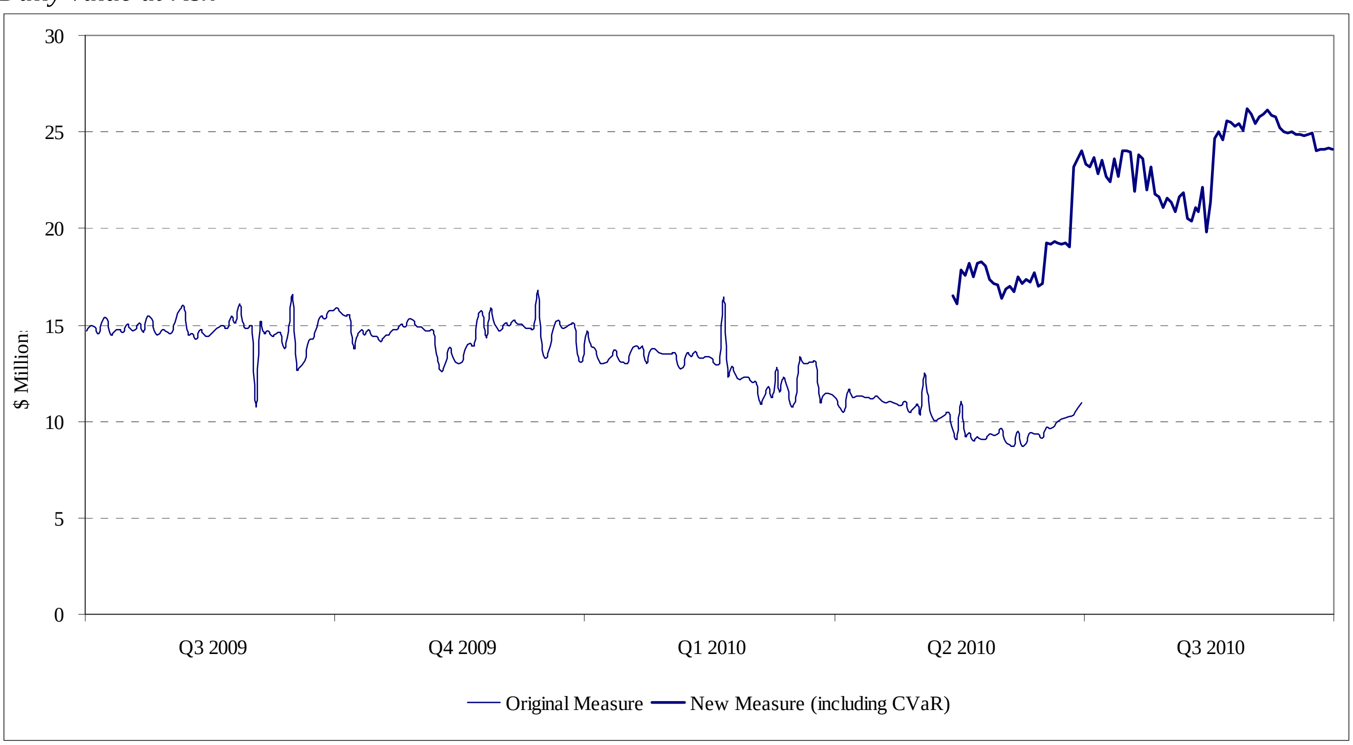
VaR is a technique that estimates the potential losses that could occur on risk positions as a result of movements in market rates and prices over a specified time horizon and to a given level of confidence. Information in connection with value at risk is included in our 2009 Annual Report and Accounts on pages 37 and 38.

The Group's policy regarding the Value at Risk ("VaR") calculation for the banking and trading books was expanded to include Credit VaR ("CVaR") from available-for-sale ("AFS") positions in May 2010 and Idiosyncratic Credit VaR ("ICVaR") from trading positions in May 2010 and AFS positions in August 2010. CVaR consists of Historical Simulation Credit VaR and ICVaR. ICVaR captures the residual market risk of a specific issuer that is not captured in the Historical Simulation Credit VaR. The bank's AFS portfolio includes mortgage backed securities ("MBS") issued by Canada Mortgage and Housing Corporation ("CMHC"). Although these securities are fully guaranteed by the Canadian government, they trade at a spread over Government of Canada bonds, thus generating CVaR.

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 September 2010
End of quarter	**$**	**24**
Average		**24**
Minimum		**20**
Maximum		**26**

Daily value at risk



Risk Management *(continued)*

Capital Management

	At 30 September 2010	*At 31 December 2009*
Total Tier 1 capital	**$ 4,686**	$ 4,567
Total Tier 2 capital	**945**	1,041
Total Tier 1 and Tier 2 capital available for regulatory purposes	**5,631**	5,608
Total risk-weighted assets	**$ 35,666**	$ 37,674
Actual regulatory capital ratios		
Tier 1 capital	**13.1 %**	12.1 %
Total capital	**15.8 %**	14.9 %
Actual assets to capital multiple	**13.4 x**	12.9 x
Minimum regulatory capital ratios required		
Tier 1 capital	**7.0 %**	7.0 %
Total capital	**10.0 %**	10.0 %

The HSBC HaTS-Series 2010, which is included in Tier 1 capital will be redeemed at par on 31 December 2010.

Credit Ratings

Standard & Poor's ("S&P") and DBRS® maintain credit ratings of our debt and securities. The ratings are made within the rating agencies' normal classification system for each type of debt or security. Our credit ratings influence our ability to secure cost-efficient wholesale funding.

Investment grade ratings are unchanged from 2009 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 pages 21 and 22 of the 2009 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 page 20 of the 2009 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 2009, 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. For financial instruments, including derivatives, valued using significant non-observable market inputs (level 3), assumptions and methodologies used in our models are continually reviewed and revised to arrive at better estimates of fair value.

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 17 and page 20 of the 2009 Annual Report and Accounts. There were no changes to the significant accounting policies and methods of computation, except for changes in model assumptions and refinements in models, as appropriate, from those used in the preparation of the bank's consolidated financial statements for the year ended 31 December 2009, which were outlined on pages 52 to 59 of the 2009 Annual Report and Accounts.

Certain amendments to the CICA Handbook relating to business combinations were effective for the first quarter of 2010, but these had no material impact on the bank's consolidated financial statements.

Outstanding shares and securities

	At 2 November 2010	
	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		
HSBC Bank Canada	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. The securities will be redeemed at par on 31 December 2010.*

(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 third quarter of 2010, 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 2009 Annual Report and Accounts.

Dividend record and payable dates for the bank's preferred shares for the remainder of 2010 and 2011, subject to approval by the Board, are:

2010		2011	
Record Date	Payable Date	Record Date	Payable Date
15 December	31 December	15 March	31 March
		15 June	30 June
		15 September	30 September
		15 December	31 December

The payable dates for HSBC HaTS distributions in 2010 and 2011 are 31 December 2010, 30 June 2011 and 31 December 2011.

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 2010 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 September 2010, 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 September 2010 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 2009 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 and foreign exchange 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. 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 September 2010*	*30 June 2010*	*31 March 2010*	*31 December 2009*	*30 September 2009*	*30 June 2009*	*31 March 2009*	*31 December 2008*
Net interest income	**396**	$ 393	$ 380	$ 393	$ 368	$ 368	$ 350	$ 375
Non-interest revenue	**216**	271	166	309	222	289	277	249
Total revenue	**612**	664	546	702	590	657	627	624
Non-interest expenses	**362**	353	335	334	323	341	325	321
Net operating income	**250**	311	211	368	267	316	302	303
Provision for credit losses	**97**	66	63	131	97	126	161	136
Income before the undernoted	**153**	245	148	237	170	190	141	167
Provision for income taxes	**42**	71	43	66	48	54	39	38
Non-controlling interest in income of trust	**6**	7	6	7	6	7	6	7
Net income	**105**	$ 167	$ 99	$ 164	$ 116	$ 129	$ 96	$ 122
Preferred share dividends	**16**	15	15	16	15	15	11	7
Net income attributable to common shares	**89**	$ 152	$ 84	$ 148	$ 101	$ 114	$ 85	$ 115
Basic earnings per share (C$)	**0.18**	0.30	0.17	0.30	0.20	0.23	0.17	0.22

The quarterly trends in revenue and expenses were disclosed on page 12 of the 2009 Annual Report and Accounts.

Review of Customer Group Results

Personal Financial Services

Key Initiatives

- HSBC Wealth Management continued to rank second amongst the Canadian banks in year-to-date net mutual fund sales *(Source: Investment Funds Institute of Canada's August report)*. This has contributed to an increase in total assets under management of 6.5 per cent in the third quarter and 5.4 per cent year to date.
- Launched a new product proposition, "HSBC Advance", which combines international banking with wealth management services, aimed at increasing our market share of emerging affluent customers, with a television and print campaign in business, lifestyle and cultural publications and websites, reaching an internationally minded target audience.

Financial Highlights

Income before taxes and non-controlling interest in income of trust for the third quarter of 2010 was C$14 million compared with C$15 million for the same period in 2009, a decrease of C$1 million. Net interest income was C$18 million lower mainly due to tight spreads on personal deposit balances and movement of funds from term deposits to assets under management. Non-interest revenue was C$26 million higher due to revenues from wealth management business resulting from stronger sales and increased activity in stock markets and prior year's markdown of non-bank ABCP. Non-interest expenses were C$12 million higher mainly due to higher salary costs related to higher commission expense due to increase in variable revenues relating to securities business, higher corporate incentives and expenses relating to termination of certain equipment contracts partially offset by lower severance costs, certain commodity tax recoveries and cost control measures. The provision for credit losses was C$3 million lower due to a lower collective impairment charge in the current year.

Income before taxes and non-controlling interest in income of trust was C$14 million compared with C$8 million for the second quarter of 2010, an increase of C$6 million. Net interest income was C$3 million higher mainly due to increase in volumes on personal notice deposits partially offset by a decrease in volumes on personal fixed deposit products as funds moved from term deposits to assets under management. Non-interest revenue was C$8 million higher mainly due to higher revenues from wealth management business due to stronger sales, and higher net Global Investor Immigration Services (GIIS) revenues partially offset by recovery of previously recorded losses on non-bank ABCP of C$7 million recorded in the prior quarter, lower securitization income and lower customer trading volumes due to decreased market activity. Non-interest expenses were C$5 million higher mainly due to higher severance costs, higher corporate incentives and expenses relating to termination of certain equipment contracts partially offset by lower marketing expense, lower business taxes and other cost control measures. The provision for credit losses remained unchanged compared with second quarter of 2010.

On a year-to-date basis, income before taxes and non-controlling interest in income of trust was C$45 million, compared with C$24 million for the same period last year, an increase of C$21 million. Net interest income was C$37 million lower due to lower liquidity premiums and continued spread compression on retail deposits due to competitive pricing and movement of funds from term deposits to assets under management. This was partially offset by product growth in personal loans and residential mortgages. Non-interest revenue was C$79 million higher mainly due to revenues from wealth management business due to stronger sales and increased market activity resulting in higher client trading volumes and recovery of previously recorded losses on non-bank ABCP of C$7 million, prior year's loss contingency and markdown of non-bank ABCP. Non-interest expenses were C$28 million higher mainly due to higher staff and incentive costs, expenses relating to termination of certain equipment contracts, higher marketing expenses and certain commodity tax recoveries realized in prior year. This was partially offset by lower severance costs and cost control measures. The provision for credit losses was C$7 million lower mainly due to prior year's non-bank ABCP related provision of C$12m partially offset by higher collective impairments in the current year.

Review of Customer Group Results *(continued)*

Commercial Banking

Key Initiatives

- CMB continued to leverage our Global Banking and Markets capabilities and international connectivity through our Global Links system which tracks and measures cross-border CMB referrals within HSBC worldwide, resulting in increased referrals and revenues from foreign exchange, equity and debt capital markets and derivative instruments.
- CMB continued to execute our Business Direct strategy, with the successful migration of a large number of existing clients as well as new client acquisitions.
- Driven by Payments and Cash Management initiatives, CMB's deposits have grown C$1.6 billion year on year and contributed to narrowing the funding gap.

Financial Highlights

Income before taxes and non-controlling interest in income of trust for the third quarter of 2010 was C$127 million, an increase of C$1 million, compared with C$126 million in the same quarter in 2009. Net interest income increased C$10 million driven by higher net interest margins and growth in commercial deposits from the Mid-Market (MME) and Business Banking (BB) segments. This was partially offset by lower lending volumes largely in the real estate sector. Non-interest revenue was C$32 million higher driven by growth of fees from bankers' acceptances and standby credits, trade finance revenues and a C$12 million mark down of non-bank ABCP in 2009. Non-interest expenses increased C$20 million mainly due to an increase in staff remuneration, Group charges and expenses relating to the delivery of Technology Services to other HSBC Group companies. Provisions for credit losses were C$21 million higher driven by an increase in losses from the real estate and automotive sectors.

Income before taxes and non-controlling interest in income of trust for the third quarter of 2010 of C$127 million was C$18 million, or 12.4 per cent lower than the second quarter of 2010. Net interest income was C$6 million higher due to increased lending margins as the Prime/BA spread increased 10bps and growth in deposit volumes. This was partially offset by lower lending volumes. Non-interest revenue increased C$2 million, driven by higher gains from HSBC Capital Canada's Private Equity Fund. Non-interest expense remained relatively flat. Provisions for credit losses were C$25 million higher due to increased provisions in the real estate, trade and automotive sectors.

On a year-to-date basis, income before taxes and non-controlling interest in income of trust was C$427 million, compared with C$313 million in the same period last year, an increase of C$114 million, or 36.4 per cent. Net interest income was C$42 million higher due to higher lending margins and growth in commercial deposits, partially offset by lower lending volumes in the MME and Commercial Real Estate (CRE) segments. Non-interest revenue increased C$64 million compared to prior year due to an increase in fees from bankers' acceptances and standby credits and higher foreign exchange commissions. Additionally, there was a C$7 million recovery of provision in excess of write down value for non-bank ABCP held, compared to a net C$6 million mark down of non-bank ABCP in 2009. Non-interest expenses were C$31 million higher compared to prior year due to an increase in staff remuneration, branch network charges, Group charges and expenses relating to the delivery of Technology Services to other HSBC Group companies, partially offset by lower capital tax expense. Provisions for credit losses decreased C$39 million resulting from reduced provisions in the manufacturing, trade and service sectors.

Review of Customer Group Results *(continued)*

Global Banking and Markets

Key Initiatives

- Continued to focus on cross-border capital market and banking activities by leveraging our global capabilities.
- Continued to focus on initiatives to improve the Bank's overall liquidity and funding position, including the securing of C$1.1 billion of term funding in the third quarter following a successful national Investor Roadshow.

Financial Highlights

Income before taxes and non-controlling interest in income of trust for the third quarter of 2010 was C$7 million, a decrease of C$27 million, compared with the same period in 2009. Excluding the impact of mark-to-market accounting losses, income before taxes was C$71 million in the third quarter, or C$49 million higher than the same period in 2009. Net interest income was C$45 million higher due to the reduction in funding and liquidity costs and the positive impact from the increase in the Bank of Canada interest rates and the stable interest rate environment. Non-interest revenue decreased by C$74 million mainly from the impact of mark-to-market accounting losses on interest rate derivatives used as economic hedges and a reduction in the translation gains recorded on US dollar funding of US dollar AFS securities partially offset by a reduction in negative hedge ineffectiveness. Excluding the impact of these mark-to-market accounting losses non-interest revenues increased C$3 million due to a C$14 million markdown of non-bank ABCP in 2009 offset by lower capital markets fees.

Income before taxes and non-controlling interest in income of trust for the third quarter of 2010 was C$7 million, a decrease of C$61 million compared with the second quarter of 2010. Non-interest revenue was C$59 million lower compared to the prior quarter mainly due to the impact of mark-to-market accounting losses on interest rate derivatives used as economic hedges partially offset by translation gains recorded on US dollar funding of US dollar AFS securities. Excluding the impact of these mark-to-market accounting losses non-interest revenues decreased by C$18 million due to a reduction in gains on sale of AFS securities and a net C$7 million recovery of provision in excess of write down value for non-bank ABCP held incurred in the second quarter of 2010.

On a year-to-date basis, income before taxes and non-controlling interest in income of trust was C$31 million, a decrease of C$169 million from the same period last year. Excluding the impact of mark-to-market accounting losses, income before taxes was C$232 million for the year to date, or C$93 million higher than the same period in 2009. Net interest income was C$128 million higher compared to the prior year due to the reduction in funding and liquidity costs and the positive impact from the increase in Bank of Canada interest rates and the stable interest rate environment. Non-interest revenue was C$301 million lower mainly from the impact of mark-to-market accounting losses on interest rate derivatives used as economic hedges and by a reduction in the translation gains recorded on US dollar funding of US dollar AFS securities and a reduction. This was offset by a decrease in mark-to-market accounting losses incurred on the value of our own debt due to changes in credit spread. Excluding the impact of these mark-to-market accounting losses non-interest revenues decreased C$34 million mainly due to a reduction in gains on sale of AFS securities, a decrease in capital market fees due to an overall decrease in market activities and a decrease in core rates and credit trading profits. Non-interest expense was C$12 million higher due to increase in other staff costs and support costs. Provisions for credit losses were C$16 million lower mainly due to the markdown of non-bank ABCP in 2009.

Review of Customer Group Results *(continued)*

Consumer Finance

Key Initiatives

- Modest growth of retail services client base and volumes.
- Continued to manage risk and improved credit quality.

Financial Highlights

Income before taxes for the third quarter of 2010 was C$5 million compared with a loss of C$5 million for the same period in 2009. Net interest income was C$9 million lower due to lower receivables as a result of lower loan originations, partially offset by lower funding costs. Non-interest revenue was C$10 million higher mainly due to an other-than-temporary impairment ("OTTI") of C$11 million recorded on certain AFS MBS in 2009. Non-interest expenses were higher by C$4 million primarily due to higher marketing and outside services costs. The provision for credit losses decreased by C$13 million over the comparative period, due to reduced delinquency arising from improved economic conditions, investments in credit collection processes and credit tightening decisions.

Income before taxes of C$5 million for the third quarter of 2010 was C$19 million lower compared to that reported in the second quarter of 2010. Net interest income was lower by C$5 million, primarily due to lower receivables, as a result of lower loan originations. Non-interest revenue was lower by C$6 million mainly due to the sale of insurance annuities in the second quarter. Non-interest expenses were slightly higher, while credit provisions were slightly higher in the third quarter due to increased judgmental reserves in the current period.

On a year-to-date basis, income before taxes was C$43 million compared to a loss of C$36 million in 2009. Net interest income was C$50 million lower due to lower receivables. Non-interest revenue was C$23 million higher due to the sale of certain insurance annuities in 2010, OTTI recorded on AFS mortgage-backed securities in 2009, and the impact of changing credit spreads on the fair value of our own debt resulting in a credit in the current year compared to a charge in 2009. Non-interest expense decreased by C$10 million from the comparative period. Excluding the restructuring charge of C$5 million in 2009, non-interest expense reduced C$5 million as a result of a reduction of the branch network together with other cost control measures. The provision for credit losses decreased C$96 million due to lower delinquency levels in 2010 compared to the prior period.

Transition to International Financial Reporting Standards ("IFRS")

As previously reported, the bank will adopt IFRS with effect from 1 January 2011 and prepare its financial statements in accordance with IFRS from that date.

We continue to make progress on our IFRS implementation project during the third quarter of 2010. Pages 18 and 19 of our 2009 Annual Report and Accounts contain a discussion of the key elements of our implementation plan including: our project governance structure, implementation strategy, expected impacts of transitioning to IFRS and to anticipated future changes to IFRS.

As permitted under IFRS, we have taken the decision to align locally reported IFRS results with the results previously reported to our ultimate parent, HSBC Holdings plc which adopted IFRS in 2005, as part of their consolidated financial statements. In addition to aligning our reporting, we will align our accounting policies, where possible, with those of the HSBC Group's world-wide accounting policies. We have advanced significantly in our preparations to establish comparative 2010 figures and disclosures for the purposes of reporting in 2011 under IFRS. From our 2011 First Quarter Interim Report and Accounts, the bank will change its reporting format to be similar to other entities reporting under IFRS within the HSBC Group. The presentation format currently in use, which is based on the Canadian regulatory filing formats, will be discontinued although regulatory reports will be filed using the existing format.

Expected financial impact of adoption of IFRS

On pages 18 to 20 of our 2010 Second Quarter Interim Reports and Accounts contain a discussion of expected impact of IFRS on our capital adequacy requirements, our internal controls over financial reporting and disclosure controls and procedures, business activities and communication to investors. We have identified the items that will have an impact on our financial results reported under IFRS and items impacted by aligning the accounting policy of the bank with the accounting policies of our parent. We have finalized our consolidated opening balance sheet under IFRS at 1 January 2010 and are currently reviewing this with our auditors. The financial impact on total shareholders' equity at 1 January 2010 of adopting IFRS is expected to be a decrease of approximately $150 million mainly relating to employee defined benefit plans, securitizations, foreign exchange on available-for-sale securities, hedge accounting and associated tax expense.

We estimate that as a result of the decrease in shareholder's equity noted above, on a pro-forma basis, as at 1 January 2010, the total regulatory capital as a percentage of risk-weighted assets deteriorated slightly from 14.9 to 14.5 per cent, however remaining well above the minimum regulatory requirement of 10 per cent. In addition, as at 1 January 2010, we estimate that the regulatory asset-to-capital multiple on a pro-forma basis, would increase, mainly as a result of securitized loans which are not derecognized under IFRS, from 12.9 to 14.5 times, which remains well within the regulatory maximum. However, these above impacts may be reduced by certain relief provisions provided by the Canadian banking regulators available during the initial two year phase in period.

Consolidated Statements of Income (Unaudited)

Figures in C$ millions (except per share amounts)	*Quarter ended*			*Nine months ended*	
	30 September 2010	*30 June 2010*	*30 September 2009*	***30 September 2010***	*30 September 2009*
Interest income:					
Loans	**$ 470**	$ 444	$ 471	**$ 1,354**	$ 1,518
Securities	**76**	70	68	**214**	204
Deposits with regulated financial institutions	**4**	3	3	**11**	10
	550	517	542	**1,579**	1,732
Interest expense:					
Deposits	**130**	98	138	**325**	522
Interest bearing liabilities of subsidiaries, other than deposits	**16**	18	26	**60**	95
Debentures	**8**	8	10	**25**	29
	154	124	174	**410**	646
Net interest income	**396**	393	368	**1,169**	1,086
Non-interest revenue:					
Deposit and payment service charges	**28**	28	29	**83**	83
Credit fees	**49**	49	43	**143**	116
Capital market fees	**24**	27	35	**83**	95
Investment administration fees	**36**	36	30	**105**	84
Foreign exchange	**12**	13	12	**36**	31
Trade finance	**6**	5	6	**17**	19
Trading revenue (loss)	**19**	46	(15)	**85**	74
Gains (losses) on available-for-sale and other securities	**3**	6	(13)	**12**	9
Securitization income	**22**	12	24	**72**	63
Other	**81**	74	59	**218**	153
Other mark-to-market accounting (losses) gains, net	**(64)**	(25)	12	**(201)**	61
	216	271	222	**653**	788
Total revenue	**612**	664	590	**1,822**	1,874
Non-interest expenses:					
Salaries and employee benefits	**187**	188	185	**552**	557
Premises and equipment	**42**	47	41	**131**	128
Other	**133**	118	97	**367**	304
	362	353	323	**1,050**	989
Net operating income before provision for credit losses	**250**	311	267	**772**	885
Provision for credit losses	**97**	66	97	**226**	384
Income before provision for income taxes and non-controlling interest in income of trust	**153**	245	170	**546**	501
Provision for income taxes	**42**	71	48	**156**	141
Non-controlling interest in income of trust	**6**	7	6	**19**	19
Net income	**$ 105**	$ 167	$ 116	**$ 371**	$ 341
Preferred share dividends	**16**	15	15	**46**	41
Net income attributable to common shares	**$ 89**	$ 152	$ 101	**$ 325**	$ 300
Average common shares outstanding (000)	**498,668**	498,668	498,668	**498,668**	498,668
Basic earnings per share (C$)	**0.18**	0.30	0.20	**0.65**	0.60

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

Consolidated Balance Sheets (Unaudited)

Figures in C$ millions	***At 30 September 2010***	*At 31 December 2009*	*At 30 September 2009*
Assets			
Cash resources:			
Cash and non-interest bearing deposits with the Bank of Canada and other banks	**$ 852**	$ 652	$ 1,190
Deposits with regulated financial institutions	**1,708**	1,245	1,278
	2,560	1,897	2,468
Securities:			
Available-for-sale	**15,160**	12,682	11,835
Held-for-trading	**2,574**	1,986	2,085
Other	**43**	41	41
	17,777	14,709	13,961
Securities purchased under reverse repurchase agreements	**7,274**	8,496	7,743
Loans:			
Business and government	**17,207**	18,442	19,000
Residential mortgages	**11,067**	11,359	11,353
Consumer finance loans	**2,653**	3,199	3,334
Other consumer loans	**5,969**	5,742	5,698
Allowance for credit losses	**(621)**	(638)	(709)
	36,275	38,104	38,676
Other:			
Customers' liability under acceptances	**4,848**	4,966	5,507
Derivatives	**1,462**	1,100	1,230
Land, buildings and equipment	**124**	142	127
Other assets	**3,800**	1,923	1,907
	10,234	8,131	8,771
	$ 74,120	$ 71,337	$ 71,619
Liabilities and shareholders' equity			
Deposits:			
Regulated financial institutions	**$ 856**	$ 754	$ 1,017
Individuals	**21,481**	21,578	21,862
Businesses and governments	**29,554**	27,875	26,589
	51,891	50,207	49,468
Other:			
Acceptances	**4,848**	4,966	5,507
Interest bearing liabilities of subsidiaries, other than deposits	**2,441**	3,324	3,363
Derivatives	**1,210**	897	1,091
Securities sold under repurchase agreements	**2,069**	2,517	2,894
Securities sold short	**1,896**	1,148	1,046
Other liabilities	**3,977**	2,650	2,657
Non-controlling interest in trust and subsidiary	**430**	430	430
	16,871	15,932	16,988
Subordinated debentures	**751**	834	834
Shareholders' equity:			
Capital stock			
Preferred shares	**946**	946	946
Common shares	**1,225**	1,225	1,225
Contributed surplus	**11**	7	5
Retained earnings	**2,228**	2,113	2,035
Accumulated other comprehensive income	**197**	73	118
	4,607	4,364	4,329
Total liabilities and shareholders' equity	**$ 74,120**	$ 71,337	$ 71,619

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 September 2010**	*30 June 2010*	*30 September 2009*	*Nine months ended* **30 September 2010**	*30 September 2009*
Preferred shares:					
Balance at beginning of period	**$ 946**	$ 946	$ 946	**$ 946**	$ 696
Issued	**–**	–	–	**–**	250
Balance at end of period	**946**	946	946	**946**	946
Common shares:					
Balance at beginning and end of period	**1,225**	1,225	1,225	**1,225**	1,225
Contributed surplus:					
Balance at beginning of period	**10**	9	2	**7**	–
Stock-based compensation	**1**	1	3	**4**	5
Balance at end of period	**11**	10	5	**11**	5
Retained earnings:					
Balance at beginning of period	**2,209**	2,122	2,004	**2,113**	1,950
Net income for the period	**105**	167	116	**371**	341
Preferred share dividends	**(16)**	(15)	(15)	**(46)**	(41)
Common share dividends	**(70)**	(65)	(70)	**(210)**	(210)
Share issue costs	**–**	–	–	**–**	(5)
Balance at end of period	**2,228**	2,209	2,035	**2,228**	2,035
Accumulated other comprehensive income (loss) – available-for-sale securities:					
Balance at beginning of period	**11**	(54)	5	**(25)**	85
Net change in unrealized gains (losses) on available-for-sale securities, net of income taxes	**41**	65	(2)	**77**	(82)
Balance at end of period	**52**	11	3	**52**	3
Accumulated other comprehensive income (loss) – cash flow hedges:					
Balance at beginning of period	**115**	76	129	**98**	197
Net change in cash flow hedges, net of income taxes	**30**	39	(14)	**47**	(82)
Balance at end of period	**145**	115	115	**145**	115
Total accumulated other comprehensive income	**197**	126	118	**197**	118
Total shareholders' equity	**$ 4,607**	$ 4,516	$ 4,329	**$ 4,607**	$ 4,329

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

Consolidated Statements of Comprehensive Income (Unaudited)

Figures in C$ millions	*Quarter ended* **30 September 2010**	*30 June 2010*	*30 September 2009*	*Nine months ended* **30 September 2010**	*30 September 2009*
Net income	**$ 105**	$ 167	$ 116	**$ 371**	$ 341
Other comprehensive income (loss) on available-for-sale securities:					
Net unrealized gains (losses) from changes in fair value (net of taxes of $17, $29, $(4), $36, $(33))	**43**	69	(9)	**85**	(70)
Reclassification of realized (losses) gains to earnings (net of taxes of $(1), $(2), $2, $(4), $(7))	**(2)**	(4)	7	**(8)**	(12)
	41	65	(2)	**77**	(82)
Other comprehensive income (loss) on cash flow hedges:					
Unrealized gains (losses) from changes in fair value (net of taxes of $13, $16, $(6), $17, $(39))	**30**	39	(14)	**47**	(82)
Comprehensive income for the periods	**$ 176**	$ 271	$ 100	**$ 495**	$ 177

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 September 2010	Quarter ended 30 June 2010	Quarter ended 30 September 2009	Nine months ended 30 September 2010	Nine months ended 30 September 2009
Cash flows (used in) provided by operating activities:					
Net income	**$ 105**	$ 167	$ 116	**$ 371**	$ 341
Adjustments to net income to determine net cash provided by operating activities:					
Amortization expense	**13**	15	22	**41**	34
Provision for credit losses	**97**	66	97	**226**	384
Provision for impairment of available-for-sale securities	**–**	–	11	**–**	18
Future income taxes	**(42)**	(28)	(9)	**(47)**	(15)
Net accrued interest receivable and payable	**78**	(48)	(2)	**23**	21
Trading securities	**(124)**	(233)	137	**(588)**	(1,006)
Derivatives, net	**46**	(312)	203	**(49)**	365
Mortgages sold with recourse	**15**	61	112	**172**	263
Securities sold short	**324**	499	121	**748**	415
Other, net	**(1,079)**	(44)	(303)	**(777)**	(274)
	(567)	143	505	**120**	546
Net cash flows provided by (used in) financing activities:					
Deposits received (repaid)	**105**	2,104	(105)	**1,684**	(2,494)
Interest bearing liabilities of subsidiaries, other than deposits	**82**	(885)	87	**(883)**	(801)
Securities sold (purchased) under repurchase agreements	**658**	(948)	1,002	**(448)**	2,179
Proceeds from issue of preferred shares	**–**	–	–	**–**	250
Dividends paid	**(86)**	(80)	(85)	**(256)**	(251)
	759	191	899	**97**	(1,117)
Net cash flows provided by (used in) investing activities:					
Loans repaid (funded), excluding securitizations	**100**	203	(45)	**(630)**	1,507
Proceeds from loans securitized	**464**	361	884	**2,120**	2,552
Non-trading securities purchased	**(1,756)**	(374)	(1,261)	**(4,118)**	(6,544)
Non-trading securities sold	**258**	206	419	**576**	1,409
Non-trading securities matured	**388**	456	624	**1,284**	3,365
Securities sold (purchased) under reverse repurchase agreements	**1,100**	(1,280)	(1,532)	**1,222**	(1,061)
Net change in non-operating and other deposits with regulated financial institutions	**(474)**	117	44	**(452)**	144
Acquisition of land, buildings and equipment	**(9)**	6	(35)	**(21)**	(44)
	71	(305)	(902)	**(19)**	1,328
Increase in cash and cash equivalents	**263**	29	502	**198**	757
Cash and cash equivalents, beginning of period	**574**	545	675	**639**	420
Cash and cash equivalents, end of period	**837**	574	1,177	**837**	1,177
Represented by:					
Cash and non-interest bearing deposits with the Bank of Canada and other banks	**852**	588	1,190	**852**	1,190
Less non-operating deposits with banks[1]	**(15)**	(14)	(13)	**(15)**	(13)
Cash and cash equivalents, end of period	**$ 837**	$ 574	$ 1,177	**$ 837**	$ 1,177

(1) *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 Management's Discussion and Analysis and the notes to the consolidated financial statements of the bank for the year ended 31 December 2009 as set out on pages 25 to 39 and 48 to 98 of the 2009 Annual Report and Accounts. These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"), 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 2009. Certain prior period amounts have been reclassified to conform with the current period presentation. Unless otherwise stated, all tabular amounts are in C$ millions.

We provide services or enter into transactions with a number of HSBC Group Companies regarding the sharing of cost of development by Canadian employees for certain technology platforms used by HSBC around the world. In previous periods, we have shown the salary and related direct expenses for these employees and the recovery of these expenditures on a net basis as part of "Non-interest expenses, Other". Effective for the first quarter of 2010, we have reported the impact of these transactions on a gross basis by increasing the appropriate expense categories and reclassifying the recovery of these expenditures to "Non-interest revenue, Other". Prior periods have also been reclassified to conform to the current year's presentation. The impact of this change is a follows:

	Quarter ended			*Nine months ended*	
Figures in C$ millions	***30 September 2010***	*30 June 2010*	*30 September 2009*	***30 September 2010***	*30 September 2009*
Non-interest revenue					
Other	**$ 53**	$ 40	$ 32	**$ 131**	$ 104
Non-interest expense					
Salaries and employee benefits	**21**	22	21	**65**	68
Premises and equipment	**1**	–	1	**2**	4
Other	**31**	18	10	**64**	32
	$ 53	$ 40	$ 32	**$ 131**	$ 104

2. Accounting policies

There have been no changes in accounting policies since 31 December 2009. Certain amendments to the CICA Handbook relating to business combinations were effective from the first quarter of 2010, but these had no material impact on the bank's consolidated financial statements.

Future accounting and reporting changes have been disclosed on page 59 of the 2009 Annual Report and Accounts.

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

3. Securities

Asset-backed commercial paper

During the second quarter, the bank disposed of substantially all of its non-bank asset-backed commercial paper ("ABCP") previously included in trading securities. The carrying value of the remaining holdings amount to nil.

4. Loans

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

	Quarter ended 30 September 2010					***Nine months ended 30 September 2010***
	Business and government	*Residential mortgages*	*Consumer finance loans[(2)]*	*Other consumer loans[(2)]*	*Total*	*Total*
Gross amount at end of period	**$ 17,207**	**$ 11,067**	**$ 2,653**	**$ 5,969**	**$ 36,896**	**$ 36,896**
Specific allowance at beginning of period:	**193**	**1**	**–**	**–**	**194**	**186**
Provision for credit losses	**58**	**–**	**–**	**–**	**58**	**116**
Write-offs, net of recoveries	**(31)**	**–**	**–**	**–**	**(31)**	**(81)**
Specific allowance at end of period	**220**	**1**	**–**	**–**	**221**	**221**
General allowance at beginning of period:	**217**	**2**	**158**	**34**	**411**	**452**
Provision for credit losses	**–**	**–**	**34**	**5**	**39**	**110**
Write-offs, net of recoveries	**–**	**–**	**(44)**	**(6)**	**(50)**	**(162)**
General allowance at end of period	**217**	**2**	**148**	**33**	**400**	**400**
Total allowance[(1)]	**437**	**3**	**148**	**33**	**621**	**621**
Net amount at end of period	**$ 16,770**	**$ 11,064**	**$ 2,505**	**$ 5,936**	**$ 36,275**	**$ 36,275**

	Quarter ended 30 September 2009					*Nine months ended 30 September 2009*
	Business and government	*Residential mortgages*	*Consumer finance loans[(2)]*	*Other consumer loans[(2)]*	*Total*	*Total*
Gross amount at end of period	$ 19,000	$ 11,353	$ 3,334	$ 5,698	$ 39,385	$ 39,385
Specific allowance at beginning of period:	237	1	–	–	238	162
Provision for credit losses	44	–	–	–	44	177
Write-offs, net of recoveries	(41)	–	–	–	(41)	(98)
Specific allowance at end of period	240	1	–	–	241	241
General allowance at beginning of period:	234	1	221	24	480	453
Provision for credit losses	–	–	47	6	53	207
Write-offs, net of recoveries	–	–	(59)	(6)	(65)	(192)
General allowance at end of period	234	1	209	24	468	468
Total allowance[(1)]	474	2	209	24	709	709
Net amount at end of period	$ 18,526	$ 11,351	$ 3,125	$ 5,674	$ 38,676	$ 38,676

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

(2) *The general allowance for Consumer finance loans and the bank's other consumer loans has been established using a collective allowance methodology that covers provisions for homogenous pools of loans specifically identified as impaired and a general allowance for incurred losses in the remaining portfolio. The general allowance above includes C$93 million and C$134 million as at 30 September 2010 and 31 December 2009 respectively for impaired loans and provision for incurred losses for the remainder of the portfolio of C$88 million and C$96 million respectively.*

5. Loan Securitization

a. Securitization activity during the third quarter of 2010 is as follows:

	Residential mortgages
New securitization activity	
Securitized and sold	**$ 465**
Net cash proceeds received	**464**
Retained rights to future excess interest	**18**
Retained servicing liability	**3**
Pre-tax gain on sale	**13**
Key assumptions at time of sale	
Prepayment rate	**18.00%**
Excess spread	**1.83%**
Expected credit losses	**0.00%**
Discount rate	**3.37%**

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

	At 30 September 2010	*At 31 December 2009*
Residential mortgages		
Conventional	**$ 359**	$ 818
Mortgage-backed securities(1)	**6,930**	6,741
	$ 7,289	$ 7,559

(1) *Excludes insured mortgages which were securitized and retained by the bank of C$789 million (2009 - C$648 million). These assets are classified as AFS securities.*

6. Financial Liabilities

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

	At 30 September 2010			
	Contractual amount payable at maturity	*Fair value*	*Cumulative fair value gain (loss)*	*Cumulative fair value gain (loss) attributable to credit risk*
Deposits	**$ 807**	**$ 824**	**$ (17)**	**$ (4)**
Subordinated debentures	**400**	**425**	**(25)**	**23**
	$ 1,207	**$ 1,249**	**$ (42)**	**$ 19**

	At 31 December 2009			
	Contractual amount payable at maturity	*Fair value*	*Cumulative fair value gain (loss)*	*Cumulative fair value gain (loss) attributable to credit risk*
Deposits	$ 784	$ 803	$ (19)	$ (5)
Interest bearing liabilities of subsidiaries, other than deposits	200	202	(2)	1
Subordinated debentures	400	402	(2)	26
	$ 1,384	$ 1,407	$ (23)	$ 22

7. Capital stock issued and outstanding shares

At 30 September 2010, 31 December 2009 and 30 September 2009, capital stock issued and outstanding shares were:

	Number	*Amount*
Preferred Shares – Class 1		
– Series C	7,000,000	**$ 175**
– Series D	7,000,000	**175**
– Series E	10,000,000	**250**
Preferred Shares – Class 2		
– Series B	86,450,000	**346**
		$ 946
Common shares		
– HSBC Bank Canada	498,668,000	**1,225**
		$ 1,225

8. Stock-based compensation

The expense for stock-based compensation was as follows:

	Quarter ended			*Nine months ended*	
	30 September 2010	*30 June 2010*	*30 September 2009*	***30 September 2010***	*30 September 2009*
Savings-related share option scheme	**$ 1**	$ 1	$ 3	**$ 4**	$ 5
Achievement awards	**7**	3	9	**10**	22
	$ 8	$ 4	$ 12	**$ 14**	$ 27

9. Employee future benefits

The expense for employee future benefits was as follows:

	Quarter ended			*Nine months ended*	
	30 September 2010	*30 June 2010*	*30 September 2009*	***30 September 2010***	*30 September 2009*
Pension plans – defined benefit	**$ 5**	$ 6	$ 4	**$ 16**	$ 12
Pension plans – defined contribution	**4**	5	4	**13**	14
Other benefits	**3**	2	3	**8**	8
	$ 12	$ 13	$ 11	**$ 37**	$ 34

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

10. Customer group segmentation

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

	Quarter ended			*Nine months ended*	
	30 September 2010	*30 June 2010*	*30 September 2009*	***30 September 2010***	*30 September 2009*
Personal Financial Services					
Net interest income	**$ 77**	$ 74	$ 95	**$ 225**	$ 262
Non-interest revenue	**110**	102	84	**328**	249
Total revenue	**187**	176	179	**553**	511
Non-interest expenses	**167**	162	155	**487**	459
Net operating income	**20**	14	24	**66**	52
Provision for credit losses	**6**	6	9	**21**	28
Income before undernoted	**14**	8	15	**45**	24
Provision for income taxes	**3**	2	2	**12**	4
Non-controlling interest in income of trust	**1**	2	1	**4**	4
Net income	**10**	4	12	**29**	16
Preferred share dividends	**1**	2	1	**5**	4
Net income attributable to common shares	**$ 9**	$ 2	$ 11	**$ 24**	$ 12
Average assets	**$ 17,769**	$ 18,449	$ 18,643	**$ 18,145**	$ 18,225
Commercial Banking					
Net interest income	**$ 190**	$ 184	$ 180	**$ 562**	$ 520
Non-interest revenue	**102**	100	70	**290**	226
Total revenue	**292**	284	250	**852**	746
Non-interest expenses	**108**	107	88	**312**	281
Net operating income	**184**	177	162	**540**	465
Provision for credit losses	**57**	32	36	**113**	152
Income before undernoted	**127**	145	126	**427**	313
Provision for income taxes	**34**	43	33	**121**	86
Non-controlling interest in income of trust	**4**	4	4	**12**	12
Net income	**89**	98	89	**294**	215
Preferred share dividends	**6**	5	5	**16**	13
Net income attributable to common shares	**$ 83**	$ 93	$ 84	**$ 278**	$ 202
Average assets	**$ 21,977**	$ 23,008	$ 23,741	**$ 22,589**	$ 24,706
Global Banking and Markets					
Net interest income	**52**	53	7	**144**	16
Non-interest (loss) revenue	**(5)**	54	69	**1**	302
Total revenue	**47**	107	76	**145**	318
Non-interest expenses	**40**	40	37	**117**	105
Net operating income	**7**	67	39	**28**	213
Provision for credit losses	**–**	(1)	5	**(3)**	13
Income before undernoted	**7**	68	34	**31**	200
Provision for income taxes	**1**	18	15	**7**	64
Non-controlling interest in income of trust	**1**	1	1	**3**	3
Net income	**5**	49	18	**21**	133
Preferred share dividends	**2**	2	2	**5**	4
Net income attributable to common shares	**$ 3**	$ 47	$ 16	**$ 16**	$ 129
Average assets	**$ 29,874**	$ 27,774	$ 26,490	**$ 28,528**	$ 24,773
Consumer Finance					
Net interest income	**77**	82	86	**238**	288
Non-interest revenue (loss)	**9**	15	(1)	**34**	11
Total revenue	**86**	97	85	**272**	299
Non-interest expenses	**47**	44	43	**134**	144
Net operating income	**39**	53	42	**138**	155
Provision for credit losses	**34**	29	47	**95**	191
Income (loss) before undernoted	**5**	24	(5)	**43**	(36)
Provision for (recovery of) income taxes	**4**	8	(2)	**16**	(13)
Net income (loss)	**1**	16	(3)	**27**	(23)
Preferred share dividends	**7**	6	7	**20**	20
Net (loss) income attributable to common shares	**$ (6)**	$ 10	$ (10)	**$ 7**	$ (43)
Average assets	**$ 2,668**	$ 2,878	$ 3,328	**$ 2,880**	$ 3,634

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

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 2009.

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 we could be obligated to extend should contracts be fully utilized.

	At 30 September 2010	*At 31 December 2009*
Financial and performance standby letters of credit	**$ 2,226**	$ 2,249
Documentary and commercial letters of credit	**309**	228
Commitments to extend credit	**34,110**	36,229
Credit and yield enhancement	**15**	13
	$ 36,660	$ 38,719

Shareholder Information

PRINCIPAL ADDRESSES

Vancouver (head office):
HSBC Bank Canada
885 West Georgia Street
Vancouver, British Columbia
Canada V6C 3E9
Tel: (604) 685-1000
Fax: (604) 641-1849

Toronto:
HSBC Bank Canada
70 York Street
Toronto, Ontario
Canada M5J 1S9
Tel: (416) 868-8000
Fax: (416) 868-3800

WEB SITE
hsbc.ca

MEDIA ENQUIRIES

Ernest Yee	(604) 641-2973
Sharon Wilks	(416) 868-3878

For dividend information, change in shareholder address or to advise of duplicate mailings, please contact:

Computershare Trust Company of Canada
Shareholder Service Department
100 University Avenue
Toronto, Ontario
Canada M5J 2Y1

Tel: 1 (800) 564-6253
Fax: 1 (800) 453-0330

For other shareholder enquiries please contact:

HSBC Bank Canada
Shareholder Relations
885 West Georgia Street
Vancouver, British Columbia
Canada V6C 3E9
Email: Shareholder_relations@hsbc.ca

Chris Young	(604) 641-1976
Santokh Birk	(604) 641-1918

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 HaTS™) (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 8,000 offices in 87 countries and territories and assets of US$2,418 billion at 30 June 2010, the HSBC Group is one of the world's largest banking and financial services organizations.

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