

**2009**

**HSBC Bank Canada  
Capital and Risk Management  
Pillar 3 Supplemental Disclosures  
as at September 30, 2009**



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## Notes to Users

### Capital and Risk Management Pillar 3 Disclosures

The Pillar 3 Supplemental Disclosures are additional summary descriptions and quantitative financial information which supplement those already made in the Annual Report and Accounts 2008 for the disclosure requirements under OSFI's Pillar 3 Disclosure Requirements Advisory issued September 29, 2006 consistent with the "International Convergence of Capital Measurement and Capital Standards" ('Basel II') issued by the Basel Committee on Banking Supervision in June 2006.

The supervisory objectives of Basel II, which replaces the 1988 Basel Capital Accord, are to promote safety and soundness in the financial system and maintain an appropriate level of capital in the system, enhance competitive equality, constitute a more comprehensive approach to addressing risks, and focus on internationally active banks. Basel II is structured around three "pillars": pillar 1, minimum capital requirements, pillar 2, supervisory review and pillar 3, market discipline.

Pillar 3 complements the minimum capital requirements and the supervisory review process. Its aim is to encourage market discipline by developing a set of disclosure requirements which will allow market participants to assess certain specified information on the scope of application of Basel II, capital, particular risk exposures, risk assessment processes, and hence the capital adequacy of the institution.

The Office of the Superintendent of Financial Institutions ("OSFI") supervises HSBC Bank Canada (the "Bank") on a consolidated basis. Effective November 1, 2007, OSFI implemented a new regulatory capital management framework, which gives effect to Basel II. OSFI has approved the Bank's application to apply the Advanced Internal Ratings Based ("AIRB") approach to credit risk on our portfolio and the Standardized Approach for measuring Operational Risk. Please refer to the Annual Report and Accounts 2008 for further information on the Bank's risk and capital management framework.

Further information regarding HSBC Group Risk Management Processes can be found in HSBC Holdings plc Capital and Risk Management Pillar 3 Disclosures available on HSBC Group's investor relations web site.

This report is unaudited and all amounts are in rounded millions of Canadian dollars, unless otherwise indicated.

## Basel II Regulatory Capital (1)

(\$ millions except as noted)



<b>Qualifying Regulatory Capital</b>	<b>September 30, 2009</b>	<b>June 30, 2009</b>	<b>March 31, 2009</b>	<b>December 31, 2008</b>
Common shares	1,225	1,225	1,225	1,225
Retained earnings	2,039	2,006	1,965	1,949
Non-cumulative preferred shares	946	946	696	696
Non-controlling interests in trust and subsidiary	430	430	430	430
Securitization-related deductions and other	(117)	(96)	(103)	(88)
Goodwill	(15)	(15)	(15)	(15)
<b>Total Tier 1 capital</b>	<b>4,508</b>	<b>4,496</b>	<b>4,198</b>	<b>4,197</b>
Subordinated debentures	833	826	795	788
Other	212	214	214	216
<b>Total Tier 2 capital</b>	<b>1,045</b>	<b>1,040</b>	<b>1,009</b>	<b>1,004</b>
<b>Total capital available for regulatory purposes</b>	<b>5,553</b>	<b>5,536</b>	<b>5,207</b>	<b>5,201</b>

<b>Capital Ratios (2)</b>	<b>September 30, 2009</b>	<b>June 30, 2009</b>	<b>March 31, 2009</b>	<b>December 31, 2008</b>
Tier 1 capital ratio	11.67%	11.17%	10.19%	10.08%
Total capital ratio	14.37%	13.75%	12.64%	12.50%
Assets to capital multiple	12.98	12.85	13.62	14.04

(1) As per the Basel II Capital Adequacy Requirement guidelines issued by OSFI.

(2) OSFI's target capital ratios for well capitalized Canadian banks are 7.5% for Tier 1 Capital and 10% for Total Capital.

**Basel II Risk-Weighted Assets(1)**

(\$ millions except as noted)



Risk-Weighted Assets (RWA)	September 30, 2009				June 30, 2009			
	Exposure (2)	RWA			Exposure (3)	RWA		
		Standardized Approach	Advanced Approach	Total		Standardized Approach	Advanced Approach	Total
(\$ millions except as noted)								
Corporate	46,567	-	23,098	23,098	47,731	-	24,589	24,589
Sovereign	16,181	-	279	279	14,930	-	236	236
Bank	8,309	8	393	401	7,216	9	395	404
Residential Mortgages	19,499	625	1,564	2,189	19,362	692	1,606	2,298
HELOC's	5,060	-	491	491	4,619	-	466	466
Other Retail (excluding QRR and SME)	6,882	2,970	1,331	4,301	6,946	3,005	1,387	4,392
Qualifying Revolving Retail	1,096	-	218	218	1,081	-	214	214
Retail SME	1,051	-	533	533	1,066	-	558	558
<b>Exposures subject to standardized or IRB approaches</b>	<b>104,645</b>	<b>3,603</b>	<b>27,907</b>	<b>31,510</b>	<b>102,951</b>	<b>3,707</b>	<b>29,450</b>	<b>33,157</b>
Equity (3)	391	-	-	391	404	-	-	404
Securitization (4)	-	-	-	-	-	-	-	-
Other assets not included in standardized or IRB approaches	1,755	-	-	795	1,039	-	-	674
Adjustment to IRB risk-weighted assets for scaling factor	-	-	-	1,698	-	-	-	1,791
<b>Total Credit Risk</b>	<b>106,790</b>			<b>34,393</b>	<b>104,394</b>			<b>36,026</b>
Market Risk (5)	-	-	-	-	-	-	-	-
Operational Risk - Standardized Approach	-	-	-	4,239	-	-	-	4,229
<b>Total Risk-Weighted Assets</b>				<b>38,633</b>				<b>40,254</b>
Adjustment for Regulatory Floor (6)	-	-	-	-	-	-	-	-
<b>Total Transitional Risk-Weighted Assets</b>				<b>38,633</b>				<b>40,254</b>

  

Risk-Weighted Assets (RWA)	March 31, 2009				December 31, 2008			
	Exposure (2)	RWA			Exposure (2)	RWA		
		Standardized Approach	Advanced Approach	Total		Standardized Approach	Advanced Approach	Total
(\$ millions except as noted)								
Corporate	48,792	-	25,158	25,158	49,904	-	25,483	25,483
Sovereign	12,784	-	272	272	10,882	-	167	167
Bank	6,452	30	432	462	8,731	8	453	461
Residential Mortgages	19,095	665	1,558	2,222	19,354	712	1,587	2,299
HELOC's	4,691	-	466	466	4,727	-	547	547
Other Retail (excluding QRR and SME)	6,936	3,045	1,353	4,398	7,224	3,128	1,688	4,816
Qualifying Revolving Retail	1,074	-	214	214	1,254	-	179	179
Retail SME	1,344	-	709	709	742	-	453	453
<b>Exposures subject to standardized or IRB approaches</b>	<b>101,167</b>	<b>3,739</b>	<b>30,163</b>	<b>33,902</b>	<b>102,818</b>	<b>3,848</b>	<b>30,558</b>	<b>34,406</b>
Equity (3)	428	-	-	428	395	-	-	395
Securitization (4)	-	-	-	-	-	-	-	-
Other assets not included in standardized or IRB approaches	898	-	-	798	968	-	-	812
Adjustment to IRB risk-weighted assets for scaling factor	-	-	-	1,835	-	-	-	1,857
<b>Total Credit Risk</b>	<b>102,494</b>			<b>36,964</b>	<b>104,181</b>			<b>37,470</b>
Market Risk (5)	-	-	-	-	-	-	-	-
Operational Risk - Standardized Approach	-	-	-	4,225	-	-	-	4,153
<b>Total Risk-Weighted Assets</b>				<b>41,188</b>				<b>41,623</b>
Adjustment for Regulatory Floor (6)	-	-	-	-	-	-	-	-
<b>Total Transitional Risk-Weighted Assets</b>				<b>41,188</b>				<b>41,623</b>

- (1) As per the Basel II Capital Adequacy Requirement guidelines issued by OSFI.
- (2) Exposure represents gross exposure at default before allowances and credit risk mitigation.
- (3) Under OSFI guidelines the Bank is exempt from using the AIRB approach based on materiality. Accordingly equity investments are risk weighted at 100%.
- (4) Securitization exposures are currently treated as on balance sheet exposures and included in the Basel II counterparty category to which the exposures relate - see page 7 for further information on Securitization Exposures.
- (5) Under OSFI guidelines the value of the bank's trading assets or liabilities do not meet the threshold for the capital adequacy requirements for market risk.
- (6) The Bank is subject to a regulatory capital floor according to transitional arrangements prescribed by OSFI. OSFI has given the Bank their approval to reduce the capital floor to 90% commencing with the third quarter 2008 regulatory reporting period.

**Credit Exposure by Counterparty Type**

(\$ millions except as noted)



September 30, 2009						
	Loans (Drawn)	Commitments (Undrawn)	Repo Style Transactions	OTC	Other Off Balance Sheet Items	Total
Corporate	26,907	11,176	5,308	586	2,590	46,567
Sovereign	13,811	35	2,263	65	7	16,181
Bank	1,677	987	4,484	1,142	19	8,309
<b>Total Corporate, Sovereign and Bank</b>	<b>42,395</b>	<b>12,198</b>	<b>12,055</b>	<b>1,793</b>	<b>2,616</b>	<b>71,057</b>
Residential Mortgages	19,487	12	-	-	-	19,499
HELOC's	2,855	2,205	-	-	-	5,060
Other Retail (excluding QRR and SME)	4,426	2,441	-	-	15	6,882
Qualifying Revolving Retail	400	696	-	-	-	1,096
Retail SME	658	359	-	-	34	1,051
<b>Total Retail</b>	<b>27,826</b>	<b>5,713</b>	<b>-</b>	<b>-</b>	<b>49</b>	<b>33,588</b>
<b>Total Gross Credit Exposure</b>	<b>70,221</b>	<b>17,911</b>	<b>12,055</b>	<b>1,793</b>	<b>2,665</b>	<b>104,645</b>

June 30, 2009						
	Loans (Drawn)	Commitments (Undrawn)	Repo Style Transactions	OTC	Other Off Balance Sheet Items	Total
Corporate	28,377	11,267	4,740	714	2,633	47,731
Sovereign	12,712	37	2,068	105	8	14,930
Bank	1,758	1,127	2,961	1,351	18	7,216
<b>Total Corporate, Sovereign and Bank</b>	<b>42,847</b>	<b>12,431</b>	<b>9,770</b>	<b>2,170</b>	<b>2,659</b>	<b>69,877</b>
Residential Mortgages	19,216	146	-	-	-	19,362
HELOC's	2,613	2,006	-	-	-	4,619
Other Retail (excluding QRR and SME)	4,497	2,434	-	-	15	6,946
Qualifying Revolving Retail	391	690	-	-	-	1,081
Retail SME	675	356	-	-	35	1,066
<b>Total Retail</b>	<b>27,392</b>	<b>5,632</b>	<b>-</b>	<b>-</b>	<b>50</b>	<b>33,074</b>
<b>Total Gross Credit Exposure</b>	<b>70,239</b>	<b>18,063</b>	<b>9,770</b>	<b>2,170</b>	<b>2,710</b>	<b>102,951</b>

March 31, 2009						
	Loans (Drawn)	Commitments (Undrawn)	Repo Style Transactions	OTC	Other Off Balance Sheet Items	Total
Corporate	30,170	11,482	3,388	973	2,778	48,792
Sovereign	12,122	150	428	60	24	12,783
Bank	1,870	1,034	1,888	1,655	4	6,452
<b>Total Corporate, Sovereign and Bank</b>	<b>44,162</b>	<b>12,666</b>	<b>5,705</b>	<b>2,688</b>	<b>2,806</b>	<b>68,027</b>
Residential Mortgages	19,084	12	-	-	-	19,095
HELOC's	2,595	2,096	-	-	-	4,691
Other Retail (excluding QRR and SME)	4,530	2,392	-	-	14	6,936
Qualifying Revolving Retail	390	684	-	-	-	1,074
Retail SME	893	414	-	-	37	1,344
<b>Total Retail</b>	<b>27,491</b>	<b>5,598</b>	<b>-</b>	<b>-</b>	<b>51</b>	<b>33,141</b>
<b>Total Gross Credit Exposure</b>	<b>71,654</b>	<b>18,263</b>	<b>5,705</b>	<b>2,688</b>	<b>2,858</b>	<b>101,167</b>

December 31, 2008						
	Loans (Drawn)	Commitments (Undrawn)	Repo Style Transactions	OTC	Other Off Balance Sheet Items	Total
Corporate	30,761	11,413	3,855	943	2,931	49,904
Sovereign	10,093	42	634	93	20	10,882
Bank	1,746	1,154	4,042	1,783	6	8,731
<b>Total Corporate, Sovereign and Bank</b>	<b>42,600</b>	<b>12,609</b>	<b>8,531</b>	<b>2,820</b>	<b>2,956</b>	<b>69,516</b>
Residential Mortgages	19,354	0	-	-	-	19,354
HELOC's	2,463	2,264	-	-	-	4,727
Other Retail (excluding QRR and SME)	4,625	2,586	-	-	14	7,224
Qualifying Revolving Retail	388	866	-	-	-	1,254
Retail SME	684	4	-	-	55	742
<b>Total Retail</b>	<b>27,514</b>	<b>5,719</b>	<b>-</b>	<b>-</b>	<b>68</b>	<b>33,302</b>
<b>Total Gross Credit Exposure</b>	<b>70,113</b>	<b>18,329</b>	<b>8,531</b>	<b>2,820</b>	<b>3,025</b>	<b>102,818</b>

**Credit Exposure by Geography**

(\$ millions except as noted)



	September 30, 2009					
	Loans (Drawn)	Commitments (Undrawn)	Repo Style Transactions	OTC	Other Off Balance Sheet Items	Total
British Columbia	24,858	6,167	-	146	716	31,887
Western Canada, excluding British Columbia	10,372	4,888	-	184	712	16,156
Ontario	28,801	4,844	10,468	1,355	890	46,358
Quebec & Atlantic provinces	6,190	2,012	1,587	108	347	10,244
Other	-	-	-	-	-	-
<b>Total Gross Credit Exposure</b>	<b>70,221</b>	<b>17,911</b>	<b>12,055</b>	<b>1,793</b>	<b>2,665</b>	<b>104,645</b>

	June 30, 2009					
	Loans (Drawn)	Commitments (Undrawn)	Repo Style Transactions	OTC	Other Off Balance Sheet Items	Total
British Columbia	25,616	6,426	-	186	740	32,968
Western Canada, excluding British Columbia	10,730	4,791	-	154	698	16,372
Ontario	27,623	4,877	8,122	1,646	884	43,152
Quebec & Atlantic provinces	6,270	1,970	1,648	184	388	10,460
Other	-	-	-	-	-	-
<b>Total Gross Credit Exposure</b>	<b>70,239</b>	<b>18,063</b>	<b>9,770</b>	<b>2,170</b>	<b>2,710</b>	<b>102,951</b>

	March 31, 2009					
	Loans (Drawn)	Commitments (Undrawn)	Repo Style Transactions	OTC	Other Off Balance Sheet Items	Total
British Columbia	26,433	6,494	-	270	772	33,969
Western Canada, excluding British Columbia	10,836	4,925	-	246	802	16,809
Ontario	28,050	4,955	5,417	1,963	925	41,310
Quebec & Atlantic provinces	6,335	1,888	288	208	359	9,078
Other	-	-	-	-	-	-
<b>Total Gross Credit Exposure</b>	<b>71,654</b>	<b>18,263</b>	<b>5,705</b>	<b>2,688</b>	<b>2,858</b>	<b>101,167</b>

	December 31, 2008					
	Loans (Drawn)	Commitments (Undrawn)	Repo Style Transactions	OTC	Other Off Balance Sheet Items	Total
British Columbia	26,549	6,914	-	197	836	34,495
Western Canada, excluding British Columbia	11,048	4,687	-	234	839	16,809
Ontario	26,149	4,802	8,026	1,952	943	41,872
Quebec & Atlantic provinces	6,367	1,925	506	437	407	9,642
Other	-	-	-	-	-	-
<b>Total Gross Credit Exposure</b>	<b>70,113</b>	<b>18,329</b>	<b>8,531</b>	<b>2,820</b>	<b>3,025</b>	<b>102,818</b>

## Residual Contract Maturity Breakdown

(\$ millions except as noted)



	September 30, 2009					
	Loans (Drawn)	Commitments	Repo Style	OTC	Other Off	Total
Within 1 year	32,679	17,583	10,683	572	2,545	64,062
1-5 years	32,531	36	1,372	877	79	34,895
Greater than 5 years	5,011	292	-	344	41	5,688
No specific maturity	-	-	-	-	-	-
<b>Total Gross Credit Exposure</b>	<b>70,221</b>	<b>17,911</b>	<b>12,055</b>	<b>1,793</b>	<b>2,665</b>	<b>104,645</b>

	June 30, 2009					
	Loans (Drawn)	Commitments	Repo Style	OTC	Other Off	Total
Within 1 year	32,984	17,653	8,749	928	2,565	62,879
1-5 years	32,058	49	1,021	915	97	34,140
Greater than 5 years	5,196	361	-	326	48	5,931
No specific maturity	-	-	-	-	-	-
<b>Total Gross Credit Exposure</b>	<b>70,238</b>	<b>18,063</b>	<b>9,770</b>	<b>2,169</b>	<b>2,710</b>	<b>102,950</b>

	March 31, 2009					
	Loans (Drawn)	Commitments (Undrawn)	Repo Style Transactions	OTC	Other Off Balance Sheet Items	Total
Within 1 year	35,575	17,854	4,723	1,063	2,715	61,930
1-5 years	30,440	91	981	1,103	92	32,708
Greater than 5 years	5,638	318	-	522	51	6,529
No specific maturity	-	-	-	-	-	-
<b>Total Gross Credit Exposure</b>	<b>71,654</b>	<b>18,263</b>	<b>5,705</b>	<b>2,688</b>	<b>2,858</b>	<b>101,167</b>

	December 31, 2008					
	Loans (Drawn)	Commitments (Undrawn)	Repo Style Transactions	OTC	Other Off Balance Sheet Items	Total
Within 1 year	36,535	17,799	3,804	1,586	2,883	62,608
1-5 years	28,412	101	1,960	870	92	31,435
Greater than 5 years	5,166	429	2,767	365	49	8,775
No specific maturity	-	-	-	-	-	-
<b>Total Gross Credit Exposure</b>	<b>70,113</b>	<b>18,329</b>	<b>8,531</b>	<b>2,820</b>	<b>3,025</b>	<b>102,818</b>

## Portfolio Breakdown by Basel II Approaches

(\$ millions except as noted)



	September 30, 2009				June 30, 2009			
	Standardized		AIRB		Standardized		AIRB	
	Loans (Drawn)	Credit Equivalent Amount on Undrawn	Loans (Drawn)	Credit Equivalent Amount on Undrawn	Loans (Drawn)	Credit Equivalent Amount on Undrawn	Loans (Drawn)	Credit Equivalent Amount on Undrawn
Corporate	-	-	26,907	11,176	-	-	28,377	11,267
Sovereign	-	-	13,811	35	-	-	12,712	37
Bank	39	-	1,638	987	47	-	1,711	1,127
<b>Total Corporate, Sovereign and Bank</b>	<b>39</b>	<b>-</b>	<b>42,356</b>	<b>12,198</b>	<b>47</b>	<b>-</b>	<b>42,800</b>	<b>12,431</b>
Residential Mortgages	1,237	-	18,250	12	1,365	-	17,851	146
HELOC's	-	-	2,855	2,205	-	-	2,613	2,006
Other Retail (excluding QRR and SME)	2,116	1,842	2,310	599	2,169	1,842	2,328	592
Qualifying Revolving Retail	-	-	400	696	-	-	391	690
Retail SME	-	-	658	359	-	-	675	356
<b>Total Retail</b>	<b>3,353</b>	<b>1,842</b>	<b>24,473</b>	<b>3,871</b>	<b>3,534</b>	<b>1,842</b>	<b>23,858</b>	<b>3,790</b>
<b>Total Gross Credit Exposure</b>	<b>3,392</b>	<b>1,842</b>	<b>66,829</b>	<b>16,069</b>	<b>3,581</b>	<b>1,842</b>	<b>66,658</b>	<b>16,221</b>

	March 31, 2009				December 31, 2008			
	Standardized		AIRB		Standardized		AIRB	
	Loans (Drawn)	Credit Equivalent Amount on Undrawn	Loans (Drawn)	Credit Equivalent Amount on Undrawn	Loans (Drawn)	Credit Equivalent Amount on Undrawn	Loans (Drawn)	Credit Equivalent Amount on Undrawn
Corporate	-	-	30,170	11,482	-	-	30,761	11,413
Sovereign	-	-	12,122	150	-	-	10,093	42
Bank	148	-	1,722	1,034	42	-	1,703	1,154
<b>Total Corporate, Sovereign and Bank</b>	<b>148</b>	<b>-</b>	<b>44,014</b>	<b>12,666</b>	<b>42</b>	<b>-</b>	<b>42,557</b>	<b>12,609</b>
Residential Mortgages	1,515	-	17,569	12	1,630	-	17,724	0
HELOC's	-	-	2,595	2,096	-	-	2,463	2,264
Other Retail (excluding QRR and SME)	2,247	1,815	2,283	577	2,391	1,780	2,234	805
Qualifying Revolving Retail	-	-	390	684	-	-	388	866
Retail SME	-	-	893	414	-	-	684	4
<b>Total Retail</b>	<b>3,762</b>	<b>1,815</b>	<b>23,730</b>	<b>3,783</b>	<b>4,022</b>	<b>1,780</b>	<b>23,492</b>	<b>3,939</b>
<b>Total Gross Credit Exposure</b>	<b>3,910</b>	<b>1,815</b>	<b>67,744</b>	<b>16,449</b>	<b>4,064</b>	<b>1,780</b>	<b>66,049</b>	<b>16,549</b>



**Standardized Exposures by Risk Weight Category (1)**

(\$ millions except as noted)



	September 30, 2009							
	Risk Weight Category							
	0%	20%	35%	50%	75%	100%	150%	Total
Corporate	-	-	-	-	-	-	-	-
Sovereign	-	-	-	-	-	-	-	-
Bank	-	39	-	-	-	-	-	39
<i>Total Corporate, Sovereign and Bank</i>	-	39	-	-	-	-	-	39
Residential Mortgages	-	-	746	-	466	14	-	1,226
Heloc's	-	-	-	-	-	-	-	-
Other Retail	-	-	-	-	3,827	30	47	3,904
Retail SME	-	-	-	-	-	-	-	-
<i>Total Retail</i>	-	-	746	-	4,293	44	47	5,130
<b>Total Exposure at Default</b>	-	39	746	-	4,293	44	47	5,169

	June 30, 2009							
	Risk Weight Category							
	0%	20%	35%	50%	75%	100%	150%	Total
Corporate	-	-	-	-	-	-	-	-
Sovereign	-	-	-	-	-	-	-	-
Bank	-	47	-	-	-	-	-	47
<i>Total Corporate, Sovereign and Bank</i>	-	47	-	-	-	-	-	47
Residential Mortgages	-	-	817	-	523	14	-	1,354
Heloc's	-	-	-	-	-	-	-	-
Other Retail	-	-	-	-	3,871	32	47	3,949
Retail SME	-	-	-	-	-	-	-	-
<i>Total Retail</i>	-	-	817	-	4,394	46	47	5,304
<b>Total Exposure at Default</b>	-	47	817	-	4,394	46	47	5,350

	March 31, 2009							
	Risk Weight Category							
	0%	20%	35%	50%	75%	100%	150%	Total
Corporate	-	-	-	-	-	-	-	-
Sovereign	-	-	-	-	-	-	-	-
Bank	-	148	-	-	-	-	-	148
<i>Total Corporate, Sovereign and Bank</i>	-	148	-	-	-	-	-	148
Residential Mortgages	-	-	1,170	-	319	16	-	1,505
Heloc's	-	-	-	-	-	-	-	-
Other Retail	-	-	-	-	3,922	37	44	4,003
Retail SME	-	-	-	-	-	-	-	-
<i>Total Retail</i>	-	-	1,170	-	4,241	53	44	5,508
<b>Total Exposure at Default</b>	-	148	1,170	-	4,241	53	44	5,656

	December 31, 2008							
	Risk Weight Category							
	0%	20%	35%	50%	75%	100%	150%	Total
Corporate	-	-	-	-	-	-	-	-
Sovereign	-	-	-	-	-	-	-	-
Bank	-	42	-	-	-	-	-	42
<i>Total Corporate, Sovereign and Bank</i>	-	42	-	-	-	-	-	42
Residential Mortgages	-	-	1,273	-	337	13	-	1,624
Heloc's	-	-	-	-	-	-	-	-
Other Retail	-	-	-	-	4,039	40	39	4,118
Retail SME	-	-	-	-	-	-	-	-
<i>Total Retail</i>	-	-	1,273	-	4,376	53	39	5,742
<b>Total Exposure at Default</b>	-	42	1,273	-	4,376	53	39	5,784

## Risk Assessment - IRB Retail Credit Portfolio

(\$ millions except as noted)



September 30, 2009						
	Residential Mortgages	Heloc's	Other Retail (excl. QRR and SME)	Qualifying Revolving Retail	Retail SME	Total
Strong	17,923	4,944	2,691	964	767	27,289
Medium	250	104	165	121	246	886
Sub-Standard	-	-	6	6	10	22
Impaired/Default	89	12	61	5	28	195
<b>Total Exposure at Default</b>	<b>18,262</b>	<b>5,060</b>	<b>2,923</b>	<b>1,096</b>	<b>1,051</b>	<b>28,392</b>

June 30, 2009						
	Residential Mortgages	Heloc's	Other Retail (excl. QRR and SME)	Qualifying Revolving Retail	Retail SME	Total
Strong	17,615	4,513	2,688	954	782	26,552
Medium	307	94	175	116	252	944
Sub-Standard	-	-	7	6	8	21
Impaired/Default	75	11	67	5	25	183
<b>Total Exposure at Default</b>	<b>17,997</b>	<b>4,618</b>	<b>2,937</b>	<b>1,081</b>	<b>1,067</b>	<b>27,700</b>

March 31, 2009						
	Residential Mortgages	Heloc's	Other Retail (excl. QRR and SME)	Qualifying Revolving Retail	Retail SME	Total
Strong	17,250	4,591	2,634	943	1,066	26,484
Medium	266	90	173	121	242	892
Sub-Standard	-	-	8	6	6	20
Impaired/Default	65	9	58	4	30	166
<b>Total Exposure at Default</b>	<b>17,581</b>	<b>4,690</b>	<b>2,873</b>	<b>1,074</b>	<b>1,344</b>	<b>27,562</b>

December 31, 2008						
	Residential Mortgages	Heloc's	Other Retail (excl. QRR and SME)	Qualifying Revolving Retail	Retail SME	Total
Strong	17,428	4,711	2,886	1,144	659	26,828
Medium	254	7	99	106	64	530
Sub-Standard	-	-	-	-	1	1
Impaired/Default	41	8	67	4	18	138
<b>Total Exposure at Default</b>	<b>17,723</b>	<b>4,726</b>	<b>3,052</b>	<b>1,254</b>	<b>742</b>	<b>27,497</b>

Risk Assessment - AIRB Non-Retail Credit Portfolio

(\$ millions except as noted)



	September 30, 2009				June 30, 2009				March 31, 2009				December 31, 2008			
	Exposure at Default (1)	Exposure-Weighted Average PD (%)	Exposure-Weighted Average LGD (%)	Exposure-Weighted Average Risk Weight (%)	Exposure at Default (1)	Exposure-Weighted Average PD (%)	Exposure-Weighted Average LGD (%)	Exposure-Weighted Average Risk Weight (%)	Exposure at Default (1)	Exposure-Weighted Average PD (%)	Exposure-Weighted Average LGD (%)	Exposure-Weighted Average Risk Weight (%)	Exposure at Default (1)	Exposure-Weighted Average PD (%)	Exposure-Weighted Average LGD (%)	Exposure-Weighted Average Risk Weight (%)
<b>Internal Rating</b>																
<b>Corporate</b>																
Minimal Risk	1,167	0.04	45	12	1,222	0.04	45	12	1,451	0.03	47	9	1,716	0.04	46	12
Low Risk	3,962	0.11	43	19	3,656	0.11	43	19	4,171	0.09	47	13	4,177	0.10	44	19
Satisfactory Risk	14,620	0.46	34	41	15,918	0.47	34	41	17,220	0.47	35	41	17,188	0.48	33	41
Fair Default Risk	17,365	1.17	31	61	17,948	1.17	31	60	18,457	1.14	32	61	19,084	1.15	32	62
Moderate Default Risk	1,746	2.84	29	76	1,646	2.69	30	79	1,631	2.66	33	87	1,449	2.63	32	84
Significant Default Risk	529	5.91	31	106	615	5.83	30	103	636	5.84	30	101	643	5.84	30	101
High Default Risk	645	10.20	31	132	774	10.20	32	135	743	10.17	32	136	692	10.29	32	135
Special Management	406	30.95	31	153	353	28.20	30	158	296	26.79	30	158	270	27.98	31	157
Default	837	100.00	42	276	892	100.00	45	317	878	100.00	39	240	993	100.00	36	244
<b>Total Corporate</b>	<b>41,277</b>	<b>3.36</b>	<b>34</b>	<b>56</b>	<b>43,024</b>	<b>3.34</b>	<b>34</b>	<b>57</b>	<b>45,483</b>	<b>3.10</b>	<b>35</b>	<b>54</b>	<b>46,213</b>	<b>3.29</b>	<b>34</b>	<b>55</b>
<b>Sovereign</b>																
Minimal Risk	13,801	0.01	10	2	12,817	0.01	10	2	12,091	0.01	11	2	10,171	0.01	10	1
Low Risk	58	0.06	28	14	35	0.06	38	20	35	0.07	31	16	31	0.07	30	16
Satisfactory Risk	5	0.31	44	45	8	0.34	46	52	225	0.20	52	34	29	0.37	18	21
Fair Default Risk	82	1.65	10	31	1	1.59	14	29	4	1.40	18	33	15	1.38	51	150
Moderate Default Risk	1	1.93	52	109	-	1.93	52	109	1	1.93	52	109	1	1.93	52	109
Significant Default Risk	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
High Default Risk	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Special Management	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Default	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Sovereign</b>	<b>13,947</b>	<b>0.02</b>	<b>10</b>	<b>2</b>	<b>12,861</b>	<b>0.01</b>	<b>11</b>	<b>2</b>	<b>12,356</b>	<b>0.01</b>	<b>12</b>	<b>2</b>	<b>10,248</b>	<b>0.01</b>	<b>10</b>	<b>2</b>
<b>Bank</b>																
Minimal Risk	3,078	0.03	25	7	3,426	0.03	25	7	3,259	0.03	27	7	3,709	0.03	26	7
Low Risk	852	0.07	23	12	844	0.07	23	13	1,108	0.07	24	5	920	0.07	20	10
Satisfactory Risk	187	0.33	31	36	153	0.25	31	34	191	0.26	29	23	78	0.22	35	36
Fair Default Risk	15	1.14	23	40	3	1.07	17	29	6	1.13	37	62	118	1.31	36	73
Moderate Default Risk	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Significant Default Risk	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
High Default Risk	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Special Management	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Default	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Bank</b>	<b>4,132</b>	<b>0.06</b>	<b>25</b>	<b>10</b>	<b>4,426</b>	<b>0.05</b>	<b>25</b>	<b>9</b>	<b>4,564</b>	<b>0.05</b>	<b>26</b>	<b>7</b>	<b>4,825</b>	<b>0.07</b>	<b>25</b>	<b>9</b>

(1) Total exposure includes loans outstanding and EAD on undrawn commitments and represents exposure at default (EAD), after credit mitigation.

## Exposures Covered By Credit Risk Mitigation

(\$ millions except as noted)



	September 30, 2009			June 30, 2009		
	Standardized		AIRB	Standardized		AIRB
	Eligible Financial Collateral	Credit Derivatives/ Guarantees	Credit Derivatives/ Guarantees	Eligible Financial Collateral	Credit Derivatives/ Guarantees	Credit Derivatives/ Guarantees
<b>Counterparty Type</b>						
Corporate	-	-	1,635	-	-	1,665
Sovereign	-	-	-	-	-	-
Bank	-	-	-	-	-	-
<b>Total Corporate, Sovereign and Bank</b>	-	-	<b>1,635</b>	-	-	<b>1,665</b>
Residential Mortgages	-	-	1,390	-	-	1,422
HELOC's	-	-	-	-	-	-
Other Retail (excluding QRR and SME)	-	-	-	-	-	-
Qualifying Revolving Retail	-	-	-	-	-	-
Retail SME	-	-	-	-	-	-
<b>Total Retail</b>	-	-	<b>1,390</b>	-	-	<b>1,422</b>
<b>Total</b>	-	-	<b>3,025</b>	-	-	<b>3,087</b>

  

	March 31, 2009			December 31, 2008		
	Standardized		AIRB	Standardized		AIRB
	Eligible Financial Collateral	Credit Derivatives/ Guarantees	Credit Derivatives/ Guarantees	Eligible Financial Collateral	Credit Derivatives/ Guarantees	Credit Derivatives/ Guarantees
<b>Counterparty Type</b>						
Corporate	-	-	1,633	-	-	1,663
Sovereign	-	-	-	-	-	-
Bank	-	-	-	-	-	-
<b>Total Corporate, Sovereign and Bank</b>	-	-	<b>1,633</b>	-	-	<b>1,663</b>
Residential Mortgages	-	-	1,448	-	-	1,464
HELOC's	-	-	-	-	-	-
Other Retail (excluding QRR and SME)	-	-	-	-	-	-
Qualifying Revolving Retail	-	-	-	-	-	-
Retail SME	-	-	-	-	-	-
<b>Total Retail</b>	-	-	<b>1,448</b>	-	-	<b>1,464</b>
<b>Total</b>	-	-	<b>3,081</b>	-	-	<b>3,127</b>

**AIRB Credit Risk Exposures - Credit Commitments**

(\$ millions except as noted)



Counterparty Type	September 30, 2009		June 30, 2009	
	Notional Undrawn	EAD on Undrawn	Notional Undrawn	EAD on Undrawn
Corporate	23,778	11,176	23,971	11,266
Sovereign	74	35	78	37
Bank	2,099	987	2,398	1,127
Total Corporate, Sovereign and Ban	25,952	12,197	26,447	12,430
Residential Mortgage:	62	12	253	146
HELOC's	3,050	2,205	2,760	2,006
Other Retail (excluding QRR and SME)	1,421	599	1,451	592
Qualifying Revolving Retai	972	696	967	690
Retail SME	538	359	510	356
Total Retail	6,043	3,871	5,941	3,791
<b>Total</b>	<b>31,994</b>	<b>16,069</b>	<b>32,388</b>	<b>16,221</b>

Counterparty Type	March 31, 2009		March 31, 2009	
	Notional Undrawn	EAD on Undrawn	Notional Undrawn	EAD on Undrawn
Corporate	24,429	11,482	24,284	11,413
Sovereign	319	150	89	42
Bank	2,200	1,034	2,456	1,154
Total Corporate, Sovereign and Ban	26,948	12,666	26,829	12,609
Residential Mortgage:	67	12	64	0
HELOC's	2,933	2,096	2,904	2,264
Other Retail (excluding QRR and SME)	1,471	577	1,458	805
Qualifying Revolving Retai	962	684	958	866
Retail SME	593	414	615	4
Total Retail	6,026	3,783	6,000	3,939
<b>Total</b>	<b>32,974</b>	<b>16,449</b>	<b>32,829</b>	<b>16,549</b>

**Securitization Portfolio Exposure (1)**

(\$ millions except as noted)



Exposure type	September 30, 2009							June 30, 2009						
	Total Outstanding Securitization Exposures Retained/Purchased (2)			Delinquent Portion of Total Outstanding Securitization Exposures		Securitization Activity for the Current Period		Total Outstanding Securitization Exposures Retained/Purchased (2)			Delinquent Portion of Total Outstanding Securitization Exposures		Securitization Activity for the Current Period	
	Retained	Purchased	Total	Impaired & Past Due	Recognised Losses	Exposures Securitized	Recognised Gain/Loss on Sale	Retained	Purchased	Total	Impaired & Past Due	Recognised Losses	Exposures Securitized	Recognised Gain/Loss on Sale
Residential Mortgages	-	5,128	5,128	30	-	1,528	7	-	4,566	4,566	7	-	302	8
Loans to Corporates or SMEs	-	312	312	-	-	-	-	-	311	311	-	-	-	-
Other	268	360	628	-	-	-	-	265	450	715	-	-	-	-
<b>Total</b>	<b>268</b>	<b>5,801</b>	<b>6,069</b>	<b>30</b>	<b>-</b>	<b>1,528</b>	<b>7</b>	<b>265</b>	<b>5,327</b>	<b>5,592</b>	<b>7</b>	<b>-</b>	<b>302</b>	<b>8</b>

  

Exposure type	March 31, 2009							December 31, 2008						
	Total Outstanding Securitization			Delinquent Portion of Total		Securitization Activity for		Total Outstanding Securitization			Delinquent Portion of Total		Securitization Activity for	
	Retained	Purchased	Total	Impaired & Past Due	Recognised Losses	Exposures Securitized	Recognised Gain/Loss on Sale	Retained	Purchased	Total	Impaired & Past Due	Recognised Losses	Exposures Securitized	Recognised Gain/Loss on Sale
Residential Mortgages	73	4,596	4,669	4	-	1,320	34	874	3,102	3,976	2	-	4,304	84
Loans to Corporates or SMEs	-	238	238	-	-	-	-	-	254	254	-	-	-	-
Other	247	508	755	-	-	-	-	212	362	574	-	-	-	-
<b>Total</b>	<b>320</b>	<b>5,342</b>	<b>5,662</b>	<b>4</b>	<b>-</b>	<b>1,320</b>	<b>34</b>	<b>1,086</b>	<b>3,718</b>	<b>4,804</b>	<b>2</b>	<b>-</b>	<b>4,304</b>	<b>84</b>

(1) Securitization information is presented here for information only.

For capital adequacy purposes, securitization exposures are currently included in the EAD of the Basel II counterparty category to which the exposures relate, including all assets securitized by the bank still outstanding of \$8,243 million.

(2) All securitization exposures result from traditional securitization transactions.

(3) Certain comparative figures have been restated to conform with the current year's presentation.

## Securitization Exposures by External Credit Rating (1)

(\$ millions except as noted)



External Credit Assessment (S&P)	September 30, 2009			June 30, 2009			March 31, 2009			December 31, 2008		
	Securitization Exposures			Securitization Exposures			Securitization Exposures			Securitization Exposures		
	Retained	Purchased	Total	Retained	Purchased	Total	Retained	Purchased	Total	Retained	Purchased	Total
AAA to AA-	231	5,390	5,621	223	4,851	5,074	274	4,880	5,154	898	3,444	4,342
A+ to A-	-	293	293	-	415	415	-	403	403	-	19	19
BBB+ to BBB-	-	83	83	-	-	-	-	-	-	-	-	-
BB+ to BB-	-	-	-	-	-	-	-	-	-	-	-	-
B+ and below or unrated	18	34	52	19	61	80	20	58	79	150	254	404
<b>Total</b>	<b>249</b>	<b>5,801</b>	<b>6,050</b>	<b>242</b>	<b>5,327</b>	<b>5,569</b>	<b>294</b>	<b>5,342</b>	<b>5,636</b>	<b>1,048</b>	<b>3,717</b>	<b>4,765</b>

Short Term Credit Assessment (DBRS)	September 30, 2009			June 30, 2009			March 31, 2009			December 31, 2008		
	Securitization Exposures			Securitization Exposures			Securitization Exposures			Securitization Exposures		
	Retained	Purchased	Total	Retained	Purchased	Total	Retained	Purchased	Total	Retained	Purchased	Total
R1 Mid	19	-	19	23	-	23	26	-	26	38	-	38

(1) Securitization information is presented here for information only.

For capital adequacy purposes, securitization exposures are currently included in the EAD of the Basel II counterparty category to which the exposures relate, including all assets securitized by the bank still outstanding of \$8,243 million.

(2) All securitization exposures result from traditional securitization transactions.

(3) Certain comparative figures have been restated to conform with the current year's presentation.

**Advanced Internal Ratings Based (AIRB) approach for credit risk** - Under this approach, banks use their own internal historical experience of PD, LGD, EAD and other key risk assumptions to calculate credit risk capital requirements.

**Bank** - Includes exposures to deposit taking institutions, securities firms and certain public sector entities.

**Commitments (Undrawn)** - The amount of credit risk exposure resulting from the unutilized portion of an authorized credit line/committed credit facility.

**Corporate** - Includes exposures to corporations, partnerships and proprietorships.

**Drawn** - The amount of credit risk exposure resulting from loans advanced to a borrower.

**Exposure At Default (EAD)** - An estimate of the amount of exposure to a customer at the time of default.

**Home Equity Lines of Credit (HELOC's)** - Revolving personal lines of credit secured by home equity.

**Loss Given Default (LGD)** - An estimate of the economic loss, expressed as a percentage (0%-100%) of the exposure at default, that the Bank will incur in the event a borrower defaults

**OTC Derivatives** - Includes over-the-counter derivatives contracts.

**Other Off Balance Sheet Items** - Includes all off-balance sheet arrangements other than derivatives and undrawn commitments, such as standby letters of credit and letters of guarantee.

**Other Retail** - Includes all other personal loans.

**Probability of Default (PD)** - An estimate of the likelihood of a customer defaulting on any credit related obligation within a 1 year time horizon, expressed as a percentage.

**Qualifying Revolving Retail (QRR)** - Includes credit cards and unsecured lines of credit extended to individuals.

**Repo-Style Transactions** - Includes repurchase and reverse repurchase agreements and securities borrowing and lending.

**Retail SME** - Includes small business loans.

**Sovereign** - Includes exposures to central governments, central banks, multilateral development banks and certain public sector entities.

**Standardized Approach for credit risk** - Under this approach, banks use a standardized set of risk-weights as prescribed by OSFI to calculate credit risk capital requirements. The standardized risk-weights are based on external credit assessments, where available, and other risk-related factors, including exposure asset class, collateral, etc.