HSBC BANK CANADA
SECOND QUARTER 2010 REPORT TO SHAREHOLDERS

- Reported net income attributable to common shares was C$152 million for the quarter ended 30 June 2010, an increase of 33.3 per cent over the same period in 2009.

- Reported net income attributable to common shares was C$236 million for the half-year ended 30 June 2010, an increase of 18.6 per cent over the same period in 2009.

- Return on average common equity was 17.6 per cent for the quarter ended 30 June 2010 and 13.8 per cent for the half-year ended 30 June 2010 compared with 13.3 per cent and 11.6 per cent respectively for the same periods in 2009.

- The cost efficiency ratio was 53.2 per cent for the quarter ended 30 June 2010 and 56.9 per cent for the half-year ended 30 June 2010 compared with 51.9 per cent for the same periods in 2009.

- Total assets were C$71.5 billion at 30 June 2010 compared with C$70.5 billion at 30 June 2009.

- Total funds under management increased to C$27.9 billion at 30 June 2010 compared with C$24.5 billion at 30 June 2009.

- Tier 1 capital ratio of 13.0 per cent and a total capital ratio of 15.6 per cent at 30 June 2010 compared to 11.2 per cent and 13.8 per cent respectively at 30 June 2009.

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Second 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 second quarter of 2010 is dated 20 July 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			*Half-year ended*	
	30 June 2010	*31 March 2010*	*30 June 2009*	***30 June 2010***	*30 June 2009*
Earnings					
Net income attributable to common shares	**$ 152**	$ 84	$ 114	**$ 236**	$ 199
Basic earnings per share (C$)	**0.30**	0.17	0.23	**0.47**	0.40
Performance ratios (%)(1)					
Return on average common equity	**17.6**	9.9	13.3	**13.8**	11.6
Return on average assets	**0.85**	0.47	0.65	**0.66**	0.57
Net interest margin	**2.55**	2.50	2.42	**2.52**	2.36
Cost efficiency ratio	**53.2**	61.4	51.9	**56.9**	51.9
Non-interest revenue: total revenue ratio	**40.8**	30.4	44.0	**36.1**	44.1
Credit information					
Gross impaired credit exposures	**$ 911**	$ 976	$ 1,088		
Allowance for credit losses					
– Balance at end of period	**605**	633	718		
– As a percentage of gross impaired credit exposures	**66.4 %**	64.9 %	66.0 %		
– As a percentage of gross loans and acceptances	**1.4 %**	1.5 %	1.5 %		
Average balances(1)					
Assets	**$ 72,109**	$ 72,009	$ 70,329	**$ 72,061**	$ 70,895
Loans	**36,220**	36,810	40,296	**36,514**	41,235
Deposits	**52,929**	53,320	50,605	**53,123**	51,063
Common equity	**3,433**	3,468	3,441	**3,451**	3,451
Capital ratios (%)(2)					
Tier 1	**13.0**	12.3	11.2		
Total capital	**15.6**	14.8	13.8		
Total assets under administration					
Funds under management	**$ 27,890**	$ 30,382	$ 24,469		
Custody accounts	**9,535**	10,730	9,451		
Total assets under administration	**$ 37,425**	$ 41,112	$ 33,920		

(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 15.*

(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 three months ended 30 June 2010 of C$152 million, an increase of C$38 million, or 33.3 per cent compared with the C$114 million reported in the same period in 2009, and an increase of C$68 million or 81.0 per cent compared to C$84 million for the first quarter of 2010. Net income attributable to common shares for the six months ended 30 June 2010 was C$236 million, compared with the C$199 million reported in the same period in 2009, and an increase of C$37 million or 18.6 per cent. Good results during the first two quarters of 2010 were somewhat masked by the impact of fair value accounting on our economic hedges, US$ denominated assets and liabilities and a portion of our own debt held at fair value. This caused the results to bear charges of C$25 million and C$112 million in the second and first quarters respectively compared to credits of C$14 million and C$35 million for the same periods in 2009, even though no economic gain or loss occurred. Income before tax excluding these items for the second quarter and the year to date 2010 increased by 53.4 per cent and 87.9 per cent respectively over the comparative periods in 2009 and income before taxes for the second quarter increased by 3.8 per cent compared to the first quarter of 2010.

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

“Strong operating results for the second quarter of 2010 reflect the strength of the bank’s core businesses as revenues continued to increase, credit losses decreased and costs remained well controlled.

“We are benefitting from the recovery of the Canadian economy and our continued support of customers’ personal and business banking needs is resulting in increased demand for our services as conditions improve. Continued investments in new products to serve globally minded businesses and individuals are bringing in new customers and strengthening our brand in Canada.”

Net interest income

Net interest income for the second quarter of 2010 was C$393 million, compared with C$368 million for the same quarter in 2009, an increase of C$25 million, or 6.8 per cent. This resulted from an increase in average interest earning assets from C$60.9 billion to C$61.8 billion and an increase in net interest margin to 2.55 per cent in the quarter compared with 2.42 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$44 million or 16.5 per cent from the same period in 2009. This was as a result of an increase in net interest margin to 2.12 per cent in the second quarter of 2010 from 1.88 per cent in the same period last year, and a marginal increase in average interest earning assets from C$57.1 billion to C$58.8 billion. The net interest margin for core banking operations increased as a result of a more stable interest rate environment than the comparable period in 2009. In addition, net interest margin in the current quarter has been positively impacted by pricing initiatives in previous periods on commercial loans reflecting changes in the credit environment, although the volumes of commercial loans declined. Net interest income for the Consumer Finance business decreased by C$19 million or 18.8 per cent compared to the same quarter in 2009 mainly as a result of a reduction in average receivables of 21.1 per cent to C$3.0 billion.

Net interest income for the three months ended 30 June 2010 increased by C$13 million or 3.4 per cent compared to the first quarter of 2010. Net interest margin increased by five basis points to 2.55 per cent and average interest earning assets increased marginally. The net interest margin for core banking operations increased by three basis points compared to the first quarter of 2010 and the net interest margin for the Consumer Finance business also increased resulting from the expiration of promotional pricing on certain loans.

Analysis of Financial Results *(continued)*

On a year-to-date basis, net interest income was C$773 million in 2010, compared with C$718 million in the same period last year, an increase of C$55 million, or 7.7 per cent. Net interest margin increased by 16 basis points to 2.52 per cent, while average interest earning assets increased by C$0.4 billion. This was a result of 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$271 million in the second quarter of 2010, compared with C$289 million for the same quarter in 2009, a decrease of C$18 million, or 6.2 per cent. Non-interest revenue in the Global Banking and Markets business in the second quarter of 2010 includes the impact of a charge of C$25 million compared to a credit of C$14 million in the second quarter of 2009 for other mark-to-market accounting losses. 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 which 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 it is our intent 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 driven largely 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 loss or gain.

Excluding the impact of other net mark-to-market accounting losses noted above, non-interest revenue increased by C$21 million or 7.6 per cent from the same quarter in 2009. Credit fees were C$10 million higher due to pricing initiatives in the Commercial Banking business. Investment administration fees in the Personal Financial Services business were C$8 million higher reflecting the increased market values of customer portfolios compared to the prior year. Securitization income was C$8 million higher reflecting a higher volume of transactions compared to the previous year. Other income was C$16 million higher due to increases in recoveries for HSBC Technology Services from other HSBC Group companies as well as increased fees from the Global Investor Immigrant program and loan insurance revenues. Trading revenue in Global Banking and Markets of C$46 million was C$2 million lower in the second quarter of 2010 compared to the same period in the prior year. Included in trading income in 2010 was a C$20 million recovery of previously recorded losses as a result of the disposal of substantially all of the bank's non-bank Canadian asset-backed commercial paper portfolio ("ABCP"). This compared to a C$11 million increase in valuation recorded on ABCP in 2009, where trading gains also benefited from volatile interest and foreign exchange markets and the favourable impact of foreign currency funding in a lower interest rate environment at that time. Capital market fees in Global Banking and Markets were C$7 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. Gains on available-for-sale securities were C$16 million lower reflecting gains on securities sold in the second quarter of 2009.

Analysis of Financial Results *(continued)*

Non-interest revenue for the three months ended 30 June 2010 was C$105 million or 63.3 per cent higher than the first quarter of 2010. Excluding the impact of other net mark-to-market accounting losses of C$25 million, which were C$87 million better than losses of C$112 million in the first quarter of 2010, non-interest revenue increased by C$18 million or 6.5 per cent. Trading revenue was higher reflecting a recovery of previously recorded losses arising from the disposal of the ABCP portfolio. Other income was C$11 million higher particularly due to increases in fees from Investor Immigrant Services and loan insurance revenues. Credit fees were C$4 million higher due to pricing initiatives. Capital market fees decreased by C$5 million reflecting a lower level of activity than in the prior quarter, while securitization income was C$26 million lower reflecting a lower volume of transactions compared to the first quarter.

On a year-to-date basis, non-interest revenue was C$437 million in 2010, compared with C$566 million in the same period last year, a decrease of C$129 million, or 22.8 per cent. Other mark to market losses were C$137 million which compared to gains of C$49 million, recorded in the same period in 2009, an adverse impact of C$186 million. Excluding the impact of these items, non-interest revenue increased by C$57 million or 11.0 per cent. Credit fees were C$21 million higher due to pricing initiatives, while investment administration fees were C$15 million higher reflecting the increased average market values of customer portfolios as well as increased sales of investment products. Securitization income was C$11 million higher reflecting a higher volume of transactions compared to the previous year. Other income was C$43 million higher particularly due to increases in fees from Investor Immigrant Services of C$10 million, increased loan insurance revenues and increases in recoveries from other HSBC Group companies, while 2009 reflected the adverse impact of a C$20 million loss contingency. Trading revenue was C$23 million lower as 2009 benefited from of volatile interest and foreign exchange markets. Gains on available-for-sale securities were C$13 million lower.

Non-interest expenses

Non-interest expenses of C$353 million in the second quarter of 2010 were C$12 million or 3.5 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 were offset by increased salary expenses relating to the delivery of technology services to other HSBC Group companies which increased reflecting the corresponding level of revenue noted above, and increased 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$9 million higher mainly due to increased expenses related to the delivery of technology services to other HSBC Group companies. The cost efficiency ratio for the second quarter of 2010 was 53.2 per cent compared to 51.9 per cent in the same period in 2009 mainly as a reflection of the adverse swing in other mark-to-market accounting gains, net, which is a non-cash income or expense item. Excluding the impact of this swing, the cost efficiency ratio would have improved by 1.8 percentage points. Non-interest expenses for the three months ended 30 June 2010 were C$18 million or 5.4 per cent higher than the first quarter of 2010. Salaries and employee benefits were C$11 million higher mainly due to higher performance based incentives and expenses relating to implementing certain restructuring initiatives. Premises and equipment expenses were C$5 million higher mainly due to property tax payments as well as certain contract termination expenses. Other expenses increased marginally. The cost efficiency ratio was 53.2 per cent compared to 61.4 per cent in the first 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 would have increased marginally.

Analysis of Financial Results *(continued)*

On a year-to-date basis, non-interest expenses were C$688 million in 2010, compared with C$666 million in the same period last year, an increase of C$22 million or 3.3 per cent. Salaries and employee benefits were C$6 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 expense were little changed compared to the same period in 2009. Other non-interest expenses were C$26 million higher mainly due to increased expenses relating to the delivery of technology services to other HSBC Group companies, increased brokerage expenses resulting from increased activity in our Immigrant Investor Services business 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 56.9 per cent compared to 51.9 per cent in 2009. Excluding the impact of mark-to-market items, the cost efficiency ratio would have improved by 2.8 percentage points.

Credit quality and provision for credit losses

Provision for credit losses was C$66 million for the second quarter of 2010, compared with C$126 million in the second quarter of 2009, and C$63 million for the first quarter of 2010. Although conditions still remain uncertain, the improvement in the second quarter of 2010 compared to the same quarter in 2009 was due to a decrease in specific provisions for credit losses reflecting improved economic conditions and lower delinquencies in our Consumer Finance business. The reduction in expense compared to the same period in the previous year included C$22 million relating to core banking operations and C$38 million for Consumer Finance.

Gross impaired credit exposures were C$911 million, compared with C$1,022 million at 31 December 2009 and C$1,088 million at 30 June 2009. Total impaired exposures, net of specific allowances for credit losses, were C$717 million at 30 June 2010 compared with C$836 million at 31 December 2009 and C$850 million at 30 June 2009. Total impaired exposures includes C$171 million (31 December 2009 – C$214 million, 30 June 2009 – C$222 million) of Consumer Finance and other consumer loans, for which impairment is assessed collectively. The general allowance applicable to Consumer Finance loans was C$158 million compared to C$201 million at 31 December 2009 and C$221 million at 30 June 2009. The total general allowance was C$411 million compared to C$452 million and C$480 million at 31 December 2009 and 30 June 2009 respectively. The total allowance for credit losses, as a percentage of loans and acceptances outstanding, was 1.4 per cent at 30 June 2010, slightly lower than 1.5 per cent at 31 December 2009 and 30 June 2009.

Income taxes

The effective tax rate in the second quarter of 2010 was 29.8 per cent, compared with 29.5 per cent in the same quarter of 2009 and 30.3 per cent in the first quarter of 2010.

Balance sheet

Total assets at 30 June 2010 were C$71.5 billion, an increase of C$0.2 billion from 31 December 2009 and C$1.0 billion from 30 June 2009. This mainly resulted from increased liquidity, which remained strong at 30 June 2010, with C$26.0 billion of cash resources, securities and reverse repurchase agreements, compared to C$25.1 billion at 31 December 2009 and C$21.4 billion at 30 June 2009. This was offset by a decrease of C$0.9 billion in business and government loans and customers liabilities under acceptances from the end of 2009. This 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$0.4 billion as a result of lower loan originations arising from credit tightening decisions. New loan originations increased the net amount of residential mortgages outstanding by C$0.2 billion. There was also a demand in our Personal Financial Services business for consumer loans and personal lines of credit which increased C$ 0.2 billion.

Analysis of Financial Results *(continued)*

Total deposits increased to C$51.8 billion at 30 June 2010 from C$50.2 billion at 31 December 2009 and C$49.6 billion at 30 June 2009. The main drivers for increases were business deposits together with smaller increases in wholesale deposits, included in business and government deposits.

Total assets under administration

Funds under management were C$27.9 billion at 30 June 2010, a decrease of C$0.3 billion from 31 December 2009 and an increase of C$3.4 billion from 30 June 2009. Including custody and administration balances, total assets under administration were C$37.4 billion compared with C$38.9 billion at 31 December 2009 and C$33.9 billion at 30 June 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 second quarter of 2010.

Impaired loans

The following table provides details of the impaired loan portfolio:

	At 30 June 2010	*At 31 December 2009*
Business and government		
Real estate	**$ 394**	$ 439
Manufacturing(1)	**91**	98
Trade	**59**	64
Services	**43**	67
Other	**78**	78
Total business and government loans	**665**	746
Personal		
Residential mortgages	**75**	62
Consumer finance loans	**135**	176
Other consumer loans	**36**	38
Total personal loans	**246**	276
Total impaired loans, guarantees, acceptances and letters of credit(1)	**$ 911**	$ 1,022
Specific allowances	**$ 194**	$ 186
General allowances	**411**	452
Total allowance for credit losses	**$ 605**	$ 638
Net impaired loans and acceptances	**$ 306**	$ 384

(1) *Includes C$7 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 amounts to approximately C$2 million.

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.

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.

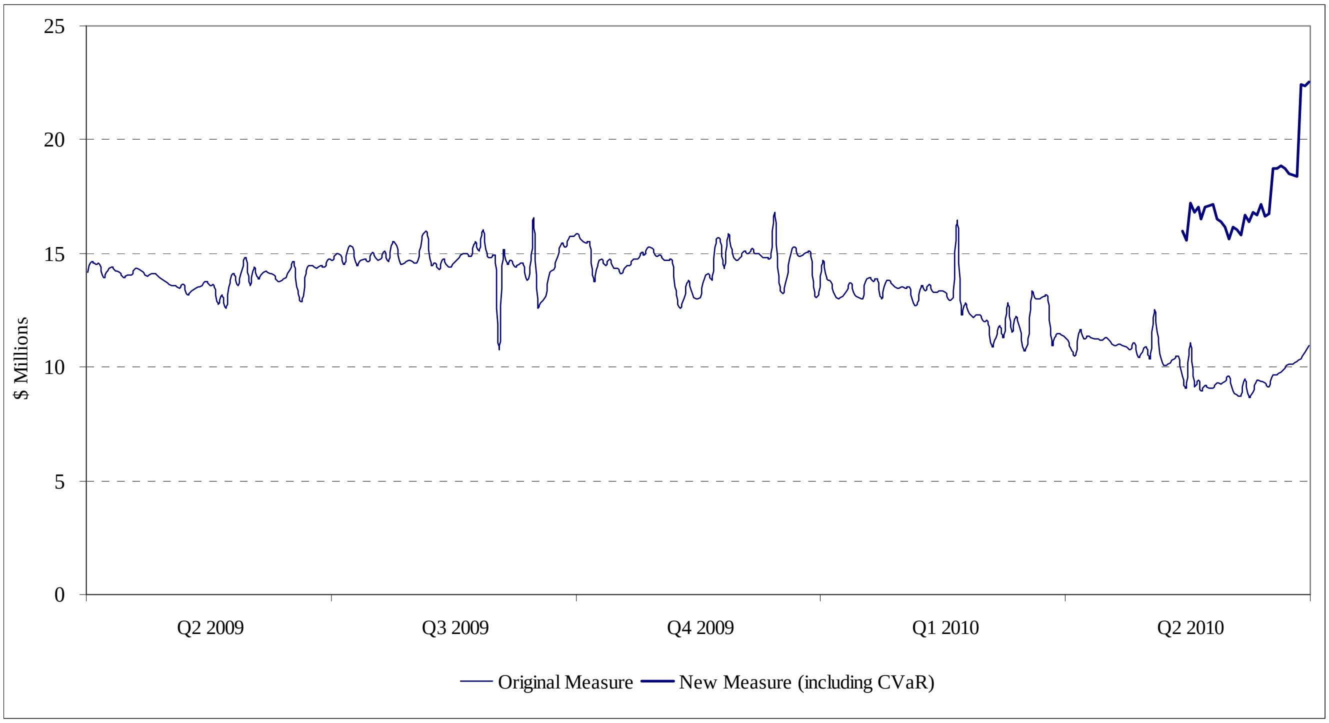
	Quarter ended	
	30 June 2010	*31 December 2009*
End of quarter	**$ 11**	$ 13
Average	**10**	15
Minimum	**9**	13
Maximum	**13**	17

In May 2010, 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 and Idiosyncratic Credit VaR ("ICVaR") from trading positions. 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 books are comprised mostly of 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.

	Period ended (1)
	30 June 2010
End of quarter	**$ 24**
Average	**18**
Minimum	**16**
Maximum	**24**

(1) For the period of 14 May 2010 to 30 June 2010.

Daily value at risk



Capital Management

		At 30 June 2010		*At 31 December 2009*	
Total Tier 1 capital	**$**	**4,661**	$	4,567	
Total Tier 2 capital		**932**		1,041	
Total Tier 1 and Tier 2 capital available for regulatory purposes		**5,593**		5,608	
Total risk-weighted assets	**$**	**35,963**	$	37,674	
Actual regulatory capital ratios					
Tier 1 capital		**13.0 %**		12.1 %	
Total capital		**15.6 %**		14.9 %	
Actual assets to capital multiple		**13.0 x**		12.9 x	
Minimum regulatory capital ratios required					
Tier 1 capital		**7.0 %**		7.0 %	
Total capital		**10.0 %**		10.0 %	

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.

Risk Management *(continued)*

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.

Other Information *(continued)*

Outstanding shares and securities

	At 20 July 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

(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 2010, C$65 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, subject to approval by the Board, are:

2010	
Record Date	Payable Date
15 September	30 September
15 December	31 December

The remaining payable date for HSBC HaTS distributions in 2010 is 31 December 2010.

Other Information *(continued)*

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 June 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 June 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.

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.

Other Information *(continued)*

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.

Quarterly summary of condensed statements of income (unaudited)

	Quarter ended							
Figures in C$ millions (except per share amounts)	***30 June 2010***	*31 March 2010*	*31 December 2009*	*30 September 2009*	*30 June 2009*	*31 March 2009*	*31 December 2008*	*30 September 2008*
Net interest income	**$ 393**	$ 380	$ 393	$ 368	$ 368	$ 350	$ 375	$ 421
Non-interest revenue	**271**	166	309	222	289	277	249	202
Total revenue	**664**	546	702	590	657	627	624	623
Non-interest expenses	**353**	335	334	323	341	325	321	345
Net operating income	**311**	211	368	267	316	302	303	278
Provision for credit losses	**66**	63	131	97	126	161	136	86
Income before the under noted	**245**	148	237	170	190	141	167	192
Provision for income taxes	**71**	43	66	48	54	39	38	62
Non-controlling interest in income of trust	**7**	6	7	6	7	6	7	6
Net income	**$ 167**	$ 99	$ 164	$ 116	$ 129	$ 96	$ 122	$ 124
Preferred share dividends	**15**	15	16	15	15	11	7	4
Net income attributable to common shares	**$ 152**	$ 84	$ 148	$ 101	$ 114	$ 85	$ 115	$ 120
Basic earnings per share (C$)	**0.30**	0.17	0.30	0.20	0.23	0.17	0.22	0.23

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

Income before taxes and non-controlling interest in income of trust for the second quarter of 2010 was C$8 million compared with C$6 million for the same period in 2009, an increase of C$2 million. Net interest income was C$15 million lower mainly due to higher spreads on personal deposit balances and movement of funds from term deposits to assets under management. Non-interest revenue was C$22 million higher due to recovery of previously recorded losses on non-bank ABCP of C$7 million, higher revenues from wealth management business due to stronger sales and increased activity in stock markets offset by an increase in valuation recorded on non-bank ABCP in 2009. Non-interest expenses were C$4 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 the 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$1 million higher due to higher collective impairment in the current year.

Income before taxes and non-controlling interest in income of trust was C$8 million compared with C$23 million for the first quarter of 2010, a decrease of C$15 million. Although, net interest income was unchanged, increases in volumes on personal notice deposits were offset by decreased volumes on personal fixed deposit products as funds moved from term deposits to assets under management. Non-interest revenue was C$14 million lower mainly due to lower securitization income and lower customer trading volumes due to decreased market activity partially offset by recovery of previously recorded losses on non-bank ABCP of C$7 million, higher revenues from wealth management business due to stronger sales, and higher net Global Investor Immigration Services (GIIS) revenues. Non-interest expenses were C$4 million higher mainly due to higher severance costs, higher corporate incentives and expenses relating to the termination of certain equipment contracts, partially offset by lower marketing expenses, lower business taxes and other cost control measures. The provision for credit losses was C$3 million lower due to lower collective impairments in the current quarter.

On a year-to-date basis, income before taxes and non-controlling interest in income of trust was C$31 million, compared with C$9 million for the same period last year, an increase of C$22 million. Net interest income was C$19 million lower due to 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 floating loans, residential mortgages and Advance savings accounts. Non-interest revenue was C$53 million higher mainly due to revenues from wealth management business due to stronger sales and increased market activity resulting in higher client trading volumes, while 2009 reflected the adverse impact of a loss contingency. Non-interest expenses were C$16 million higher mainly due to higher staff and incentive costs, expenses relating to the 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$4 million lower mainly due to higher collective impairment in the current year offset by non-bank ABCP related provisions in 2009.

Commercial Banking

Income before taxes and non-controlling interest in income of trust for the second quarter of 2010 was C$145 million, an increase of C$52 million, or 55.9 per cent compared to C$93 million in the same quarter in 2009. Net interest income increased C$20 million driven by higher net interest margins and growth in commercial deposits, partially offset by lower lending volumes. Non-interest revenue was C$22 million higher driven by growth of fees on bankers' acceptances resulting from pricing initiatives and a C$7 million recovery of previously recorded losses on non-bank ABCP offset by an increase in valuation recorded on non-bank ABCP in 2009. Non-interest expenses increased by C$13 million due to increased marketing expenses and branch network costs, partially offset by lower capital tax expense. Provision for credit losses was C$23 million lower driven by reduced provisions from the manufacturing, export and service sectors.

Review of Customer Group Results *(continued)*

Income before taxes and non-controlling interest in income of trust for the second quarter of 2010 of C$145 million was C$10 million, or 6.5 per cent lower compared to the first quarter of 2010. Net interest income was C$4 million lower due to decreased lending volumes and lending margins as the prime rate to banker's acceptance spread narrowed. This was partially offset by growth in deposit volumes. Non-interest revenue increased by C$12 million driven by higher fees on bankers' acceptances and recovery of previously recorded losses on non-bank ABCP. Non-interest expense was C$10 million higher than prior quarter due to an increase in staff remuneration, incentive costs and information technology expenses. Provisions for credit losses are C$8 million higher due to an increase in specific provisions for real estate and hotels partially offset by reductions in the trade, manufacturing and energy sectors.

On a year-to-date basis, income before taxes and non-controlling interest in income of trust was C$300 million, compared with C$187 million in the same period last year, an increase of C$113 million, or 60.4 per cent. Net interest income was C$32 million higher due to higher loan margins and growth in commercial deposits, partially offset by lower lending volumes. Non-interest revenue increased C$32 million compared to prior year due to an increase in fees on bankers' acceptances, foreign exchange commissions and a C$7 million recovery of previously recorded losses on non-bank ABCP. Non-interest expenses were C$11 million higher compared to prior year due to an increase in branch network charges and higher marketing expenses, partially offset by lower capital tax expense. Provisions for credit losses decreased C$60 million resulting from reduced provisions in the manufacturing, export and service sectors.

Global Banking and Markets

Income before taxes and non-controlling interest in income of trust for the second quarter of 2010 was C$68 million, a decrease of C$40 million, compared with the same period in 2009. Net interest income was C$39 million higher compared to the second quarter of 2009 due to the reduction in funding and liquidity costs and the positive impact from the stable interest rate environment. Non-interest revenue decreased by C$75 million mainly as a result of lower trading revenues. This mainly arose from the impact of mark-to-market losses on interest rate derivatives used as economic hedges and by translation losses recorded on US dollar funding of US dollar AFS securities partially offset by a reduction in negative hedge ineffectiveness. Additionally, the second quarter of 2009 included larger gains on sale of AFS securities.

Income before taxes and non-controlling interest in income of trust for the second quarter of 2010 was C$68 million, an increase of C$112 million compared with the first quarter of 2010. Net interest income was C$14 million higher due to the increase in interest rates, driving higher net interest margins. Non-interest revenue was C$102 million higher compared to the prior quarter mainly as a result of higher trading revenues. This mainly arose from a reduction in negative hedge ineffectiveness and the impact of mark-to-market losses on interest rate derivatives used as economic hedges and an increase in core trading revenues partially offset by translation losses recorded on US dollar funding of US dollar AFS securities.

On a year-to-date basis, income before taxes and non-controlling interest in income of trust was C$24 million, a decrease of C$142 million from the same period last year. Net interest income was C$83 million higher compared to the prior year due to the reduction in funding and liquidity costs and the positive impact from the stable interest rate environment. Non-interest revenue was C$227 million lower, as a result of lower trading revenues. This mainly arose from the impact of mark-to-market losses on interest rate derivatives used as economic hedges and by translation losses recorded on US dollar funding of US dollar AFS securities. Additionally, there was a reduction in gains on sale of AFS securities. Non-interest expense was C$9 million higher due to increase in support costs. Provisions for credit losses were C$11 million lower due to the non-bank ABCP related exposures incurred in 2009.

Review of Customer Group Results *(continued)*

Consumer Finance

Income before taxes for the second quarter of 2010 was C$24 million compared with a loss of C$17 million for the same period in 2009. Net interest income was C$19 million lower due to lower receivables as a result of lower loan originations due to credit tightening decisions partially offset by lower funding costs. Non-interest revenue was C$13 million higher mainly due to C$5 million recorded from the sale in 2010 of certain insurance annuities, an other-than-temporary impairment ("OTTI") of C$6 million recorded on certain AFS MBS in 2009, and the impact of changing credit spreads on the fair value of our own debt, which generated a credit to income in the current period compared to a charge in the same period in the previous year. Non-interest expenses were slightly lower than the comparative period which included C$6 million restructuring charge relating to the closure of branch offices. The provision for credit losses decreased by C$38 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$24 million for the second quarter of 2010 was C$10 million higher compared to that reported in the first quarter of 2010. Net interest income was slightly higher. Non-interest revenue was higher mainly due to the sale of insurance annuities in the second quarter. Non-interest expenses changed marginally while credit provisions were slightly lower in the second quarter due to reduced delinquency levels in the comparative period.

On a year-to-date basis, income before taxes was C$38 million compared to a loss of C$31 million in 2009. Net interest income was C$41 million lower due to lower receivables. Non-interest revenue was C$13 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$14 million from the comparative period. Excluding the restructuring charge in 2009, noted above, non-interest expense reduced C$8 million as a result of a reduction of the branch network together with other cost control measures. The provision for credit losses decreased C$83 million due to lower delinquency levels in 2010 than the comparative 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.

HSBC Holdings, our ultimate parent, adopted IFRS in 2005. Accordingly, since then, we have been reporting our results on an IFRS basis for inclusion in the HSBC Group's consolidated financial results.

As permitted under IFRS, we have taken the decision to align locally reported IFRS results with the results previously reported to our ultimate parent 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.

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. The following is a status update of our IFRS implementation project and other anticipated impacts of transitioning to IFRS.

Overview

Our IFRS implementation project is progressing in accordance with our project plan. During 2009, we completed our detailed assessment of accounting differences between Canadian GAAP and IFRS. We have not identified any material accounting differences which are not already addressed by our present processes and systems; however, we continue to review each applicable IFRS standard to ensure that all potential differences have been identified. Our process to establish an opening IFRS balance sheet as at 1 January 2010 is almost complete. We have also begun preparations to establish comparative 2010 figures and disclosures for the purposes of reporting in 2011 under IFRS, which we will be reviewing with our auditors. Management believes that it has sufficient resources available to successfully complete the transition.

Financial reporting expertise

As a result of reporting our financial results on an IFRS basis for inclusion in the HSBC Group's consolidated financial results, a number of our accounting staff have significant experience in applying IFRS. Also, we are able to call on the extensive accounting policy expertise and other resources of the HSBC Group. We have developed a training plan to expand the knowledge base for IFRS throughout the Canadian organization utilizing external and internal training options. We successfully met our training objectives for the first half of 2010 and anticipate additional training during the second half of 2010.

Expected impact of IFRS on our financial reporting and accounting policies

We have presented the qualitative impact of the most significant items in our 2009 Annual Report and Accounts. 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 plan to disclose the quantitative financial impact of transitioning of these items when we have finalized our consolidated opening balance sheet at 1 January 2010 under IFRS and have reviewed these items with our auditors.

Transition to International Financial Reporting Standards ("IFRS") *(continued)*

Hedging strategies and derivatives

We have hedging strategies and formally documented hedging relationships in place under Canadian GAAP and IFRS respectively. The majority of our hedging relationships that qualify for hedge accounting under Canadian GAAP also qualify for hedge accounting under IFRS. In addition, in previous years we have designated formal hedging relationships which qualify for hedge accounting under IFRS, which do not qualify under existing Canadian GAAP. We plan to continue these for local reporting under IFRS. However, certain interest rate swap transactions related to our securitization programs, which are carried at fair value under Canadian GAAP and cause considerable volatility in the reported Canadian results, are not required to be recognized under IFRS because the securitized loans are not derecognized under IFRS.

Goodwill recognized in business combinations

As a result of the decision to align our locally reported IFRS results with the results internally reported to our ultimate parent, we have elected not to restate past business combinations. Accordingly, prior business combinations would continue to be accounted for under IFRS in the same manner as was reported to our parent. With some prior business combinations, the accounting was different under Canadian GAAP which is expected to cause certain adjustments to equity upon initial adoption of IFRS which are unlikely to be significant.

Certain expected impact of IFRS on our capital adequacy requirements

Canadian banking regulators have provided certain relief provisions to phase in the impact of IFRS on retained earnings in the calculation of regulatory capital on a straight line basis over eight quarters from 1 January 2011 to 31 December 2012. The bank is required to make an irrevocable election by 1 January 2011 if it would take advantage of this provision. Preliminary indications show that the bank's capital adequacy ratios would not be significantly affected through transitioning to IFRS. We estimate that on an IFRS basis as at 1 January 2010, the total regulatory capital as a percentage of risk-weighted assets may decrease slightly, however, remaining well above the minimum regulatory requirement of 10 per cent.

Assets securitized and sold through CMHC sponsored programs are accounted for as secured borrowings under IFRS which results in continued recognition of the securitized assets on the consolidated balance sheets. In addition to the above mentioned relief, Canadian banking regulators will allow the exclusion of all assets securitized and sold through CMHC sponsored programs, prior to 1 April 2010, from the calculation of the regulatory asset-to-capital multiple. As at 1 January 2010, we estimate that as a result of implementing IFRS, the regulatory asset-to-capital multiple would remain comfortably within our existing internal targets which are a more conservative measure than OSFI's regulatory maximum of 20 times. In addition, OSFI's rules for transitional relief for certain securitization transactions on initial adoption of IFRS will have a minimal impact on our asset-to-capital multiple.

Expected impact of IFRS on our internal controls over financial reporting and disclosure controls and procedures

We have existing appropriate and effective internal controls over financial reporting to provide reasonable assurance that our systems and processes produce reliable information and that all material information relating to the bank as an issuer is appropriately disclosed. Our parent is subject to certain U.S. requirements including the Sarbanes-Oxley Act, which is similar to and in some instances exceeds the regulatory requirements of the Canadian Securities Administrators (National Instrument 52-109: Certification of Disclosure in Issuers' Annual and Interim Filings). As our results are already reported on an IFRS basis for inclusion in the HSBC Group's consolidated financial results which are subject to the aforementioned requirements, we anticipate that our existing internal controls over financial reporting and disclosure controls and procedures will be effective for reporting under IFRS in Canada.

Transition to International Financial Reporting Standards ("IFRS") *(continued)*

Expected impact on business activities

For internal management, the bank utilizes its IFRS based results reported to HSBC Group. The Board of the bank reviews the bank's IFRS as well as Canadian GAAP financial statements. The expected impact on business activities of the bank adopting full IFRS on a stand-alone basis is not expected to be significant. The transition to IFRS is expected to have some impact on our capital management processes. We have commenced the management of our capital requirements and their impact in accordance with IFRS requirements in addition to Canadian GAAP. The transition to IFRS is expected to result in an elimination of certain duplicate reporting requirements.

Communication to investors

As an indirectly wholly-owned subsidiary with no common stock held by outside shareholders, our third party investors consist of preferred shareholders, holders of HSBC Canada Asset Trust Securities (HSBC HaTS™) and holders of our subordinated debt whose primary concern is the payment of dividends, interest and return of principal amounts on the due dates. We plan to communicate the impact of IFRS on our financial results within our Report to Shareholders as required under IFRS transition disclosure standards and by the securities and banking regulators. We do not consider that reporting of our results and financial condition under IFRS will have a significant impact on third party investors. Therefore, no additional communication to third party investors is planned.

Consolidated Statements of Income (Unaudited)

Figures in C$ millions (except per share amounts)	*Quarter ended* **30 June 2010**	*Quarter ended* 31 March 2010	*Quarter ended* 30 June 2009	*Half-year ended* **30 June 2010**	*Half-year ended* 30 June 2009
Interest income					
Loans	**$ 444**	$ 440	$ 496	**$ 884**	$ 1,047
Securities	**70**	68	68	**138**	136
Deposits with regulated financial institutions	**3**	4	3	**7**	7
	517	512	567	**1,029**	1,190
Interest expense					
Deposits	**98**	97	159	**195**	384
Interest bearing liabilities of subsidiaries, other than deposits	**18**	26	31	**44**	69
Debentures	**8**	9	9	**17**	19
	124	132	199	**256**	472
Net interest income	**393**	380	368	**773**	718
Non-interest revenue					
Deposit and payment service charges	**28**	27	27	**55**	54
Credit fees	**49**	45	39	**94**	73
Capital market fees	**27**	32	34	**59**	60
Investment administration fees	**36**	33	28	**69**	54
Foreign exchange	**13**	11	9	**24**	19
Trade finance	**5**	6	6	**11**	13
Trading revenue (loss)	**46**	20	48	**66**	89
Gains (losses) on available-for-sale and other securities	**6**	3	22	**9**	22
Securitization income	**12**	38	4	**50**	39
Other	**74**	63	58	**137**	94
Other mark-to-market accounting gains, net	**(25)**	(112)	14	**(137)**	49
	271	166	289	**437**	566
Total revenue	**664**	546	657	**1,210**	1,284
Non-interest expenses					
Salaries and employee benefits	**188**	177	187	**365**	371
Premises and equipment	**47**	42	45	**89**	87
Other	**118**	116	109	**234**	208
	353	335	341	**688**	666
Net operating income before provision for credit losses	**311**	211	316	**522**	618
Provision for credit losses	**66**	63	126	**129**	287
Income before provision for income taxes and non-controlling interest in income of trust	**245**	148	190	**393**	331
Provision for income taxes	**71**	43	54	**114**	93
Non-controlling interest in income of trust	**7**	6	7	**13**	13
Net income	**$ 167**	$ 99	$ 129	**$ 266**	$ 225
Preferred share dividends	**15**	15	15	**30**	26
Net income attributable to common shares	**$ 152**	$ 84	$ 114	**$ 236**	$ 199
Average common shares outstanding (000)	**498,668**	498,668	498,668	**498,668**	498,668
Basic earnings per share (C$)	**0.30**	0.17	0.23	**0.47**	0.40

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

Consolidated Balance Sheets (Unaudited)

Figures in C$ millions	At 30 June 2010	At 31 December 2009	At 30 June 2009
Assets			
Cash resources			
Cash and non-interest bearing deposits with the Bank of Canada and other banks	**$ 588**	$ 652	$ 688
Deposits with regulated financial institutions	**1,222**	1,245	1,322
	1,810	1,897	2,010
Securities			
Available-for-sale	**13,276**	12,682	10,866
Held-for-trading	**2,450**	1,986	2,222
Other	**40**	41	53
	15,766	14,709	13,141
Securities purchased under reverse repurchase agreements	**8,374**	8,496	6,211
Loans			
Business and government	**17,926**	18,442	20,401
Residential mortgages	**11,566**	11,359	11,580
Consumer finance loans	**2,777**	3,199	3,494
Other consumer loans	**5,988**	5,742	5,617
Allowance for credit losses	**(605)**	(638)	(718)
	37,652	38,104	40,374
Other			
Customers' liability under acceptances	**4,593**	4,966	5,605
Derivatives	**1,349**	1,100	1,419
Land, buildings and equipment	**125**	142	121
Other assets	**1,825**	1,923	1,593
	7,892	8,131	8,738
	$ 71,494	$ 71,337	$ 70,474
Liabilities and shareholders' equity			
Deposits			
Regulated financial institutions	**$ 965**	$ 754	$ 1,040
Individuals	**21,642**	21,578	22,036
Businesses and governments	**29,179**	27,875	26,497
	51,786	50,207	49,573
Other			
Acceptances	**4,593**	4,966	5,605
Interest bearing liabilities of subsidiaries, other than deposits	**2,359**	3,324	3,276
Derivatives	**1,030**	897	1,088
Securities sold under repurchase agreements	**1,411**	2,517	1,892
Securities sold short	**1,572**	1,148	925
Other liabilities	**3,055**	2,650	2,548
Non-controlling interest in trust and subsidiary	**430**	430	430
	14,450	15,932	15,764
Subordinated debentures	**742**	834	826
Shareholders' equity			
Capital stock			
Preferred shares	**946**	946	946
Common shares	**1,225**	1,225	1,225
Contributed surplus	**10**	7	2
Retained earnings	**2,209**	2,113	2,004
Accumulated other comprehensive income	**126**	73	134
	4,516	4,364	4,311
Total liabilities and shareholders' equity	**$ 71,494**	$ 71,337	$ 70,474

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 2010	Quarter ended 31 March 2010	Quarter ended 30 June 2009	Half-year ended 30 June 2010	Half-year ended 30 June 2009
Preferred shares					
Balance at beginning of period	**$ 946**	$ 946	$ 696	**$ 946**	$ 696
Issued	**–**	–	250	**–**	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	**9**	7	1	**7**	–
Stock-based compensation	**1**	2	1	**3**	2
Balance at end of period	**10**	9	2	**10**	2
Retained earnings					
Balance at beginning of period	**2,122**	2,113	1,965	**2,113**	1,950
Net income for the period	**167**	99	129	**266**	225
Preferred share dividends	**(15)**	(15)	(15)	**(30)**	(26)
Common share dividends	**(65)**	(75)	(70)	**(140)**	(140)
Share issue costs	**–**	–	(5)	**–**	(5)
Balance at end of period	**2,209**	2,122	2,004	**2,209**	2,004
Accumulated other comprehensive income (loss) – available-for-sale securities					
Balance at beginning of period	**(54)**	(25)	114	**(25)**	85
Net change in unrealized gains (losses) on available-for-sale securities, net of income taxes	**65**	(29)	(109)	**36**	(80)
Balance at end of period	**11**	(54)	5	**11**	5
Accumulated other comprehensive income (loss) – cash flow hedges					
Balance at beginning of period	**76**	98	188	**98**	197
Net change in cash flow hedges, net of income taxes	**39**	(22)	(59)	**17**	(68)
Balance at end of period	**115**	76	129	**115**	129
Total accumulated other comprehensive income	**126**	22	134	**126**	134
Total shareholders' equity	**$ 4,516**	$ 4,324	$ 4,311	**$ 4,516**	$ 4,311

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 June 2010	Quarter ended 31 March 2010	Quarter ended 30 June 2009	Half-year ended 30 June 2010	Half-year ended 30 June 2009
Net income	**$ 167**	$ 99	$ 129	**$ 266**	$ 225
Other comprehensive income (loss) on available-for-sale securities					
Net unrealized gains (losses) from changes in fair value (net of taxes of $29, $(10), $(41), $19, $(29))	**69**	(27)	(90)	**42**	(61)
Reclassification of realized gains to earnings (net of taxes of $(2), $(1), $(9), $(3), $(9))	**(4)**	(2)	(19)	**(6)**	(19)
	65	(29)	(109)	**36**	(80)
Other comprehensive income (loss) on cash flow hedges					
Unrealized gains (losses) from changes in fair value (net of taxes of $16, $(12), $(26), $4, $(33))	**39**	(22)	(59)	**17**	(68)
Comprehensive (loss) income for the periods	**$ 271**	$ 48	$ (39)	**$ 319**	$ 77

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 2010**	*31 March 2010*	*30 June 2009*	*Half-year ended* **30 June 2010**	*30 June 2009*
Cash flows provided by (used in) operating activities					
Net income	**$ 167**	$ 99	$ 129	**$ 266**	$ 225
Adjustments to net income to determine net cash provided by operating activities:					
Amortization expense	**15**	13	2	**28**	12
Provision for credit losses	**66**	63	126	**129**	287
Provision for impairment of available-for-sale securities	**–**	–	6	**–**	7
Future income taxes	**(28)**	23	(6)	**(5)**	(6)
Net accrued interest receivable and payable	**(48)**	(7)	(4)	**(55)**	23
Trading securities	**(233)**	(231)	(406)	**(464)**	(1,143)
Derivatives, net	**(312)**	217	151	**(95)**	162
Mortgages sold with recourse	**61**	96	70	**157**	151
Securities sold short	**499**	(75)	334	**424**	294
Other, net	**(44)**	346	(493)	**302**	29
	143	544	(91)	**687**	41
Net cash flows provided by (used in) financing activities					
Deposits (repaid) received	**2,104**	(525)	(232)	**1,579**	(2,389)
Interest bearing liabilities of subsidiaries, other than deposits	**(885)**	(80)	(1,008)	**(965)**	(888)
Securities (purchased) sold under repurchase agreements	**(948)**	(158)	1,399	**(1,106)**	1,177
Proceeds from issue of preferred shares	**–**		250	**–**	250
Dividends paid	**(80)**	(90)	(85)	**(170)**	(166)
	191	(853)	324	**(662)**	(2,016)
Net cash flows provided by (used in) investing activities					
Loans repaid (funded), excluding securitizations	**203**	(933)	1,350	**(730)**	1,552
Proceeds from loans securitized	**361**	1,295	352	**1,656**	1,668
Non-trading securities purchased	**(374)**	(1,988)	(2,021)	**(2,362)**	(5,283)
Non-trading securities sold	**206**	112	881	**318**	990
Non-trading securities matured	**456**	440	1,507	**896**	2,741
Securities purchased under reverse repurchase agreements	**(1,280)**	1,402	(2,141)	**122**	471
Net change in non-operating and other deposits with regulated financial institutions	**117**	(95)	81	**22**	100
Acquisition of land, buildings and equipment	**6**	(18)	–	**(12)**	(9)
	(305)	215	9	**(90)**	2,230
Increase (decrease) in cash and cash equivalents	**29**	(94)	242	**(65)**	255
Cash and cash equivalents, beginning of period	**545**	639	433	**639**	420
Cash and cash equivalents, end of period	**574**	545	675	**574**	675
Represented by:					
Cash and non-interest bearing deposits with the Bank of Canada and other banks	**588**	559	688	**588**	688
Less non-operating deposits with banks(1)	**(14)**	(14)	(13)	**(14)**	(13)
Cash and cash equivalents, end of period	**$ 574**	$ 545	$ 675	**$ 574**	$ 675

(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:

Figures in C$ millions	*Quarter ended*			*Half-year ended*	
	30 June 2010	*31 March 2010*	*30 June 2009*	***30 June 2010***	*30 June 2009*
Non-interest revenue					
Other	**$ 40**	$ 38	$ 38	**$ 78**	$ 72
Non-interest expense					
Salaries and employee benefits	**22**	22	22	**44**	46
Premises and equipment	**–**	1	2	**1**	3
Other	**18**	15	14	**33**	23
	$ 40	$ 38	$ 38	**$ 78**	$ 72

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 for 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 amounts to approximately C$2 million.

4. Loans

Loans outstanding, net of unearned income and the allowance for credit losses, are as follows:

	Quarter ended 30 June 2010					***Half-year ended 30 June 2010***
	Business and government	Residential mortgages	Consumer finance loans(2)	Other consumer loans	Total	Total
Gross amount at end of period	**$ 17,926**	**$ 11,566**	**$ 2,777**	**$ 5,988**	**$ 38,257**	**$ 38,257**
Specific allowance at beginning of period	**200**	**1**	–	–	**201**	**186**
Provision for credit losses	**32**	**1**	–	–	**33**	**58**
Write-offs, net of recoveries	**(39)**	**(1)**	–	–	**(40)**	**(50)**
Specific allowance at end of period	**193**	**1**	–	–	**194**	**194**
General allowance at beginning of period	**217**	**2**	**180**	**33**	**432**	**452**
Provision for credit losses	**(1)**	–	**29**	**5**	**33**	**71**
Write-offs, net of recoveries	**1**	–	**(51)**	**(4)**	**(54)**	**(112)**
General allowance at end of period	**217**	**2**	**158**	**34**	**411**	**411**
Total allowance(1)	**410**	**3**	**158**	**34**	**605**	**605**
Net amount at end of period	**$ 17,516**	**$ 11,563**	**$ 2,619**	**$ 5,954**	**$ 37,652**	**$ 37,652**

	Quarter ended 30 June 2009					*Half-year ended 30 June 2009*
	Business and government	*Residential mortgages*	*Consumer finance loans(2)*	*Other consumer loans*	*Total*	*Total*
Gross amount at end of period	$ 20,401	$ 11,580	$ 3,494	$ 5,617	$ 41,092	$ 41,092
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
Net amount at end of period	$ 19,930	$ 11,578	$ 3,273	$ 5,593	$ 40,374	$ 40,374

(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 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$98 million and C$130 million as at 30 June 2010 and 31 December 2009 respectively for impaired loans and provision for incurred losses for the remainder of the portfolio of C$60 million and C$71 million respectively.*

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

5. Loan Securitization

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

	Residential mortgages
New securitization activity	
Securitized and sold	$ **362**
Net cash proceeds received	**361**
Retained rights to future excess interest	**15**
Retained servicing liability	**2**
Pre-tax gain on sale	**12**
Key assumptions at time of sale	
Prepayment rate	**18.00%**
Excess spread	**1.65%**
Expected credit losses	**0.00%**
Discount rate	**2.53%**

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

	At 30 June 2010	*At 31 December 2009*
Residential mortgages		
Conventional	**$ 484**	$ 818
Mortgage-backed securities[1]	**7,246**	6,741
	$ 7,730	$ 7,559

(1) *Excludes insured mortgages which were securitized and retained by the bank of C$54 million (2009 - C$648 million). These assets are classified as AFS securities.*

6. Financial Liabilities

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

	At 30 June 2010			
	Contractual amount payable at maturity	*Fair value*	*Cumulative fair value gain (loss)*	*Cumulative fair value gain (loss) attributable to credit risk*
Deposits	**$ 781**	**$ 793**	**$ (12)**	**$ –**
Interest bearing liabilities of subsidiaries, other than deposits	**–**	**–**	**–**	**–**
Subordinated debentures	**400**	**409**	**(9)**	**27**
	$ 1,181	**$ 1,202**	**$ (21)**	**$ 27**

	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

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

7. Capital stock issued and outstanding shares

	At 30 June 2010		*At 31 December 2009*		*At 30 June 2009*	
	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**	10,000,000	250	10,000,000	250
Preferred Shares – Class 2						
– Series B	86,450,000	**346**	86,450,000	346	86,450,000	346
		$ 946		$ 946		$ 946
Common shares						
– HSBC Bank Canada	498,668,000	**$ 1,225**	498,668,000	$ 1,225	498,668,000	$ 1,225

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 costs.

8. Stock-based compensation

The expense for stock-based compensation was as follows:

	Quarter ended			*Half-year ended*	
	30 June 2010	*31 March 2010*	*30 June 2009*	***30 June 2010***	*30 June 2009*
Savings-related share option scheme	**$ 1**	$ 2	$ 1	**$ 3**	$ 2
Achievement awards	**3**	–	7	**3**	13
	$ 4	$ 2	$ 8	**$ 6**	$ 15

9. Employee future benefits

The expense for employee future benefits was as follows:

	Quarter ended			*Half-year ended*	
	30 June 2010	*31 March 2010*	*30 June 2009*	***30 June 2010***	*30 June 2009*
Pension plans – defined benefit	**$ 6**	$ 5	$ 4	**$ 11**	$ 8
Pension plans – defined contribution	**5**	4	5	**9**	10
Other benefits	**2**	3	2	**5**	5
	$ 13	$ 12	$ 11	**$ 25**	$ 23

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			*Half-year ended*	
	30 June 2010	*31 March 2010*	*30 June 2009*	***30 June 2010***	*30 June 2009*
Personal Financial Services					
Net interest income	**$ 74**	$ 74	$ 89	**$ 148**	$ 167
Non-interest revenue	**102**	116	80	**218**	165
Total revenue	**176**	190	169	**366**	332
Non-interest expenses	**162**	158	158	**320**	304
Net operating income	**14**	32	11	**46**	28
Provision for credit losses	**6**	9	5	**15**	19
Income before undernoted	**8**	23	6	**31**	9
Provision for income taxes	**2**	7	2	**9**	2
Non-controlling interest in income of trust	**2**	1	2	**3**	3
Net income	**4**	15	2	**19**	4
Preferred share dividends	**2**	2	2	**4**	3
Net income attributable to common shares	**$ 2**	$ 13	$ –	**$ 15**	$ 1
Average assets	**$ 18,449**	$ 18,234	$ 18,011	**$ 18,359**	$ 18,071
Commercial Banking					
Net interest income	**$ 184**	$ 188	$ 164	**$ 372**	$ 340
Non-interest revenue	**100**	88	78	**188**	156
Total revenue	**284**	276	242	**560**	496
Non-interest expenses	**107**	97	94	**204**	193
Net operating income	**177**	179	148	**356**	303
Provision for credit losses	**32**	24	55	**56**	116
Income before undernoted	**145**	155	93	**300**	187
Provision for income taxes	**43**	44	26	**87**	53
Non-controlling interest in income of trust	**4**	4	4	**8**	8
Net income	**98**	107	63	**205**	126
Preferred share dividends	**5**	5	6	**10**	8
Net income attributable to common shares	**$ 93**	$ 102	$ 57	**$ 195**	$ 118
Average assets	**$ 23,008**	$ 23,129	$ 25,037	**$ 22,896**	$ 25,121
Global Banking and Markets					
Net interest income	**53**	39	14	**92**	9
Non-interest revenue (loss)	**54**	(48)	129	**6**	233
Total revenue (loss)	**107**	(9)	143	**98**	242
Non-interest expenses	**40**	37	36	**77**	68
Net operating income (loss)	**67**	(46)	107	**21**	174
(Reversal of) provision for credit losses	**(1)**	(2)	(1)	**(3)**	8
Income (loss) before undernoted	**68**	(44)	108	**24**	166
Provision for (recovery of) income taxes	**18**	(12)	32	**6**	49
Non-controlling interest in income of trust	**1**	1	1	**2**	2
Net income (loss)	**49**	(33)	75	**16**	115
Preferred share dividends	**2**	1	1	**3**	2
Net income (loss) attributable to common shares	**$ 47**	$ (34)	$ 74	**$ 13**	$ 113
Average assets	**$ 27,774**	$ 27,556	$ 23,662	**$ 27,822**	$ 23,917
Consumer Finance					
Net interest income	**82**	79	101	**161**	202
Non-interest revenue	**15**	10	2	**25**	12
Total revenue	**97**	89	103	**186**	214
Non-interest expenses	**44**	43	53	**87**	101
Net operating income	**53**	46	50	**99**	113
Provision for credit losses	**29**	32	67	**61**	144
Income (loss) before undernoted	**24**	14	(17)	**38**	(31)
Provision for (recovery of) income taxes	**8**	4	(6)	**12**	(11)
Net income (loss)	**16**	10	(11)	**26**	(20)
Preferred share dividends	**6**	7	6	**13**	13
Net income (loss) attributable to common shares	**$ 10**	$ 3	$ (17)	**$ 13**	$ (33)
Average assets	**$ 2,878**	$ 3,090	$ 3,619	**$ 2,984**	$ 3,786

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

	At 30 June 2010	*At 31 December 2009*
Financial and performance standby letters of credit	**$ 2,230**	$ 2,249
Documentary and commercial letters of credit	**303**	228
Commitments to extend credit	**34,306**	36,229
Credit and yield enhancement	**14**	13
	$ 36,853	$ 38,719

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HSBC Bank Canada securities are listed on the Toronto Stock Exchange

HSBC Bank Canada
Class 1 Preferred Shares – Series C (HSB.PR.C)
Class 1 Preferred Shares – Series D (HSB.PR.D)
Class 1 Preferred Shares – Series E (HSB.PR.E)

HSBC Canada Asset Trust
Asset Trust Securities – Series 2010 (HSBC 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 88 countries and territories and assets of US$2,364 billion at 31 December 2009, the HSBC Group is one of the world's largest banking and financial services organizations.

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