

2012

**HSBC Bank Canada
Capital and Risk Management
Pillar 3 Supplemental Disclosures
as at March 31, 2012**



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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 2011 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 2011 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.

Enhanced Basel II Pillar 3 disclosures have been included in this document from the first quarter 2012, as per the implementation requirements of OSFI's letter dated July 13 2011.

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

Basel II Regulatory Capital¹

(\$ millions except as noted)



Qualifying Regulatory Capital	March 31	December 31	September 30	June 30	March 31	December 31	September 30	June 30
	2012	2011	2011	2011	2011	2010	2010	2010
Common shares	1,225	1,225	1,225	1,225	1,225	1,225	1,225	1,225
Retained earnings	2,455	2,363	2,306	2,241	2,133	2,274	2,238	2,218
Non-cumulative preferred shares	946	946	946	946	946	946	946	946
Non-controlling interests in trust and subsidiary	230	230	230	230	230	230	430	430
Securitization-related deductions and other	(9)	(9)	(9)	(12)	(11)	(116)	(138)	(143)
Goodwill	(23)	(23)	(26)	(26)	(26)	(15)	(15)	(15)
Total Tier 1 capital	4,823	4,731	4,672	4,605	4,497	4,544	4,686	4,661
Subordinated debentures	751	752	753	742	735	739	751	742
Other	95	155	157	178	186	195	192	190
Total Tier 2 capital	846	906	910	920	920	934	943	932
Total capital available for regulatory purposes	5,669	5,637	5,582	5,524	5,418	5,478	5,629	5,593

Capital Ratios (2)	March 31	December 31	September 30	June 30	March 31	December 31	September 30	June 30
	2012	2011	2011	2011	2011	2010	2010	2010
Tier 1 capital ratio	13.23%	13.39%	13.43%	13.30%	13.41%	13.30%	13.18%	12.98%
Total capital ratio	15.55%	15.96%	16.05%	15.95%	16.16%	16.04%	15.83%	15.58%
Assets to capital multiple	13.20	13.13	13.48	13.76	13.51	13.34	13.38	13.00

(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% for Tier 1 Capital and 10% for Total Capital.

Basel II Risk-Weighted Assets¹

(\$ millions except as noted)



Risk-Weighted Assets (RWA)	March 31, 2012				December 31, 2011				September 30, 2011				June 30, 2011			
	Exposure (2)	RWA			Exposure (2)	RWA			Exposure (2)	RWA			Exposure (2)	RWA		
		Standardized Approach	Advanced Approach	Total		Standardized Approach	Advanced Approach	Total		Standardized Approach	Advanced Approach	Total		Standardized Approach	Advanced Approach	Total
Corporate	42,796		19,932	19,932	40,128		19,408	19,408	40,737		18,740	18,740	42,334		18,466	18,466
Sovereign	20,139		492	492	19,290		433	433	20,252		455	455	19,488		383	383
Bank	8,187	5	666	671	10,289		681	681	11,400		728	728	11,481		572	572
Residential Mortgages	19,019	385	1,728	2,113	18,859	394	1,702	2,096	18,685	407	1,665	2,071	18,494	419	1,625	2,043
HELOC's	5,955		832	832	6,032		848	848	6,117		852	852	6,195		869	869
Other Retail (excluding QRR and SME)	6,310	2,475	856	3,332	6,321	2,503	865	3,368	6,340	2,489	896	3,385	6,232	2,402	928	3,330
Qualifying Revolving Retail	1,154		326	326	1,158		326	326	1,167		328	328	1,163		317	317
Retail SME	805		370	370	815		356	356	853		378	378	875		394	394
Exposures subject to standardized or IRB approaches	104,365	2,864	25,203	28,067	102,893	2,898	24,620	27,517	105,552	2,896	24,041	26,936	106,262	2,821	23,553	26,374
Equity (3)	207		207	207	191		191	191	161		161	161	265		265	265
Securitization (4)	19	66		66	19	66		66	18	65		65	23	81		81
Other assets not included in standardized or IRB approaches	1,139			873	944			760	1,045			856	1,253			1,011
Adjustment to IRB risk-weighted assets for scaling factor				1,525				1,489				1,452				1,429
Total Credit Risk	105,730			30,738	104,046			30,023	106,777			29,470	107,803			29,161
Market Risk (5)																
Operational Risk - Standardized Approach				4,207				4,212				4,222				4,173
Total Risk-Weighted Assets				34,945				34,236				33,692				33,333
Adjustment for Regulatory Floor (6)				1,515				1,086				1,094				1,300
Total Transitional Risk-Weighted Assets				36,460				35,322				34,786				34,633

Risk-Weighted Assets (RWA)	March 31, 2011				December 31, 2010				September 30, 2010				June 30, 2010			
	Exposure (2)	RWA			Exposure (2)	RWA			Exposure (2)	RWA			Exposure (2)	RWA		
		Standardized Approach	Advanced Approach	Total		Standardized Approach	Advanced Approach	Total		Standardized Approach	Advanced Approach	Total		Standardized Approach	Advanced Approach	Total
Corporate	41,452		18,295	18,295	40,638		18,858	18,858	43,969		20,098	20,098	43,637		20,606	20,606
Sovereign	17,292		336	336	19,084		345	345	18,974		384	384	16,724		287	287
Bank	11,461	6	497	502	11,718	6	538	544	12,378		627	632	9,241	5	439	444
Residential Mortgages	18,515	437	1,619	2,056	18,747	455	1,626	2,081	19,061	495	1,634	2,129	19,303	534	1,607	2,141
HELOC's	6,303		894	894	6,318		909	909	6,356		888	888	6,291		878	878
Other Retail (excluding QRR and SME)	6,357	2,447	1,374	3,821	6,266	2,403	1,365	3,767	6,258	2,388	1,327	3,715	6,309	2,476	1,303	3,778
Qualifying Revolving Retail	1,171		318	318	1,174		317	317	1,178		207	207	1,176		214	214
Retail SME	890		395	395	945		422	422	986		454	454	1,048		478	478
Exposures subject to standardized or IRB approaches	103,439	2,889	23,729	26,617	104,890	2,864	24,380	27,244	109,160	2,888	25,619	28,507	103,728	3,015	25,811	28,826
Equity (3)	181		181	181	199		199	199	229		229	229	260		260	260
Securitization (4)	22	78		78	126	72		72								
Other assets not included in standardized or IRB approaches	1,223			1,052	1,176			972	1,343			1,093	1,242			1,019
Adjustment to IRB risk-weighted assets for scaling factor				1,435				1,475				1,551				1,564
Total Credit Risk	104,865			29,363	106,391			29,962	110,732			31,380	105,230			31,669
Market Risk (5)																
Operational Risk - Standardized Approach				4,168				4,190				4,171				4,225
Total Risk-Weighted Assets				33,531				34,152				35,551				35,894
Adjustment for Regulatory Floor (6)																
Total Transitional Risk-Weighted Assets				33,531				34,152				35,551				35,894

(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.

(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)



	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
	March 31, 2012						December 31, 2011					
Corporate	26,420	10,361	2,210	991	2,814	42,796	24,762	10,179	1,402	1,017	2,769	40,128
Sovereign	20,073	25		41		20,139	19,235	25		30		19,290
Bank	3,690	795	1,323	2,178	200	8,187	3,395	785	3,656	2,295	158	10,289
Total Corporate, Sovereign and Bank	50,183	11,182	3,533	3,209	3,015	71,122	47,392	10,990	5,058	3,342	2,927	69,708
Residential Mortgages	19,013	5				19,019	18,853	7				18,859
HELOC's	2,832	3,123				5,955	2,889	3,143				6,032
Other Retail (excluding QRR and SME)	4,033	2,270			7	6,310	4,052	2,262			8	6,321
Qualifying Revolving Retail	359	795				1,154	367	791				1,158
Retail SME	455	315			36	805	507	270			37	815
Total Retail	26,693	6,508			43	33,243	26,668	6,473			44	33,185
Total Gross Credit Exposure	76,875	17,690	3,533	3,209	3,058	104,365	74,060	17,462	5,058	3,342	2,971	102,893
	September 30, 2011						June 30, 2011					
Corporate	23,242	9,902	2,068	1,469	4,056	40,737	23,232	9,749	4,680	806	3,868	42,334
Sovereign	20,212	15		24		20,252	19,441	16		32		19,488
Bank	3,367	786	4,735	2,385	127	11,400	2,823	795	6,052	1,780	31	11,481
Total Corporate, Sovereign and Bank	46,822	10,703	6,803	3,878	4,182	72,388	45,496	10,560	10,732	2,617	3,899	73,304
Residential Mortgages	18,680	6				18,685	18,486	8				18,494
HELOC's	2,989	3,129				6,117	3,050	3,145				6,195
Other Retail (excluding QRR and SME)	4,008	2,324			8	6,340	3,986	2,238			8	6,232
Qualifying Revolving Retail	375	792				1,167	371	792				1,163
Retail SME	505	310			39	853	529	311			35	875
Total Retail	26,557	6,560			47	33,164	26,423	6,494			42	32,959
Total Gross Credit Exposure	73,379	17,263	6,803	3,878	4,229	105,552	71,919	17,053	10,732	2,617	3,942	106,262
	March 31, 2011						December 31, 2010					
Corporate	23,032	9,408	4,987	686	3,340	41,452	22,766	10,762	3,451	586	3,074	40,638
Sovereign	17,244	15		33		17,292	17,796	17	1,259	13		19,084
Bank	2,445	800	6,511	1,654	51	11,461	3,084	917	6,108	1,569	40	11,718
Total Corporate, Sovereign and Bank	42,720	10,222	11,497	2,373	3,391	70,204	43,645	11,696	10,818	2,167	3,114	71,440
Residential Mortgages	18,512	3				18,515	18,740	7				18,747
HELOC's	3,134	3,169				6,303	3,160	3,158				6,318
Other Retail (excluding QRR and SME)	4,055	2,274			28	6,357	4,109	2,129			28	6,266
Qualifying Revolving Retail	379	792				1,171	383	791				1,174
Retail SME	547	305			37	890	582	323			40	945
Total Retail	26,627	6,543			65	33,235	26,974	6,408			68	33,450
Total Gross Credit Exposure	69,347	16,765	11,497	2,373	3,456	103,439	70,619	18,104	10,818	2,167	3,182	104,890
	September 30, 2010						June 30, 2010					
Corporate	24,413	10,479	5,588	621	2,868	43,969	24,111	10,596	5,661	561	2,709	43,637
Sovereign	17,847	161	895	56	15	18,974	15,664	149	828	69	14	16,724
Bank	3,995	950	5,786	1,620	27	12,378	1,956	974	4,810	1,476	26	9,241
Total Corporate, Sovereign and Bank	46,255	11,590	12,269	2,297	2,910	75,321	41,731	11,719	11,299	2,105	2,748	69,603
Residential Mortgages	19,033	28				19,061	19,273	30				19,303
HELOC's	3,190	3,166				6,356	3,158	3,133				6,291
Other Retail (excluding QRR and SME)	4,103	2,125			30	6,258	4,104	2,175			30	6,309
Qualifying Revolving Retail	389	789				1,178	389	787				1,176
Retail SME	611	335			40	986	617	394			37	1,048
Total Retail	27,326	6,443			70	33,839	27,540	6,518			67	34,126
Total Gross Credit Exposure	73,581	18,033	12,269	2,297	2,980	109,160	69,272	18,237	11,299	2,105	2,815	103,728

Credit Exposure by Geography

(\$ millions except as noted)



	March 31, 2012						December 31, 2011					
	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	21,697	5,801		57	660	28,215	21,714	5,933		72	701	28,420
Western Canada, excluding British Columbia	10,609	4,483		307	749	16,148	10,607	4,324		274	756	15,961
Ontario	37,584	5,197	3,533	2,645	918	49,878	35,137	5,071	5,058	2,783	915	48,965
Quebec & Atlantic provinces	6,985	2,208		200	730	10,124	6,602	2,133		212	599	9,547
Total Gross Credit Exposure	76,875	17,690	3,533	3,209	3,058	104,365	74,060	17,462	5,058	3,342	2,971	102,893

	September 30, 2011						June 30, 2011					
	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	21,347	5,868		108	1,060	28,383	21,739	5,709		58	999	28,504
Western Canada, excluding British Columbia	10,087	4,435		349	1,016	15,887	9,607	4,560		236	1,022	15,425
Ontario	35,417	4,952	6,803	2,976	1,434	51,582	33,863	4,861	10,732	2,125	1,318	52,898
Quebec & Atlantic provinces	6,529	2,009		445	718	9,700	6,710	1,924		197	603	9,435
Total Gross Credit Exposure	73,379	17,263	6,803	3,878	4,229	105,552	71,919	17,053	10,732	2,617	3,942	106,262

	March 31, 2011						December 31, 2010					
	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	21,598	5,831		55	933	28,417	22,261	6,436		79	847	29,623
Western Canada, excluding British Columbia	9,904	4,460		196	917	15,477	10,064	4,921		196	840	16,021
Ontario	31,567	4,607	11,497	1,903	1,035	50,610	32,048	4,706	10,818	1,751	945	50,268
Quebec & Atlantic provinces	6,278	1,867		219	571	8,935	6,246	2,041		141	550	8,978
Total Gross Credit Exposure	69,347	16,765	11,497	2,373	3,456	103,439	70,619	18,104	10,818	2,167	3,182	104,890

	September 30, 2010						June 30, 2010					
	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	23,137	6,586		69	730	30,522	23,620	6,570		107	685	30,982
Western Canada, excluding British Columbia	9,832	4,989		206	862	15,889	9,831	5,045		203	838	15,917
Ontario	34,366	4,717	12,269	1,862	874	54,088	29,809	4,830	11,299	1,637	833	48,408
Quebec & Atlantic provinces	6,246	1,741		160	514	8,661	6,012	1,792		158	459	8,421
Total Gross Credit Exposure	73,581	18,033	12,269	2,297	2,980	109,160	69,272	18,237	11,299	2,105	2,815	103,728

Residual Contract Maturity Breakdown

(\$ millions except as noted)



	March 31, 2012						December 31, 2011					
	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	33,912	16,148	3,241	1,159	2,873	57,334	34,158	15,931	4,449	1,160	2,801	58,499
1-5 years	38,913	1,297	292	1,420	185	42,105	36,424	1,280	610	1,477	170	39,961
Greater than 5 years	4,051	245		630		4,926	3,477	251		704	0	4,432
Total Gross Credit Exposure	76,875	17,690	3,533	3,209	3,058	104,365	74,060	17,462	5,058	3,342	2,971	102,893

	September 30, 2011						June 30, 2011					
	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	32,386	16,777	5,004	1,588	4,081	59,836	33,629	15,805	8,953	1,070	3,775	63,232
1-5 years	37,038	375	1,799	1,613	148	40,973	34,686	1,139	1,779	1,194	166	38,963
Greater than 5 years	3,954	111		676	0	4,742	3,603	110		354	1	4,068
Total Gross Credit Exposure	73,379	17,263	6,803	3,878	4,229	105,552	71,919	17,053	10,732	2,617	3,942	106,262

	March 31, 2011						December 31, 2010					
	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	34,437	16,404	9,618	1,177	3,368	65,004	34,325	17,880	9,126	990	3,125	65,445
1-5 years	31,418	250	1,879	956	87	34,591	32,557	83	1,692	914	44	35,289
Greater than 5 years	3,492	112		240	1	3,845	3,737	141		264	13	4,155
Total Gross Credit Exposure	69,347	16,765	11,497	2,373	3,456	103,439	70,619	18,104	10,818	2,167	3,182	104,890

	September 30, 2010						June 30, 2010					
	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	35,587	17,767	10,621	964	2,905	67,844	33,205	17,920	9,853	1,031	2,754	64,764
1-5 years	32,578	83	1,648	1,017	47	35,373	31,833	107	1,446	834	43	34,263
Greater than 5 years	5,416	183		316	28	5,943	4,234	210		241	18	4,702
Total Gross Credit Exposure	73,581	18,033	12,269	2,297	2,980	109,160	69,271	18,237	11,299	2,105	2,815	103,728

Portfolio Breakdown by Basel II Approaches

(\$ millions except as noted)



	March 31, 2012				December 31, 2011				September 30, 2011				June 30, 2011			
	Standardized		AIRB		Standardized		AIRB		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	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			26,420	10,361			24,762	10,179			23,242	9,902			23,232	9,749
Sovereign			20,073	25			19,235	25			20,212	15			19,441	16
Bank	23		3,668	795			3,395	785			3,367	786	1		2,823	795
Total Corporate, Sovereign and Bank	23		50,160	11,182			47,392	10,990			46,822	10,703	1		45,495	10,560
Residential Mortgages	725	4	18,289	2	749	4	18,103	3	773	3	17,907	3	805	3	17,681	5
HELOC's			2,832	3,123			2,889	3,143			2,989	3,129			3,050	3,145
Other Retail (excluding QRR and SME)	1,670	1,595	2,362	676	1,723	1,580	2,329	682	1,673	1,610	2,336	714	1,632	1,537	2,354	701
Qualifying Revolving Retail			359	795			367	791			375	792			371	792
Retail SME			455	315			507	270			505	310			529	311
Total Retail	2,395	1,598	24,298	4,909	2,472	1,583	24,196	4,889	2,446	1,613	24,111	4,948	2,437	1,540	23,985	4,954
Total Gross Credit Exposure	2,418	1,598	74,458	16,091	2,472	1,583	71,588	15,879	2,446	1,613	70,933	15,650	2,438	1,540	69,481	15,513

	March 31, 2011				December 31, 2010				September 30, 2010				June 30, 2010			
	Standardized		AIRB		Standardized		AIRB		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	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			23,032	9,408			22,766	10,762			24,413	10,479			24,112	10,596
Sovereign			17,244	15			17,796	17			17,847	161			15,663	149
Bank	28		2,416	800	31		3,053	917	28		3,966	950	26		1,930	974
Total Corporate, Sovereign and Bank	28		42,692	10,222	31		43,614	11,696	28		46,226	11,590	26		41,705	11,719
Residential Mortgages	844	3	17,668		882	2	17,858	5	943	28	18,090		1,019	28	18,252	2
HELOC's			3,134	3,169			3,160	3,158			3,189	3,166			3,158	3,133
Other Retail (excluding QRR and SME)	1,630	1,551	2,425	723	1,708	1,409	2,401	720	1,700	1,393	2,403	732	1,749	1,453	2,355	721
Qualifying Revolving Retail			379	792			383	791			389	789			389	787
Retail SME			547	305			582	323			611	335			617	394
Total Retail	2,474	1,553	24,153	4,989	2,590	1,411	24,384	4,997	2,643	1,421	24,682	5,022	2,768	1,482	24,772	5,037
Total Gross Credit Exposure	2,502	1,553	66,845	15,212	2,621	1,411	67,998	16,693	2,671	1,421	70,908	16,612	2,794	1,482	66,477	16,755

Standardized Exposures by Risk Weight Category

(\$ millions except as noted)



	March 31, 2012								December 31, 2011							
	Risk Weight Category								Risk Weight Category							
	0%	20%	35%	50%	75%	100%	150%	Total	0%	20%	35%	50%	75%	100%	150%	Total
Corporate Sovereign Bank		23						23								
Total Corporate, Sovereign and Bank		23						23								
Residential Mortgages			422		277	29		728			445		278	30		753
Heloc's																
Other Retail					3,230			3,265					3,267		36	3,302
Retail SME																
Total Retail			422		3,507	29	35	3,993			445		3,545	30	36	4,055
Total Exposure at Default		23	422		3,507	29	35	4,016			445		3,545	30	36	4,055

	September 30, 2011								June 30, 2011							
	Risk Weight Category								Risk Weight Category							
	0%	20%	35%	50%	75%	100%	150%	Total	0%	20%	35%	50%	75%	100%	150%	Total
Corporate Sovereign Bank										1						1
Total Corporate, Sovereign and Bank										1						1
Residential Mortgages			460		279	36		776			489		289	31		809
Heloc's																
Other Retail					3,247			3,283					3,134		34	3,168
Retail SME																
Total Retail			460		3,526	36	36	4,058			489		3,423	31	34	3,977
Total Exposure at Default			460		3,526	36	36	4,058		1	489		3,423	31	34	3,978

	March 31, 2011								December 31, 2010							
	Risk Weight Category								Risk Weight Category							
	0%	20%	35%	50%	75%	100%	150%	Total	0%	20%	35%	50%	75%	100%	150%	Total
Corporate Sovereign Bank		28						28		31						31
Total Corporate, Sovereign and Bank		28						28		31						31
Residential Mortgages			516		298	33		846			543		305	37		884
Heloc's																
Other Retail					3,099		81	3,181					3,030		87	3,117
Retail SME																
Total Retail			516		3,397	33	81	4,027			543		3,335	37	87	4,001
Total Exposure at Default		28	516		3,397	33	81	4,055		31	543		3,335	37	87	4,032

	September 30, 2010								June 30, 2010							
	Risk Weight Category								Risk Weight Category							
	0%	20%	35%	50%	75%	100%	150%	Total	0%	20%	35%	50%	75%	100%	150%	Total
Corporate Sovereign Bank		28						28		26						26
Total Corporate, Sovereign and Bank		28						28		26						26
Residential Mortgages			608		324	39		971			656		346	45		1,047
Heloc's																
Other Retail					3,002		91	3,093					3,103	2	98	3,203
Retail SME																
Total Retail			608		3,326	39	91	4,064			656		3,449	47	98	4,250
Total Exposure at Default		28	608		3,326	39	91	4,092		26	656		3,449	47	98	4,276

Risk Assessment - IRB Retail Credit Portfolio

(\$ millions except as noted)



	March 31, 2012						December 31, 2011					
	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	17,914	5,819	2,889	797	603	28,022	17,720	5,887	2,865	802	614	27,888
Medium	258	111	142	346	187	1,043	275	122	137	344	187	1,065
Sub-Standard			2	7	1	10			2	8	2	12
Impaired/Default	119	25	13	4	14	175	112	23	14	4	12	165
Total Exposure at Default	18,290	5,955	3,045	1,154	805	29,250	18,106	6,032	3,019	1,158	815	29,130

	September 30, 2011						June 30, 2011					
	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	17,534	5,999	2,912	807	642	27,894	17,269	6,061	2,910	809	660	27,709
Medium	258	94	125	350	195	1,022	305	108	130	343	198	1,085
Sub-Standard			2	7	2	10			2	6	1	10
Impaired/Default	118	25	19	4	14	180	112	26	21	4	15	178
Total Exposure at Default	17,910	6,117	3,058	1,167	853	29,106	17,686	6,195	3,063	1,163	875	28,981

	March 31, 2011						December 31, 2010					
	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	17,229	6,165	2,939	811	670	27,814	17,414	6,147	2,906	813	726	28,005
Medium	318	109	170	349	202	1,148	330	151	180	350	200	1,213
Sub-Standard			2	8	3	13			3	8	3	14
Impaired/Default	121	28	65	3	15	232	118	20	61	3	16	217
Total Exposure at Default	17,668	6,303	3,176	1,171	890	29,208	17,863	6,318	3,149	1,174	945	29,449

	September 30, 2010						June 30, 2010					
	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	17,688	6,214	2,968	1,039	754	28,663	17,879	6,172	2,921	1,035	802	28,809
Medium	293	123	130	129	211	886	285	98	122	130	222	857
Sub-Standard			3	7	2	12			3	7	2	12
Impaired/Default	109	17	64	4	19	213	90	21	61	4	22	198
Total Exposure at Default	18,090	6,354	3,165	1,179	986	29,774	18,254	6,291	3,107	1,176	1,048	29,876

Internal Rating	March 31, 2012				December 31, 2011				September 30, 2011				June 30, 2011			
	Exposure at Default	Exposure-Weighted Average PD (%)	Exposure-Weighted Average LGD (%)	Exposure-Weighted Average Risk Weight (%)	Exposure at Default	Exposure-Weighted Average PD (%)	Exposure-Weighted Average LGD (%)	Exposure-Weighted Average Risk Weight (%)	Exposure at Default	Exposure-Weighted Average PD (%)	Exposure-Weighted Average LGD (%)	Exposure-Weighted Average Risk Weight (%)	Exposure at Default	Exposure-Weighted Average PD (%)	Exposure-Weighted Average LGD (%)	Exposure-Weighted Average Risk Weight (%)
Corporate																
Minimal Risk	2,172	0.04	49	11	1,460	0.04	48	13	1,722	0.04	48	13	1,398	0.04	48	14
Low Risk	4,469	0.11	44	23	4,500	0.11	44	24	4,857	0.11	46	23	4,307	0.10	44	21
Satisfactory Risk	18,539	0.44	33	40	17,383	0.44	33	39	16,928	0.44	33	38	16,384	0.44	32	38
Fair Default Risk	12,611	1.15	32	62	12,497	1.16	32	62	12,284	1.15	32	61	12,612	1.17	31	60
Moderate Default Risk	1,286	2.94	28	75	1,379	2.98	28	76	1,332	2.99	28	75	1,470	2.76	28	72
Significant Default Risk	232	6.10	29	102	191	6.20	31	109	171	6.06	32	110	236	6.15	28	100
High Default Risk	441	10.11	31	129	488	10.39	31	128	430	10.09	31	126	473	10.23	30	125
Special Management	278	43.01	31	132	324	42.23	29	129	456	42.25	28	125	292	34.07	31	154
Default	579	100.00	47	237	533	100.00	51	240	549	100.00	45	196	559	100.00	45	210
Total Corporate	40,607	2.53	35	49	38,755	2.58	35	50	38,729	2.73	35	48	37,731	2.62	34	49
Sovereign																
Minimal Risk	18,480	0.01	10	2	17,969	0.01	10	2	19,221	0.01	10	2	19,425	0.01	10	2
Low Risk	1,656	0.07	11	6	1,318	0.07	11	6	1,028	0.07	11	4	61	0.08	24	15
Satisfactory Risk	2	0.34	55	54	2	0.33	54	56	2	0.34	55	55	2	0.22	51	37
Fair Default Risk	1	1.20	37	65												
Moderate Default Risk																
Significant Default Risk																
High Default Risk																
Special Management																
Default																
Total Sovereign	20,139	0.02	10	2	19,289	0.02	10	2	20,251	0.02	10	2	19,488	0.01	10	2
Bank																
Minimal Risk	5,928	0.04	25	8	5,702	0.04	27	9	5,713	0.04	27	9	4,680	0.04	27	9
Low Risk	836	0.11	31	15	965	0.11	30	15	1,108	0.11	27	13	958	0.12	27	14
Satisfactory Risk	55	0.25	37	31	61	0.32	41	38	63	0.32	40	37	52	0.23	36	27
Fair Default Risk	36	0.91	39	61	18	0.92	34	60	12	0.97	33	53	7	0.98	26	46
Moderate Default Risk	6	3.87	38	113					3	3.58	50	142	2	2.97	39	96
Significant Default Risk	2	6.74	72	244	1	6.06	43	141	2	7.29	69	265				
High Default Risk	1	11.68	71	320	2	12.49	78	333	1	11.61	81	335	1	12.66	79	339
Special Management																
Default																
Total Bank	6,864	0.06	26	10	6,749	0.06	27	10	6,902	0.06	27	10	5,700	0.06	27	10

Internal Rating	March 31, 2011				December 31, 2010				September 30, 2010				June 30, 2010			
	Exposure at Default	Exposure-Weighted Average PD (%)	Exposure-Weighted Average LGD (%)	Exposure-Weighted Average Risk Weight (%)	Exposure at Default	Exposure-Weighted Average PD (%)	Exposure-Weighted Average LGD (%)	Exposure-Weighted Average Risk Weight (%)	Exposure at Default	Exposure-Weighted Average PD (%)	Exposure-Weighted Average LGD (%)	Exposure-Weighted Average Risk Weight (%)	Exposure at Default	Exposure-Weighted Average PD (%)	Exposure-Weighted Average LGD (%)	Exposure-Weighted Average Risk Weight (%)
Corporate																
Minimal Risk	1,125	0.04	46	14	984	0.04	46	13	1,251	0.04	46	12	899	0.04	42	11
Low Risk	4,053	0.11	44	21	4,395	0.11	44	20	4,586	0.10	43	19	4,338	0.10	43	19
Satisfactory Risk	15,645	0.44	33	38	15,299	0.44	32	38	15,121	0.45	33	39	13,811	0.45	33	39
Fair Default Risk	12,363	1.17	31	59	13,086	1.19	31	60	13,660	1.17	31	60	15,025	1.18	31	60
Moderate Default Risk	1,710	2.89	28	75	1,711	2.73	29	74	1,760	2.74	29	75	1,744	2.76	29	75
Significant Default Risk	237	6.21	29	102	279	6.02	27	95	325	6.05	29	101	441	5.98	30	101
High Default Risk	488	10.12	31	130	568	10.27	31	128	592	10.08	31	131	678	10.21	33	137
Special Management	324	28.19	31	160	337	29.53	31	158	454	30.50	31	163	437	28.42	32	162
Default	602	100.00	45	210	623	100.00	43	232	721	100.00	43	253	711	100.00	41	265
Total Corporate	36,547	2.81	34	50	37,282	2.87	34	51	38,470	3.17	34	52	38,084	3.21	34	54
Sovereign																
Minimal Risk	17,227	0.01	10	2	17,651	0.01	10	2	17,855	0.01	10	2	15,663	0.01	10	2
Low Risk	62	0.08	24	16	242	0.07	14	7	227	0.07	42	16	229	0.05	45	14
Satisfactory Risk	2	0.22	48	35	3	0.25	45	34	3	0.35	39	39	4	0.27	39	34
Fair Default Risk																
Moderate Default Risk																
Significant Default Risk																
High Default Risk																
Special Management																
Default																
Total Sovereign	17,291	0.01	10	2	17,896	0.01	10	2	18,085	0.01	11	2	15,896	0.01	11	2
Bank																
Minimal Risk	4,076	0.04	27	8	4,697	0.04	26	8	5,795	0.04	26	8	3,166	0.03	26	7
Low Risk	1,100	0.11	27	13	930	0.10	27	13	672	0.11	31	17	1,072	0.08	27	13
Satisfactory Risk	39	0.37	40	36	285	0.23	17	13	413	0.24	17	14	490	0.24	19	17
Fair Default Risk	15	1.44	28	55	4	1.33	30	62	14	1.51	29	60	2	1.13	46	77
Moderate Default Risk	1	3.09	48	123									1	1.98	35	78
Significant Default Risk													2	4.96	69	229
High Default Risk	1	13.00	80	348	1	13.00	82	388	1	12.13	53	235				
Special Management																
Default																
Total Bank	5,232	0.06	27	9	5,917	0.06	26	9	6,895	0.06	26	9	4,733	0.07	25	9

Exposures Covered By Credit Risk Mitigation

(\$ millions except as noted)



Counterparty Type	March 31, 2012			December 31, 2011			September 30, 2011			June 30, 2011		
	Standardized		AIRB	Standardized		AIRB	Standardized		AIRB	Standardized		AIRB
	Eligible Financial Collateral	Credit Derivatives/ Guarantees	Credit Derivatives/ Guarantees	Eligible Financial Collateral	Credit Derivatives/ Guarantees	Credit Derivatives/ Guarantees	Eligible Financial Collateral	Credit Derivatives/ Guarantees	Credit Derivatives/ Guarantees	Eligible Financial Collateral	Credit Derivatives/ Guarantees	Credit Derivatives/ Guarantees
Corporate			1,131			1,100			1,259			1,234
Sovereign												
Bank												
Total Corporate, Sovereign and Bank			1,131			1,100			1,259			1,234
Residential Mortgages			7,139			7,673			7,675			7,934
HELOC's												
Other Retail (excluding QRR and SME)												
Qualifying Revolving Retail												
Retail SME												
Total Retail			7,139			7,673			7,675			7,934
Total			8,270			8,773			8,934			9,168

Counterparty Type	March 31, 2011			December 31, 2010			September 30, 2010			June 30, 2010		
	Standardized		AIRB	Standardized		AIRB	Standardized		AIRB	Standardized		AIRB
	Eligible Financial Collateral	Credit Derivatives/ Guarantees	Credit Derivatives/ Guarantees	Eligible Financial Collateral	Credit Derivatives/ Guarantees	Credit Derivatives/ Guarantees	Eligible Financial Collateral	Credit Derivatives/ Guarantees	Credit Derivatives/ Guarantees	Eligible Financial Collateral	Credit Derivatives/ Guarantees	Credit Derivatives/ Guarantees
Corporate			1,461			1,398			1,695			1,673
Sovereign												
Bank												
Total Corporate, Sovereign and Bank			1,461			1,398			1,695			1,673
Residential Mortgages			8,866			1,590			1,448			1,649
HELOC's												
Other Retail (excluding QRR and SME)												
Qualifying Revolving Retail												
Retail SME												
Total Retail			8,866			1,590			1,448			1,649
Total			10,327			2,988			3,143			3,322

AIRB Credit Risk Exposures - Credit Commitments

(\$ millions except as noted)



Counterparty Type	March 31, 2012		December 31, 2011		September 30, 2011		June 30, 2011	
	Notional Undrawn	EAD on Undrawn	Notional Undrawn	EAD on Undrawn	Notional Undrawn	EAD on Undrawn	Notional Undrawn	EAD on Undrawn
Corporate	25,271	10,361	24,828	10,179	24,150	9,902	23,778	9,749
Sovereign	61	25	61	25	36	15	38	16
Bank	1,940	795	1,915	785	1,917	786	1,940	795
Total Corporate, Sovereign and Bank	27,273	11,182	26,804	10,990	26,104	10,703	25,755	10,560
Residential Mortgages	27	2	33	3	94	3	35	5
HELOC's	3,385	3,123	3,397	3,143	3,336	3,129	3,312	3,145
Other Retail (excluding QRR and SME)	1,293	676	1,458	682	1,481	714	1,521	701
Qualifying Revolving Retail	1,024	795	1,017	791	1,013	792	1,014	792
Retail SME	487	315	1,545	270	646	310	505	311
Total Retail	6,216	4,909	7,451	4,889	6,570	4,948	6,387	4,954
Total	33,489	16,091	34,255	15,879	32,674	15,650	32,143	15,513

Counterparty Type	March 31, 2011		December 31, 2010		September 30, 2010		June 30, 2010	
	Notional Undrawn	EAD on Undrawn	Notional Undrawn	EAD on Undrawn	Notional Undrawn	EAD on Undrawn	Notional Undrawn	EAD on Undrawn
Corporate	22,946	9,408	22,899	10,762	22,296	10,479	22,544	10,596
Sovereign	37	15	36	17	343	161	318	149
Bank	1,950	800	1,951	917	2,021	950	2,072	974
Total Corporate, Sovereign and Bank	24,933	10,222	24,885	11,696	24,660	11,590	24,933	11,719
Residential Mortgages	33		38	5	46		54	2
HELOC's	3,320	3,169	3,302	3,158	3,296	3,166	3,273	3,133
Other Retail (excluding QRR and SME)	1,564	723	1,578	720	1,598	732	1,595	721
Qualifying Revolving Retail	1,012	792	1,006	791	999	789	991	787
Retail SME	701	305	665	323	670	335	640	394
Total Retail	6,630	4,989	6,590	4,997	6,609	5,022	6,553	5,037
Total	31,562	15,212	31,476	16,693	31,269	16,612	31,486	16,755

Securitization strategy

HSBC acts as originator, sponsor, investor, liquidity provider and derivative counterparty to its own originated and sponsored securitizations, as well as those of third party securitizations. Our strategy is to use securitizations to meet our needs for aggregate funding or capital management, to the extent that market regulatory treatments and other conditions are suitable, and for customer facilitation.

Our roles in the securitization process are as follows:

Originator: where we originate the assets being securitized;

Sponsor: where we establish and manage a securitization programme that purchases exposures from third parties and provide derivatives or liquidity facilities; and

Investor: where we invest in a securitization transaction directly.

HSBC as an originator

We securitize National Housing Act ('NHA') mortgage backed securities ('MBS') through programs sponsored by the Canada Mortgage and Housing Corporation. Under International Financial Reporting Standards ('IFRS'), the terms of the transaction do not meet the de-recognition criteria included within IAS 39 because the pass-through test is not met. Therefore, the transaction is accounted for as a secured borrowing with the underlying mortgages of the MBS remaining on balance sheet and a liability recognized for the funding received, with no recognition of gains or losses on transfer.

Risk weighted assets are calculated on the mortgage pools and no regulatory relief is taken on the securitization. As a result, these are not considered securitization exposures and have been excluded from all securitization quantitative disclosures.

HSBC as sponsor

We act as financial services agent for a multi-seller asset-backed commercial paper conduit program ('multi-seller conduit') and also provide a program-wide credit enhancement facility, swap facilities, liquidity facilities and securities distribution services as the lead dealer to the multi-seller conduit.

This multi-seller conduit provides the bank's clients with alternate sources of financing through the securitization of their assets. Clients sell financial assets to the conduit and the conduit funds its purchase of such financial assets through the issuance of short-term asset-backed commercial paper to investors. Each client continues to service the financial assets they have sold to the multi-seller conduit and absorbs the first losses associated with such assets. The bank has no rights to the assets as they are owned by the multi-seller conduit.

For more detail on the liquidity facilities and program-wide credit enhancement facility outlined above, refer to the disclosure on contingent liabilities, contractual commitments and guarantees (note 29, Annual Report and Accounts 2011)

HSBC as investor

We have exposure to third party securitizations in the form of NHA MBS, Canada Housing Trust bullet bonds, non-NHA residential mortgage securitizations and asset backed commercial paper.

From time to time, the bank in its capacity as lead dealer for the multi-seller conduit may hold asset-backed commercial paper issued by the conduit, which is classified as held for trading.

These securitization positions are managed by a dedicated team that uses a combination of market standard systems and third party data providers to monitor performance data and manage market and credit risks.

For a description of the bank's credit and market risk policies please refer to pages 38 – 54 of Management's Discussion and Analysis, Annual Report and Accounts 2011.

Valuation of securitization positions

The valuation process of our investments in securitization exposures primarily focuses on quotations from third parties, observed trade levels and calibrated valuations from market standard models. This process did not change during 2012. Further details may be found on pages 67 – 71, Annual Report and Accounts 2011.

Securitization activities during 1st quarter 2012

Our activities during 2012 consisted of maturity of a liquidity facility provided to our sponsored multi-seller conduit and investments in third party securitizations.

Calculation of risk-weighted assets for securitization exposures

Securitization exposures are currently treated as on balance sheet and included in the Basel II category to which the exposures relate. The bank uses the Advanced Internal Ratings Based approach (AIRB). This approach uses the bank's own historical experience of probability of default (PD), loss given default (LGD) and exposure at default (EAD) and other key risk assumptions to calculate credit risk capital requirements.

Securitization accounting treatment

For information on the bank's securitization accounting treatment, please refer to note 2 – Significant accounting policies, and note 34 – Transition to IFRS, Annual Report and Accounts 2011.

Securitization Exposures

(\$ millions except as noted)



Securitization exposure - by trading and banking book¹□²

	At 31 March 2012			At 31 December 2011		
	Trading book	Banking book	Total	Trading book	Banking book	Total
As Sponsor³						
Trade receivables	-	695	695	-	721	721
As Investor	46	7,830	7,876	20	7,578	7,598
Residential mortgages	-	7,830	7,830	-	7,578	7,578
Trade receivables	46	-	46	20	-	20
	<u>46</u>	<u>8,525</u>	<u>8,571</u>	<u>20</u>	<u>8,299</u>	<u>8,319</u>

1 All securitizations exposures result from traditional securitizations.

2 All securitization exposures in role of Investor are recorded on-Balance Sheet; exposures in role of Sponsor are off-Balance Sheet with the exception of \$7 million (\$12 million at 31 December 2011) in respect of derivative contracts with the bank sponsored multi-seller conduit.

3 Securitization exposures in role of sponsor are reported pre credit conversion factor.

Securitization exposure - movement in the quarter

	Total at	Movement in the quarter		Total at
	1 January	As sponsor	As investor	31 March
2012				
Aggregate amount of securitization exposures (retained or purchased)				
Residential mortgages	7,578	-	252	7,830
Trade receivables	741	(26)	26	741
	<u>8,319</u>	<u>(26)</u>	<u>278</u>	<u>8,571</u>

Securitization exposure - asset values and impairment charges

	At 31 March 2012			At 31 December 2011		
	Underlying assets ¹	Impaired and past due	Securitization exposures Impairment charge	Underlying assets ¹	Impaired and past due	Securitization exposures Impairment charge
As Sponsor						
Trade receivables	914	-	-	933	-	-
As Investor²			1			-
Residential mortgages			1			-
Trade receivables			-			-
			<u>1</u>			<u>-</u>

1 Securitization exposures may exceed the underlying asset values when HSBC provides liquidity facilities while also acting as a derivative counterparty and a note holder in the SPE.

2 For securitisations where HSBC acts as investor, information on third-party underlying assets is not available.

Securitization Exposures

(\$ millions except as noted)



Securitization exposures by risk weighting

	Exposure value at 31 March 2012			Exposure value at 31 December 2011		
	Trading book	Banking book	Total	Trading book	Banking book	Total
Category risk weights						
≤ 10%	-	8,354	8,354	-	8,123	8,123
> 10% ≤ 20%	35	-	35	7	-	7
> 20% ≤ 50%	11	152	163	13	157	170
> 50% ≤ 100%	-	-	-	-	-	-
> 100% ≤ 650%	-	-	-	-	-	-
> 650% < 1250%	-	-	-	-	-	-
Deductions from capital / 1250%	-	19	19	-	19	19
Total	46	8,525	8,571	20	8,299	8,319

Capital required by risk weighting

	Capital required at 31 March 2012			Capital required at 31 December 2011		
	Trading book	Banking book	Total	Trading book	Banking book	Total
Category risk weights						
≤ 10%	-	13	13	-	12	12
> 10% ≤ 20%	1	-	1	-	-	-
> 20% ≤ 50%	-	5	5	1	5	6
> 50% ≤ 100%	-	-	-	-	-	-
> 100% ≤ 650%	-	-	-	-	-	-
> 650% < 1250%	-	-	-	-	-	-
Deductions from capital / 1250%	-	19	19	-	19	19
Total	1	37	38	1	36	37

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.