2012

HSBC Bank Canada

Capital and Risk Management
Pillar 3 Supplemental Disclosures
as at June 30, 2012

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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 Capital[1]
($ millions except as noted)

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Qualifying Regulatory Capital	June 30 2012	March 31 2012	December 31 2011	September 30 2011	June 30 2011	March 31 2011	December 31 2010	September 30 2010
Common shares	1,225	1,225	1,225	1,225	1,225	1,225	1,225	1,225
Retained earnings	2,545	2,455	2,363	2,306	2,241	2,133	2,274	2,238
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	230	430
Securitization-related deductions and other	(10)	(9)	(9)	(9)	(12)	(11)	(116)	(138)
Goodwill	(23)	(23)	(23)	(26)	(26)	(26)	(15)	(15)
Total Tier 1 capital	**4,913**	**4,823**	**4,731**	**4,672**	**4,605**	**4,497**	**4,544**	**4,686**
Subordinated debentures	757	751	752	753	742	735	739	751
Other	79	95	155	157	178	186	195	192
Total Tier 2 capital	**836**	**846**	**906**	**910**	**920**	**920**	**934**	**943**
Total capital available for regulatory purposes	**5,749**	**5,669**	**5,637**	**5,582**	**5,524**	**5,418**	**5,478**	**5,629**

Capital Ratios (2)	June 30 2012	March 31 2012	December 31 2011	September 30 2011	June 30 2011	March 31 2011	December 31 2010	September 30 2010
Tier 1 capital ratio	13.79%	13.23%	13.39%	13.43%	13.30%	13.41%	13.30%	13.18%
Total capital ratio	16.13%	15.55%	15.96%	16.05%	15.95%	16.16%	16.04%	15.83%
Assets to capital multiple	13.33	13.20	13.13	13.48	13.76	13.51	13.34	13.38

(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 Assets[1]

($ millions except as noted)

Risk-Weighted Assets (RWA)	June 30, 2012				March 31, 2012				December 31, 2011				September 30, 2011			
	Exposure (2)	RWA			*Exposure (2)*	RWA			*Exposure (2)*	RWA			*Exposure (2)*	RWA		
($ millions except as noted)		Standardized Approach	Advanced Approach	Total		Standardized Approach	Advanced Approach	Total		Standardized Approach	Advanced Approach	Total		Standardized Approach	Advanced Approach	Total
Corporate	44,599		20,087	20,087	42,796		19,932	19,932	40,128		19,408	19,408	40,737		18,740	18,740
Sovereign	20,530		450	450	20,139		492	492	19,290		433	433	20,252		455	455
Bank	7,720	6	581	587	8,187	5	666	671	10,289		681	681	11,400		728	728
Residential Mortgages	18,939	349	1,753	2,103	19,019	385	1,728	2,113	18,859	394	1,702	2,096	18,685	407	1,665	2,071
HELOC's	5,782		808	808	5,955		832	832	6,032		848	848	6,117		852	852
Other Retail (excluding QRR and SME)	6,154	2,376	904	3,280	6,310	2,475	856	3,332	6,321	2,503	865	3,368	6,340	2,489	896	3,385
Qualifying Revolving Retail	1,140		367	367	1,154		326	326	1,158		326	326	1,167		328	328
Retail SME	755		414	414	805		370	370	815		356	356	853		378	378
Exposures subject to standardized or IRB approaches	**105,618**	**2,731**	**25,364**	**28,095**	**104,365**	**2,864**	**25,203**	**28,067**	**102,893**	**2,898**	**24,620**	**27,517**	**105,552**	**2,896**	**24,041**	**26,936**
Equity *(3)*	234		234	234	207		207	207	191		191	191	161		161	161
Securitization *(4)*	19	67		67	19	66		66	19	66		66	18	65		65
Other assets not included in standardized or IRB approaches	994			787	1,139			873	944			760	1,045			856
Adjustment to IRB risk-weighted assets for scaling factor				1,536				1,525				1,489				1,452
Total Credit Risk	**106,866**			**30,719**	**105,730**			**30,738**	**104,046**			**30,023**	**106,777**			**29,470**
Market Risk *(5)*								-				-				-
Operational Risk - Standardized Approach				4,216				4,207				4,212				4,222
Total Risk-Weighted Assets				**34,935**				**34,945**				**34,236**				**33,692**
Adjustment for Regulatory Floor *(6)*				**702**				**1,515**				**1,086**				**1,094**
Total Transitional Risk-Weighted Assets				**35,637**				**36,460**				**35,322**				**34,786**

Risk-Weighted Assets (RWA)	June 30, 2011				March 31, 2011				December 31, 2010				September 30, 2010			
	Exposure (2)	RWA			*Exposure (2)*	RWA			*Exposure (2)*	RWA			*Exposure (2)*	RWA		
($ millions except as noted)		Standardized Approach	Advanced Approach	Total		Standardized Approach	Advanced Approach	Total		Standardized Approach	Advanced Approach	Total		Standardized Approach	Advanced Approach	Total
Corporate	42,334		18,466	18,466	41,452		18,295	18,295	40,638		18,858	18,858	43,969		20,098	20,098
Sovereign	19,488		383	383	17,292		336	336	19,084		345	345	18,974		384	384
Bank	11,481		572	572	11,461	6	497	502	11,718	6	538	544	12,378	5	627	632
Residential Mortgages	18,494	419	1,625	2,043	18,515	437	1,619	2,056	18,747	455	1,626	2,081	19,061	495	1,634	2,129
HELOC's	6,195		869	869	6,303		894	894	6,318		909	909	6,356		888	888
Other Retail (excluding QRR and SME)	6,232	2,402	928	3,330	6,357	2,447	1,374	3,821	6,266	2,403	1,365	3,767	6,258	2,388	1,327	3,715
Qualifying Revolving Retail	1,163		317	317	1,171		318	318	1,174		317	317	1,178		207	207
Retail SME	875		394	394	890		395	395	945		422	422	986		454	454
Exposures subject to standardized or IRB approaches	**106,262**	**2,821**	**23,553**	**26,374**	**103,439**	**2,889**	**23,729**	**26,617**	**104,890**	**2,864**	**24,380**	**27,244**	**109,160**	**2,888**	**25,619**	**28,507**
Equity *(3)*	265		265	265	181		181	181	199		199	199	229			229
Securitization *(4)*	23	81		81	22	78		78	126	72		72				
Other assets not included in standardized or IRB approaches	1,253			1,011	1,223			1,052	1,176			972	1,343			1,093
Adjustment to IRB risk-weighted assets for scaling factor				1,429				1,435				1,475				1,551
Total Credit Risk	**107,803**			**29,161**	**104,865**			**29,363**	**106,391**			**29,962**	**110,732**			**31,380**
Market Risk *(5)*				-												
Operational Risk - Standardized Approach				4,173				4,168				4,190				4,171
Total Risk-Weighted Assets				**33,333**				**33,531**				**34,152**				**35,551**
Adjustment for Regulatory Floor *(6)*				**1,300**				**-**				**-**				**-**
Total Transitional Risk-Weighted Assets				**34,633**				**33,531**				**34,152**				**35,551**

(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
	June 30, 2012						**March 31, 2012**					
Corporate	26,562	10,577	3,906	1,197	2,357	44,599	26,420	10,361	2,210	991	2,814	42,796
Sovereign	20,423	21		85		20,530	20,073	25		41		20,139
Bank	2,829	47	2,360	2,330	154	7,720	3,690	795	1,323	2,178	200	8,187
Total Corporate, Sovereign and Bank	49,814	10,646	6,266	3,612	2,511	72,849	50,183	11,182	3,533	3,209	3,015	71,122
Residential Mortgages	18,936	3				18,939	19,013	5				19,019
HELOC's	2,716	3,066				5,782	2,832	3,123				5,955
Other Retail (excluding QRR and SME)	3,958	2,177			19	6,154	4,033	2,270			7	6,310
Qualifying Revolving Retail	353	787				1,140	359	795				1,154
Retail SME	440	273			42	755	455	315			36	805
Total Retail	26,403	6,305			61	32,770	26,693	6,508			43	33,243
Total Gross Credit Exposure	**76,218**	**16,951**	**6,266**	**3,612**	**2,572**	**105,618**	**76,875**	**17,690**	**3,533**	**3,209**	**3,058**	**104,365**
	December 31, 2011						**September 30, 2011**					
Corporate	24,762	10,179	1,402	1,017	2,769	40,128	23,242	9,902	2,068	1,469	4,056	40,737
Sovereign	19,235	25		30		19,290	20,212	15		24		20,252
Bank	3,395	785	3,656	2,295	158	10,289	3,367	786	4,735	2,385	127	11,400
Total Corporate, Sovereign and Bank	47,392	10,990	5,058	3,342	2,927	69,708	46,822	10,703	6,803	3,878	4,182	72,388
Residential Mortgages	18,853	7				18,859	18,680	6				18,685
HELOC's	2,889	3,143				6,032	2,989	3,129				6,117
Other Retail (excluding QRR and SME)	4,052	2,262			8	6,321	4,008	2,324			8	6,340
Qualifying Revolving Retail	367	791				1,158	375	792				1,167
Retail SME	507	270			37	815	505	310			39	853
Total Retail	26,668	6,473			44	33,185	26,557	6,560			47	33,164
Total Gross Credit Exposure	**74,060**	**17,462**	**5,058**	**3,342**	**2,971**	**102,893**	**73,379**	**17,263**	**6,803**	**3,878**	**4,229**	**105,552**
	June 30, 2011						**March 31, 2011**					
Corporate	23,232	9,749	4,680	806	3,868	42,334	23,032	9,408	4,987	686	3,340	41,452
Sovereign	19,441	16		32		19,488	17,244	15		33		17,292
Bank	2,823	795	6,052	1,780	31	11,481	2,445	800	6,511	1,654	51	11,461
Total Corporate, Sovereign and Bank	45,496	10,560	10,732	2,617	3,899	73,304	42,720	10,222	11,497	2,373	3,391	70,204
Residential Mortgages	18,486	8				18,494	18,512	3				18,515
HELOC's	3,050	3,145				6,195	3,134	3,169				6,303
Other Retail (excluding QRR and SME)	3,986	2,238			8	6,232	4,055	2,274			28	6,357
Qualifying Revolving Retail	371	792				1,163	379	792				1,171
Retail SME	529	311			35	875	547	305			37	890
Total Retail	26,423	6,494			42	32,959	26,627	6,543			65	33,235
Total Gross Credit Exposure	**71,919**	**17,053**	**10,732**	**2,617**	**3,942**	**106,262**	**69,347**	**16,765**	**11,497**	**2,373**	**3,456**	**103,439**
	December 31, 2010						**September 30, 2010**					
Corporate	22,766	10,762	3,451	586	3,074	40,638	24,413	10,479	5,588	621	2,868	43,969
Sovereign	17,796	17	1,259	13		19,084	17,847	161	895	56	15	18,974
Bank	3,084	917	6,108	1,569	40	11,718	3,995	950	5,786	1,620	27	12,378
Bank	43,645	11,696	10,818	2,167	3,114	71,440	46,255	11,590	12,269	2,297	2,910	75,321
Total Corporate, Sovereign and Bank	18,740	7				18,747	19,033	28				19,061
Residential Mortgages	3,160	3,158				6,318	3,190	3,166				6,356
HELOC's	4,109	2,129			28	6,266	4,103	2,125			30	6,258
Qualifying Revolving Retail	383	791				1,174	389	789				1,178
Retail SME	582	323			40	945	611	335			40	986
Total Retail	26,974	6,408			68	33,450	27,326	6,443			70	33,839
Total Gross Credit Exposure	**70,619**	**18,104**	**10,818**	**2,167**	**3,182**	**104,890**	**73,581**	**18,033**	**12,269**	**2,297**	**2,980**	**109,160**

Credit Exposure by Geography

($ millions except as noted)

	June 30, 2012						March 31, 2012					
	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	21,421	5,105	120	68	622	27,336	21,697	5,801		57	660	28,215
Western Canada, excluding British Columbia	10,419	4,456		408	530	15,813	10,609	4,483		307	749	16,148
Ontario	37,089	5,175	6,146	2,882	782	52,074	37,584	5,197	3,533	2,645	918	49,878
Quebec & Atlantic provinces	7,289	2,215		254	637	10,395	6,985	2,208		200	730	10,124
Total Gross Credit Exposure	**76,218**	**16,951**	**6,266**	**3,612**	**2,572**	**105,618**	**76,875**	**17,690**	**3,533**	**3,209**	**3,058**	**104,365**

	December 31, 2011						September 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	21,714	5,933		72	701	28,420	21,347	5,868		108	1,060	28,383
Western Canada, excluding British Columbia	10,607	4,324		274	756	15,961	10,087	4,435		349	1,016	15,887
Ontario	35,137	5,071	5,058	2,783	915	48,965	35,417	4,952	6,803	2,976	1,434	51,582
Quebec & Atlantic provinces	6,602	2,133		212	599	9,547	6,529	2,009		445	718	9,700
Total Gross Credit Exposure	**74,060**	**17,462**	**5,058**	**3,342**	**2,971**	**102,893**	**73,379**	**17,263**	**6,803**	**3,878**	**4,229**	**105,552**

	June 30, 2011						March 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	21,739	5,709		58	999	28,504	21,598	5,831		55	933	28,417
Western Canada, excluding British Columbia	9,607	4,560		236	1,022	15,425	9,904	4,460		196	917	15,477
Ontario	33,863	4,861	10,732	2,125	1,318	52,898	31,567	4,607	11,497	1,903	1,035	50,610
Quebec & Atlantic provinces	6,710	1,924		197	603	9,435	6,278	1,867		219	571	8,935
Total Gross Credit Exposure	**71,919**	**17,053**	**10,732**	**2,617**	**3,942**	**106,262**	**69,347**	**16,765**	**11,497**	**2,373**	**3,456**	**103,439**

	December 31, 2010						September 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	22,261	6,436		79	847	29,623	23,137	6,586		69	730	30,522
Western Canada, excluding British Columbia	10,064	4,921		196	840	16,021	9,832	4,989		206	862	15,889
Ontario	32,048	4,706	10,818	1,751	945	50,268	34,366	4,717	12,269	1,862	874	54,088
Quebec & Atlantic provinces	6,246	2,041		141	550	8,978	6,246	1,741		160	514	8,661
Total Gross Credit Exposure	**70,619**	**18,104**	**10,818**	**2,167**	**3,182**	**104,890**	**73,581**	**18,033**	**12,269**	**2,297**	**2,980**	**109,160**

Residual Contract Maturity Breakdown

($ millions except as noted)

	June 30, 2012						March 31, 2012					
	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	33,544	15,297	6,266	1,250	2,413	58,771	33,912	16,148	3,241	1,159	2,873	57,334
1-5 years	39,091	1,459		1,584	158	42,293	38,913	1,297	292	1,420	185	42,105
Greater than 5 years	3,582	195		777		4,554	4,051	245		630	0	4,926
Total Gross Credit Exposure	**76,218**	**16,951**	**6,266**	**3,612**	**2,572**	**105,618**	**76,875**	**17,690**	**3,533**	**3,209**	**3,058**	**104,365**

	December 31, 2011						September 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	34,158	15,931	4,449	1,160	2,801	58,499	32,386	16,777	5,004	1,588	4,081	59,836
1-5 years	36,424	1,280	610	1,477	170	39,961	37,038	375	1,799	1,613	148	40,973
Greater than 5 years	3,477	251		704	0	4,432	3,954	111		676	0	4,742
Total Gross Credit Exposure	**74,060**	**17,462**	**5,058**	**3,342**	**2,971**	**102,893**	**73,379**	**17,263**	**6,803**	**3,878**	**4,229**	**105,552**

	June 30, 2011						March 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	33,629	15,805	8,953	1,070	3,775	63,232	34,437	16,404	9,618	1,177	3,368	65,004
1-5 years	34,686	1,139	1,779	1,194	166	38,963	31,418	250	1,879	956	87	34,591
Greater than 5 years	3,603	110		354	1	4,068	3,492	112		240	1	3,845
Total Gross Credit Exposure	**71,919**	**17,053**	**10,732**	**2,617**	**3,942**	**106,262**	**69,347**	**16,765**	**11,497**	**2,373**	**3,456**	**103,439**

	December 31, 2010						September 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	34,325	17,880	9,126	990	3,125	65,445	35,587	17,767	10,621	964	2,905	67,844
1-5 years	32,557	83	1,692	914	44	35,289	32,578	83	1,648	1,017	47	35,373
Greater than 5 years	3,737	141		264	13	4,155	5,416	183		316	28	5,943
Total Gross Credit Exposure	**70,619**	**18,104**	**10,818**	**2,167**	**3,182**	**104,890**	**73,581**	**18,033**	**12,269**	**2,297**	**2,980**	**109,160**

Portfolio Breakdown by Basel II Approaches

($ millions except as noted)

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	June 30, 2012				March 31, 2012				December 31, 2011				September 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			26,562	10,577			26,420	10,361			24,762	10,179			23,242	9,902
Sovereign			20,423	21			20,073	25			19,235	25			20,212	15
Bank	30		2,799	47	23		3,668	795			3,395	785			3,367	786
Total Corporate, Sovereign and Bank	30		49,784	10,646	23		50,160	11,182			47,392	10,990			46,822	10,703
Residential Mortgages	657		18,279	3	725	4	18,289	2	749	4	18,103	3	773	3	17,907	3
HELOC's			2,716	3,066			2,832	3,123			2,889	3,143			2,989	3,129
Other Retail (excluding QRR and SME)	1,615	1,518	2,343	659	1,670	1,595	2,362	676	1,723	1,580	2,329	682	1,673	1,610	2,336	714
Qualifying Revolving Retail			353	787			359	795			367	791			375	792
Retail SME			440	273			455	315			507	270			505	310
Total Retail	2,272	1,518	24,132	4,787	2,395	1,598	24,298	4,909	2,472	1,583	24,196	4,889	2,446	1,613	24,111	4,948
Total Gross Credit Exposure	**2,302**	**1,518**	**73,916**	**15,433**	**2,418**	**1,598**	**74,458**	**16,091**	**2,472**	**1,583**	**71,588**	**15,879**	**2,446**	**1,613**	**70,933**	**15,650**

	June 30, 2011				March 31, 2011				December 31, 2010				September 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			23,232	9,749			23,032	9,408			22,766	10,762			24,413	10,479
Sovereign			19,441	16			17,244	15			17,796	17			17,847	161
Bank	1		2,823	795	28		2,416	800	31		3,053	917	28		3,966	950
Total Corporate, Sovereign and Bank	1		45,495	10,560	28		42,692	10,222	31		43,614	11,696	28		46,226	11,590
Residential Mortgages	805	3	17,681	5	844	3	17,668		882	2	17,858	5	943	28	18,090	
HELOC's			3,050	3,145			3,134	3,169			3,160	3,158			3,189	3,166
Other Retail (excluding QRR and SME)	1,632	1,537	2,354	701	1,630	1,551	2,425	723	1,708	1,409	2,401	720	1,700	1,393	2,403	732
Qualifying Revolving Retail			371	792			379	792			383	791			389	789
Retail SME			529	311			547	305			582	323			611	335
Total Retail	2,437	1,540	23,985	4,954	2,474	1,553	24,153	4,989	2,590	1,411	24,384	4,997	2,643	1,421	24,682	5,022
Total Gross Credit Exposure	**2,438**	**1,540**	**69,481**	**15,513**	**2,502**	**1,553**	**66,845**	**15,212**	**2,621**	**1,411**	**67,998**	**16,693**	**2,671**	**1,421**	**70,908**	**16,612**

Standardized Exposures by Risk Weight Category

($ millions except as noted)

	June 30, 2012								March 31, 2012							
	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		30						30		23						23
Total Corporate, Sovereign and Bank		30						30		23						23
Residential Mortgages			378		249	31		657			422		277	29		728
Heloc's																
Other Retail					3,098		35	3,133					3,230		35	3,265
Retail SME																
Total Retail			**378**		**3,347**	**31**	**35**	**3,790**			**422**		**3,507**	**29**	**35**	**3,993**
Total Exposure at Default		**30**	**378**		**3,347**	**31**	**35**	**3,820**		**23**	**422**		**3,507**	**29**	**35**	**4,016**

	December 31, 2011								September 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																
Total Corporate, Sovereign and Bank																
Residential Mortgages			445		278	30		753			460		279	36		776
Heloc's																
Other Retail					3,267		36	3,302					3,247		36	3,283
Retail SME																
Total Retail			**445**		**3,545**	**30**	**36**	**4,055**			**460**		**3,526**	**36**	**36**	**4,058**
Total Exposure at Default			**445**		**3,545**	**30**	**36**	**4,055**			**460**		**3,526**	**36**	**36**	**4,058**

	June 30, 2011								March 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		1						1		28						28
Total Corporate, Sovereign and Bank		***1***						***1***		***28***						***28***
Residential Mortgages			489		289	31		809			516		298	33		846
Heloc's																
Other Retail					3,134		34	3,168					3,099		81	3,181
Retail SME																
Total Retail			**489**		**3,423**	**31**	**34**	**3,977**			**516**		**3,397**	**33**	**81**	**4,027**
Total Exposure at Default		**1**	**489**		**3,423**	**31**	**34**	**3,978**		**28**	**516**		**3,397**	**33**	**81**	**4,055**

	December 31, 2010								September 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		31						31		28						28
Total Corporate, Sovereign and Bank		**31**						**31**		**28**						**28**
Residential Mortgages			543		305	37		884			608		324	39		971
Heloc's																
Other Retail					3,030		87	3,117					3,002		91	3,093
Retail SME																
Total Retail			**543**		**3,335**	**37**	**87**	**4,001**			**608**		**3,326**	**39**	**91**	**4,064**
Total Exposure at Default		**31**	**543**		**3,335**	**37**	**87**	**4,032**		**28**	**608**		**3,326**	**39**	**91**	**4,092**

Risk Assessment - IRB Retail Credit Portfolio

($ millions except as noted)

HSBC

June 30, 2012	Residential Mortgages	Heloc's	Other Retail (excl. QRR and SME)	Qualifying Revolving Retail	Retail SME	Total
Strong	17,904	5,652	2,876	791	563	27,786
Medium	274	106	128	339	177	1,024
Sub-Standard			3	6	2	11
Impaired/Default	104	23	14	4	12	158
Total Exposure at Default	**18,282**	**5,782**	**3,021**	**1,140**	**755**	**28,980**

March 31, 2012	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
Medium	258	111	142	346	187	1,043
Sub-Standard			2	7	1	10
Impaired/Default	119	25	13	4	14	175
Total Exposure at Default	**18,290**	**5,955**	**3,045**	**1,154**	**805**	**29,250**

December 31, 2011	Residential Mortgages	Heloc's	Other Retail (excl. QRR and SME)	Qualifying Revolving Retail	Retail SME	Total
Strong	17,720	5,887	2,865	802	614	27,888
Medium	275	122	137	344	187	1,065
Sub-Standard			2	8	2	12
Impaired/Default	112	23	14	4	12	165
Total Exposure at Default	**18,106**	**6,032**	**3,019**	**1,158**	**815**	**29,130**

September 30, 2011	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
Medium	258	94	125	350	195	1,022
Sub-Standard			2	7	2	10
Impaired/Default	118	25	19	4	14	180
Total Exposure at Default	**17,910**	**6,117**	**3,058**	**1,167**	**853**	**29,106**

June 30, 2011	Residential Mortgages	Heloc's	Other Retail (excl. QRR and SME)	Qualifying Revolving Retail	Retail SME	Total
Strong	17,269	6,061	2,910	809	660	27,709
Medium	305	108	130	343	198	1,085
Sub-Standard			2	6	1	10
Impaired/Default	112	26	21	4	15	178
Total Exposure at Default	**17,686**	**6,195**	**3,063**	**1,163**	**875**	**28,981**

March 31, 2011	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
Medium	318	109	170	349	202	1,148
Sub-Standard			2	8	3	13
Impaired/Default	121	28	65	3	15	232
Total Exposure at Default	**17,668**	**6,303**	**3,176**	**1,171**	**890**	**29,208**

December 31, 2010	Residential Mortgages	Heloc's	Other Retail (excl. QRR and SME)	Qualifying Revolving Retail	Retail SME	Total
Strong	17,414	6,147	2,906	813	726	28,005
Medium	330	151	180	350	200	1,213
Sub-Standard			3	8	3	14
Impaired/Default	118	20	61	3	16	217
Total Exposure at Default	**17,863**	**6,318**	**3,149**	**1,174**	**945**	**29,449**

September 30, 2010	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
Medium	293	123	130	129	211	886
Sub-Standard			3	7	2	12
Impaired/Default	109	17	64	4	19	213
Total Exposure at Default	**18,090**	**6,354**	**3,165**	**1,179**	**986**	**29,774**

Risk Assessment - AIRB Non-Retail Credit Portfolio

($ millions except as noted)

HSBC

Internal Rating	June 30, 2012				March 31, 2012				December 31, 2011				September 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	1,908	0.04	49	14	2,172	0.04	49	11	1,460	0.04	48	13	1,722	0.04	48	13
Low Risk	4,380	0.10	45	24	4,469	0.11	44	23	4,500	0.11	44	24	4,857	0.11	46	23
Satisfactory Risk	19,267	0.44	34	41	18,539	0.44	33	40	17,383	0.44	33	39	16,928	0.44	33	38
Fair Default Risk	12,359	1.13	33	62	12,611	1.15	32	62	12,497	1.16	32	62	12,284	1.15	32	61
Moderate Default Risk	1,308	2.82	29	77	1,286	2.94	28	75	1,379	2.98	28	76	1,332	2.99	28	75
Significant Default Risk	199	6.17	30	104	232	6.10	29	102	191	6.20	31	109	171	6.06	32	110
High Default Risk	463	10.06	31	126	441	10.11	31	129	488	10.39	31	128	430	10.09	31	126
Special Management	283	50.05	32	125	278	43.01	31	132	324	42.23	29	129	456	42.25	28	125
Default	542	100.00	43	210	579	100.00	47	237	533	100.00	51	240	549	100.00	45	196
Total Corporate	**40,709**	**2.48**	**35**	**50**	**40,607**	**2.53**	**35**	**49**	**38,755**	**2.58**	**35**	**50**	**38,729**	**2.73**	**35**	**48**
Sovereign																
Minimal Risk	18,863	0.01	10	2	18,480	0.01	10	2	17,969	0.01	10	2	19,221	0.01	10	2
Low Risk	1,664	0.07	10	6	1,656	0.07	11	6	1,318	0.07	11	6	1,028	0.07	11	4
Satisfactory Risk	2	0.34	55	53	2	0.34	55	54	2	0.33	54	56	2	0.34	55	55
Fair Default Risk					1	1.20	37	65								
Moderate Default Risk																
Significant Default Risk																
High Default Risk																
Special Management																
Default																
Total Sovereign	**20,529**	**0.02**	**10**	**2**	**20,139**	**0.02**	**10**	**2**	**19,289**	**0.02**	**10**	**2**	**20,251**	**0.02**	**10**	**2**
Bank																
Minimal Risk	4,634	0.03	25	9	5,928	0.04	25	8	5,702	0.04	27	9	5,713	0.04	27	9
Low Risk	657	0.11	28	13	836	0.11	31	15	965	0.11	30	15	1,108	0.11	27	13
Satisfactory Risk	49	0.24	33	32	55	0.25	37	31	61	0.32	41	38	63	0.32	40	37
Fair Default Risk	45	0.88	39	61	36	0.91	39	61	18	0.92	34	60	12	0.97	33	53
Moderate Default Risk	6	3.92	39	116	6	3.87	38	113		2.75	48	117	3	3.58	50	142
Significant Default Risk	5	6.23	78	268	2	6.74	72	244	1	6.06	43	141	2	7.29	69	265
High Default Risk	3	10.33	64	272	1	11.68	71	320	2	12.49	78	333	1	11.61	81	335
Special Management																
Default																
Total Bank	**5,399**	**0.07**	**25**	**11**	**6,864**	**0.06**	**26**	**10**	**6,749**	**0.06**	**27**	**10**	**6,902**	**0.06**	**27**	**10**

Internal Rating	June 30, 2011				March 31, 2011				December 31, 2010				September 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	1,398	0.04	48	14	1,125	0.04	46	14	984	0.04	46	13	1,251	0.04	46	12
Low Risk	4,307	0.10	44	21	4,053	0.11	44	21	4,395	0.11	44	20	4,586	0.10	43	19
Satisfactory Risk	16,384	0.44	32	38	15,645	0.44	33	38	15,299	0.44	32	38	15,121	0.45	33	39
Fair Default Risk	12,612	1.17	31	60	12,363	1.17	31	59	13,086	1.19	31	60	13,660	1.17	31	60
Moderate Default Risk	1,470	2.76	28	72	1,710	2.89	28	75	1,711	2.73	29	74	1,760	2.74	29	75
Significant Default Risk	236	6.15	28	100	237	6.21	29	102	279	6.02	27	95	325	6.05	29	101
High Default Risk	473	10.23	30	125	488	10.12	31	130	568	10.27	31	128	592	10.08	31	131
Special Management	292	34.07	31	154	324	28.19	31	160	337	29.53	31	158	454	30.50	31	163
Default	559	100.00	45	210	602	100.00	45	210	623	100.00	43	232	721	100.00	43	253
Total Corporate	**37,731**	**2.62**	**34**	**49**	**36,547**	**2.81**	**34**	**50**	**37,282**	**2.87**	**34**	**51**	**38,470**	**3.17**	**34**	**52**
Sovereign																
Minimal Risk	19,425	0.01	10	2	17,227	0.01	10	2	17,651	0.01	10	2	17,855	0.01	10	2
Low Risk	61	0.08	24	15	62	0.08	24	16	242	0.07	14	7	227	0.07	42	16
Satisfactory Risk	2	0.22	51	37	2	0.22	48	35	3	0.25	45	34	3	0.35	39	39
Fair Default Risk																
Moderate Default Risk																
Significant Default Risk																
High Default Risk																
Special Management																
Default																
Total Sovereign	**19,488**	**0.01**	**10**	**2**	**17,291**	**0.01**	**10**	**2**	**17,896**	**0.01**	**10**	**2**	**18,085**	**0.01**	**11**	**2**
Bank																
Minimal Risk	4,680	0.04	27	9	4,076	0.04	27	8	4,697	0.04	26	8	5,795	0.04	26	8
Low Risk	958	0.12	27	14	1,100	0.11	27	13	930	0.10	27	13	672	0.11	31	17
Satisfactory Risk	52	0.23	36	27	39	0.37	40	36	285	0.23	17	13	413	0.24	17	14
Fair Default Risk	7	0.98	26	46	15	1.44	28	55	4	1.33	30	62	14	1.51	29	60
Moderate Default Risk	2	2.97	39	96	1	3.09	48	123								
Significant Default Risk																
High Default Risk	1	12.66	79	339	1	13.00	80	348	1	13.00	82	388	1	12.13	53	235
Special Management																
Default																
Total Bank	**5,700**	**0.06**	**27**	**10**	**5,232**	**0.06**	**27**	**9**	**5,917**	**0.06**	**26**	**9**	**6,895**	**0.06**	**26**	**9**

Exposures Covered By Credit Risk Mitigation

($ millions except as noted)

	June 30, 2012			March 31, 2012			December 31, 2011			September 30, 2011		
	Standardized		AIRB	Standardized		AIRB	Standardized		AIRB	Standardized		AIRB
Counterparty Type	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			1,238			1,131			1,100			1,259
Sovereign												
Bank												
Total Corporate, Sovereign and Bank			1,238			1,131			1,100			1,259
Residential Mortgages			6,657			7,139			7,673			7,675
HELOC's												
Other Retail (excluding QRR and SME)												
Qualifying Revolving Retail												
Retail SME												
Total Retail			6,657			7,139			7,673			7,675
Total			**7,895**			**8,270**			**8,773**			**8,934**

	June 30, 2011			March 31, 2011			December 31, 2010			September 30, 2010		
	Standardized		AIRB	Standardized		AIRB	Standardized		AIRB	Standardized		AIRB
Counterparty Type	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			1,234			1,461			1,398			1,695
Sovereign												
Bank												
Total Corporate, Sovereign and Bank			1,234			1,461			1,398			1,695
Residential Mortgages			7,934			8,866			1,590			1,448
HELOC's												
Other Retail (excluding QRR and SME)												
Qualifying Revolving Retail												
Retail SME												
Total Retail			7,934			8,866			1,590			1,448
Total			**9,168**			**10,327**			**2,988**			**3,143**

AIRB Credit Risk Exposures - Credit Commitments

($ millions except as noted)

	June 30, 2012		March 31, 2012		December 31, 2011		September 30, 2011	
Counterparty Type	**Notional Undrawn**	**EAD on Undrawn**	**Notional Undrawn**	**EAD on Undrawn**	**Notional Undrawn**	**EAD on Undrawn**	**Notional Undrawn**	**EAD on Undrawn**
Corporate	25,797	10,577	25,271	10,361	24,828	10,179	24,150	9,902
Sovereign	52	21	61	25	61	25	36	15
Bank	116	47	1,940	795	1,915	785	1,917	786
Total Corporate, Sovereign and Bank	25,965	10,646	27,273	11,182	26,804	10,990	26,104	10,703
Residential Mortgages	30	3	27	2	33	3	94	3
HELOC's	3,363	3,066	3,385	3,123	3,397	3,143	3,336	3,129
Other Retail (excluding QRR and SME)	1,274	659	1,293	676	1,458	682	1,481	714
Qualifying Revolving Retail	1,020	787	1,024	795	1,017	791	1,013	792
Retail SME	562	273	487	315	1,545	270	646	310
Total Retail	6,250	4,787	6,216	4,909	7,451	4,889	6,570	4,948
Total	**32,214**	**15,433**	**33,489**	**16,091**	**34,255**	**15,879**	**32,674**	**15,650**

	June 30, 2011		March 31, 2011		December 31, 2010		September 30, 2010	
Counterparty Type	**Notional Undrawn**	**EAD on Undrawn**	**Notional Undrawn**	**EAD on Undrawn**	**Notional Undrawn**	**EAD on Undrawn**	**Notional Undrawn**	**EAD on Undrawn**
Corporate	23,778	9,749	22,946	9,408	22,899	10,762	22,296	10,479
Sovereign	38	16	37	15	36	17	343	161
Bank	1,940	795	1,950	800	1,951	917	2,021	950
Total Corporate, Sovereign and Bank	25,755	10,560	24,933	10,222	24,885	11,696	24,660	11,590
Residential Mortgages	35	5	33		38	5	46	
HELOC's	3,312	3,145	3,320	3,169	3,302	3,158	3,296	3,166
Other Retail (excluding QRR and SME)	1,521	701	1,564	723	1,578	720	1,598	732
Qualifying Revolving Retail	1,014	792	1,012	792	1,006	791	999	789
Retail SME	505	311	701	305	665	323	670	335
Total Retail	6,387	4,954	6,630	4,989	6,590	4,997	6,609	5,022
Total	**32,143**	**15,513**	**31,562**	**15,212**	**31,476**	**16,693**	**31,269**	**16,612**

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 2012

Our activities during 2012 consisted of changes to the liquidity facilities 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 book[1] [2]

	At June 30, 2012			At March 31, 2012			At December 31, 2011		
	Trading book	Banking	Total	Trading book	Banking	Total	Trading book	Banking	Total
As Sponsor[3]									
Trade receivables	-	712	**712**	-	695	**695**	-	721	**721**
As Investor	**798**	**6,753**	**7,551**	**46**	**7,830**	**7,876**	**20**	**7,578**	**7,598**
Residential mortgages	572	6,753	7,325	-	7,830	7,830	-	7,578	7,578
Trade receivables	226		226	46	-	46	20	-	20
	798	**7,465**	**8,263**	**46**	**8,525**	**8,571**	**20**	**8,299**	**8,319**

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 $14 million ($7 million at 31 March 2012, $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 year to date

	Total at 1 January	Year to date movement		Total at 30 June
		As sponsor	As investor	
2012				
Aggregate amount of securitization exposures (retained or purchased)				
Residential mortgages	7,578		(253)	7,325
Trade receivables	741	(9)	206	938
	8,319	**(9)**	**(47)**	**8,263**

Securitization exposure - asset values and impairment charges

	At June 30, 2012			At March 31, 2012			At December 31, 2011		
	Underlying assets[1]		Securitization exposures	Underlying assets[1]		Securitization exposures	Underlying assets[1]		Securitization exposures
	Total	Impaired & past due	Impairment charge	Total	Impaired & past due	Impairment charge	Total	Impaired & past due	Impairment charge
As Sponsor									
Trade receivables	1,267	-	-	914	-	-	933	-	-
As Investor[2]			**-**			**1**			**-**
Residential mortgages			-			1			-
Trade receivables			-			-			-
			-			**1**			**-**

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 June 30, 2012			Exposure value at March 31, 2012			Exposure value at December 31, 2011		
	Trading book	Banking book	Total	Trading book	Banking book	Total	Trading book	Banking book	Total
Category risk weights									
≤ 10%	572	7,289	**7,861**	-	8,354	**8,354**	-	8,123	**8,123**
> 10% ≤ 20%	226		**226**	35	-	**35**	7	-	**7**
> 20% ≤ 50%		157	**157**	11	152	**163**	13	157	**170**
> 50% ≤ 100%			**-**	-	-	**-**	-	-	**-**
> 100% ≤ 650%			**-**	-	-	**-**	-	-	**-**
> 650% < 1250%			**-**	-	-	**-**	-	-	**-**
Deductions from capital / 1250%		19	**19**	-	19	**19**	-	19	**19**
Total	**798**	**7,465**	**8,263**	**46**	**8,525**	**8,571**	**20**	**8,299**	**8,319**

Capital required by risk weighting

	Capital required at June 30, 2012			Capital required at March 31, 2012			Capital required at December 31, 2011		
	Trading book	Banking book	Total	Trading book	Banking book	Total	Trading book	Banking book	Total
Category risk weights									
≤ 10%	1	11	**12**	-	13	**13**	-	12	**12**
> 10% ≤ 20%	3		**3**	1	-	**1**	-	-	**-**
> 20% ≤ 50%		5	**5**	-	5	**5**	1	5	**6**
> 50% ≤ 100%			**-**	-	-	**-**	-	-	**-**
> 100% ≤ 650%			**-**	-	-	**-**	-	-	**-**
> 650% < 1250%			**-**	-	-	**-**	-	-	**-**
Deductions from capital / 1250%		19	**19**	-	19	**19**	-	19	**19**
Total	**4**	**36**	**39**	**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.