

2009

HSBC Bank Canada
Capital and Risk Management
Pillar 3 Supplemental Disclosures
as at March 31, 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 millions of Canadian dollars, unless otherwise indicated.

Basel II Regulatory Capital and Risk-Weighted Assets(1)

(\$ millions except as noted)



Qualifying Regulatory Capital	March 31,	December 31,
	2009	2008
Common shares	1,225	1,225
Retained earnings	1,965	1,949
Non-cumulative preferred shares	696	696
Non-controlling interests in trust and subsidiary	430	430
Securitization-related deductions and other	(103)	(88)
Goodwill	(15)	(15)
Total Tier 1 capital	4,198	4,197
Subordinated debentures	795	788
Other	214	216
Total Tier 2 capital	1,009	1,004
Total capital available for regulatory purposes	5,207	5,201

Capital Ratios	March 31,	December 31,
	2009	2008
Tier 1 capital ratio	10.2%	10.1%
Total capital ratio (2)	12.6%	12.5%
Assets to capital Multiple	13.6	14.0

- (1) As per the Basel II Capital Adequacy Requirement guidelines issued by OSFI.
 (2) OSFI's target total capital ratio for well capitalized Canadian banks is 10%.
 (3) Exposure represents gross exposure at default before allowances and credit risk mitigation.
 (4) Under OSFI guidelines the Bank is exempt from using the AIRB approach based on materiality. Accordingly equity investments are risk weighted at 100%.
 (5) 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.
 (6) 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.
 (7) 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.

Risk-Weighted Assets (RWA)	March 31, 2009				December 31, 2008			
	Exposure (3)	RWA			Exposure (3)	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
Exposures subject to standardized or IRB approaches	101,167	3,739	30,163	33,902	102,818	3,848	30,558	34,406
Equity (4)	428			428	395			395
Securitization (5)	-			-	-			-
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
Total Credit Risk	102,494			36,964	104,181			37,470
Market Risk (6)				-				-
Operational Risk - Standardized Approach				4,225				4,153
Total Risk-Weighted Assets				41,188				41,623
Adjustment for Regulatory Floor (7)				-				-
Total Transitional Risk-Weighted Assets				41,188				41,623

Credit Exposure by Counterparty Type

(\$ millions except as noted)



	March 31, 2009						December 31, 2008					
	Loans (Drawn)	Commitments (Undrawn)	Repo Style Transactions	OTC	Other Off Balance Sheet Items	Total	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	30,761	11,413	3,855	943	2,931	49,904
Sovereign	12,122	150	428	60	24	12,784	10,093	42	634	93	20	10,882
Bank	1,870	1,034	1,888	1,655	4	6,452	1,746	1,154	4,042	1,783	6	8,731
Total Corporate, Sovereign and Bank	44,162	12,666	5,705	2,688	2,806	68,027	42,600	12,609	8,531	2,820	2,956	69,516
Residential Mortgages	19,084	12	-	-	-	19,095	19,354	0	-	-	-	19,354
HELOC's	2,595	2,096	-	-	-	4,691	2,463	2,264	-	-	-	4,727
Other Retail (excluding QRR and SME)	4,530	2,392	-	-	14	6,936	4,625	2,586	-	-	14	7,224
Qualifying Revolving Retail	390	684	-	-	-	1,074	388	866	-	-	-	1,254
Retail SME	893	414	-	-	37	1,344	684	4	-	-	55	742
Total Retail	27,491	5,598	-	-	51	33,141	27,514	5,719	-	-	68	33,302
Total Gross Credit Exposure	71,654	18,263	5,705	2,688	2,858	101,167	70,113	18,329	8,531	2,820	3,025	102,818

Credit Exposure by Geography

(\$ millions except as noted)

	March 31, 2009						December 31, 2008					
	Loans (Drawn)	Commitments (Undrawn)	Repo Style Transactions	OTC	Other Off Balance Sheet Items	Total	Loans (Drawn)	Commitments (Undrawn)	Repo Style Transactions	OTC	Other Off Balance Sheet Items	Total
British Columbia	26,433	6,494	-	270	772	33,969	26,549	6,914	-	197	836	34,495
Western Canada, excluding British Columbia	10,836	4,925	-	246	802	16,810	11,048	4,687	-	234	839	16,809
Ontario	28,050	4,955	5,417	1,963	925	41,310	26,149	4,802	8,026	1,952	943	41,872
Quebec & Atlantic provinces	6,334	1,888	288	208	359	9,078	6,367	1,925	506	437	407	9,642
Total Gross Credit Exposure	71,654	18,263	5,705	2,688	2,858	101,167	70,113	18,329	8,531	2,820	3,025	102,818

Residual Contract Maturity Breakdown

(\$ millions except as noted)

	March 31, 2009						December 31, 2008					
	Loans (Drawn)	Commitments (Undrawn)	Repo Style Transactions	OTC	Other Off Balance Sheet Items	Total	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	36,535	17,799	3,804	1,586	2,883	62,607
1-5 years	30,440	91	981	1,103	92	32,708	28,412	101	1,960	870	92	31,435
Greater than 5 years	5,638	318	-	522	51	6,529	5,166	429	2,767	365	49	8,775
Total Gross Credit Exposure	71,654	18,263	5,705	2,688	2,858	101,167	70,113	18,329	8,531	2,820	3,025	102,818

Portfolio Breakdown by Basel II Approaches

(\$ millions except as noted)



	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
Total Corporate, Sovereign and Bank	148	-	44,014	12,666	42	-	42,557	12,609
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
Total Retail	3,762	1,815	23,729	3,783	4,022	1,780	23,492	3,939
Total Gross Credit Exposure	3,910	1,815	67,743	16,449	4,064	1,780	66,049	16,549

Standardized Exposures by Risk Weight Category (1)

(\$ millions except as noted)

	March 31, 2009								December 31, 2008							
	Risk Weight Category								Risk Weight Category							
	0%	20%	35%	50%	75%	100%	150%	Total	0%	20%	35%	50%	75%	100%	150%	Total
Bank	-	148	-	-	-	-	-	148	-	42	-	-	-	-	-	42
<i>Total Corporate, Sovereign and Bank</i>	-	148	-	-	-	-	-	148	-	42	-	-	-	-	-	42
Residential Mortgages	-	-	1,170	-	319	16	-	1,505	-	-	1,273	-	337	13	-	1,624
Other Retail	-	-	-	-	3,922	37	-	4,003	-	-	-	-	4,039	40	39	4,118
<i>Total Retail</i>	-	-	1,170	-	4,241	53	-	5,508	-	-	1,273	-	4,376	53	39	5,742
Total Exposure at Default	-	148	1,170	-	4,241	53	-	5,656	-	42	1,273	-	4,376	53	39	5,784

(1) Exposure at default, net of allowances for credit losses

Risk Assessment - IRB Retail Credit Portfolio

(\$ millions except as noted)

	March 31, 2009						December 31, 2008					
	Residential Mortgages	Heloc's	Other Retail (excl. QRR and SME)	Qualifying Revolving Retail	Retail SME	Total	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	17,428	4,711	2,886	1,144	659	26,829
Medium	266	90	173	121	242	893	254	7	99	106	64	532
Sub-Standard	-	-	8	6	6	20	-	-	-	-	1	1
Impaired/Default	65	9	58	4	30	166	41	8	67	4	18	138
Total Exposure at Default	17,581	4,691	2,874	1,074	1,344	27,564	17,724	4,727	3,053	1,254	742	27,500

Risk Assessment - AIRB Non-Retail Credit Portfolio

(\$ millions except as noted)



Internal Rating	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 (%)
Corporate								
Minimal Risk	1,451	0.03	47	9	1,716	0.04	46	12
Low Risk	4,171	0.09	47	13	4,177	0.10	44	19
Satisfactory Risk	17,220	0.47	35	41	17,188	0.48	33	41
Fair Default Risk	18,457	1.14	32	61	19,084	1.15	32	62
Moderate Default Risk	1,631	2.66	33	87	1,449	2.63	32	84
Significant Default Risk	636	5.84	30	101	643	5.84	30	101
High Default Risk	743	10.17	32	136	692	10.29	32	135
Special Management	296	26.79	30	158	270	27.98	31	157
Default	878	100.00	39	240	993	100.00	36	244
Total Corporate	45,483	3.10	35	54	46,213	3.29	34	55
Sovereign								
Minimal Risk	12,091	0.01	11	2	10,171	0.01	10	1
Low Risk	35	0.07	31	16	31	0.07	30	16
Satisfactory Risk	225	0.20	52	34	29	0.37	18	21
Fair Default Risk	4	1.40	18	33	15	1.38	51	150
Moderate Default Risk	1	1.93	52	109	1	1.93	52	109
Significant Default Risk	-	-	-	-	-	-	-	-
High Default Risk	-	-	-	-	-	-	-	-
Special Management	-	-	-	-	-	-	-	-
Default	-	-	-	-	-	-	-	-
Total Sovereign	12,356	0.01	12	2	10,248	0.01	10	2
Bank								
Minimal Risk	3,259	0.03	27	7	3,709	0.03	26	7
Low Risk	1,108	0.07	24	5	920	0.07	20	10
Satisfactory Risk	191	0.26	29	23	78	0.22	35	36
Fair Default Risk	6	1.13	37	62	118	1.31	36	73
Moderate Default Risk	-	-	-	-	-	-	-	-
Significant Default Risk	-	-	-	-	-	-	-	-
High Default Risk	-	-	-	-	-	-	-	-
Special Management	-	-	-	-	-	-	-	-
Default	-	-	-	-	0	-	-	-
Total Bank	4,564	0.05	26	7	4,825	0.07	25	9

(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)



Counterparty Type	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
Corporate	-	-	1,633	-	-	1,663
Sovereign	-	-	-	-	-	-
Bank	-	-	-	-	-	-
Total Corporate, Sovereign and Bank	-	-	1,633	-	-	1,663
Residential Mortgages	-	-	1,448	-	-	1,464
HELOC's	-	-	-	-	-	-
Other Retail (excluding QRR and SME)	-	-	-	-	-	-
Qualifying Revolving Retail	-	-	-	-	-	-
Retail SME	-	-	-	-	-	-
Total Retail	-	-	1,448	-	-	1,464
Total	-	-	3,080	-	-	3,127

AIRB Credit Risk Exposures - Credit Commitments

(\$ millions except as noted)

Counterparty Type	March 31, 2009		December 31, 2008	
	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 Bank	26,948	12,666	26,829	12,609
Residential Mortgages	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 Retail	962	684	958	866
Retail SME	593	414	615	4
Total Retail	6,026	3,783	6,000	3,939
Total	32,974	16,449	32,829	16,549

Securitization Portfolio Exposure (1)

(\$ millions except as noted)



Exposure type	March 31, 2009							December 31, 2008						
	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	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	-	-	-	-
Total	320	5,342	5,662	4	-	1,320	34	1,086	3,718	4,804	2	-	4,304	84

External Credit Assessment (S&P)	March 31, 2009			December 31, 2008		
	Securitization Exposures			Securitization Exposures		
	Retained	Purchased	Total	Retained	Purchased	Total
AAA to AA-	274	4,880	5,154	898	3,445	4,343
A+ to A-	-	403	403	-	19	19
BBB+ to BBB-	-	-	-	-	-	-
BB+ to BB-	-	-	-	-	-	-
B+ and below or unrated	20	58	79	150	254	404
Total	294	5,342	5,636	1,048	3,718	4,766

Short Term Credit Assessment (DBRS)	March 31, 2009			December 31, 2008		
	Securitization Exposures			Securitization Exposures		
	Retained	Purchased	Total	Retained	Purchased	Total
R1 Mid	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 \$7,500 million.

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

(3) Certain prior comparative figures have been restated to conform with 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.