

**2012**

**HSBC Bank Canada  
Capital and Risk Management  
Pillar 3 Supplemental Disclosures  
as at September 30, 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 Capital <sup>1</sup>

(\$ millions except as noted)



Qualifying Regulatory Capital	September 30	June 30	March 31	December 31	September 30	June 30	March 31	December 31
	2012	2012	2012	2011	2011	2011	2011	2010
Common shares	1,225	1,225	1,225	1,225	1,225	1,225	1,225	1,225
Retained earnings	2,601	2,545	2,455	2,363	2,306	2,241	2,133	2,274
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	230
Securitization-related deductions and other	(5)	(10)	(9)	(9)	(9)	(12)	(11)	(116)
Goodwill	(23)	(23)	(23)	(23)	(26)	(26)	(26)	(15)
<b>Total Tier 1 capital</b>	<b>4,974</b>	<b>4,913</b>	<b>4,823</b>	<b>4,731</b>	<b>4,672</b>	<b>4,605</b>	<b>4,497</b>	<b>4,544</b>
Subordinated debentures	759	757	751	752	753	742	735	739
Other	100	79	95	155	157	178	186	195
<b>Total Tier 2 capital</b>	<b>859</b>	<b>836</b>	<b>846</b>	<b>906</b>	<b>910</b>	<b>920</b>	<b>920</b>	<b>934</b>
<b>Total capital available for regulatory purposes</b>	<b>5,833</b>	<b>5,749</b>	<b>5,669</b>	<b>5,637</b>	<b>5,582</b>	<b>5,524</b>	<b>5,418</b>	<b>5,478</b>

  

Capital Ratios <sup>2</sup>	September 30	June 30	March 31	December 31	September 30	June 30	March 31	December 31
	2012	2012	2012	2011	2011	2011	2011	2010
Tier 1 capital ratio	13.51%	13.79%	13.23%	13.39%	13.43%	13.30%	13.41%	13.30%
Total capital ratio	15.84%	16.13%	15.55%	15.96%	16.05%	15.95%	16.16%	16.04%
Assets to capital multiple	13.60	13.33	13.20	13.13	13.48	13.76	13.51	13.34

(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<sup>1</sup>**

(\$ millions except as noted)



Risk-Weighted Assets (RWA)	September 30, 2012				June 30, 2012				March 31, 2012				December 31, 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	46,041		20,340	20,340	44,599		20,087	20,087	42,796		19,932	19,932	40,128		19,408	19,408
Sovereign	22,159		474	20,530	20,530		450	450	20,139		492	492	19,290		433	433
Bank	9,438	8	680	688	7,720		581	587	8,187		666	671	10,289		681	681
Residential Mortgages	18,707	314	1,728	2,042	18,939	349	1,753	2,103	19,019	385	1,728	2,113	18,859	394	1,702	2,096
HELOC's	5,650		786	786	5,782		808	808	5,955		832	832	6,032		848	848
Other Retail (excluding QRR and SME)	5,940	2,302	825	3,126	6,154	2,376	904	3,280	6,310	2,475	856	3,332	6,321	2,503	865	3,368
Qualifying Revolving Retail	1,141		369	369	1,140		367	367	1,154		326	326	1,158		326	326
Retail SME	827		460	460	755		414	414	805		370	370	815		356	356
<b>Exposures subject to standardized or IRB approaches</b>	<b>109,904</b>	<b>2,623</b>	<b>25,663</b>	<b>28,286</b>	<b>105,618</b>	<b>2,731</b>	<b>25,364</b>	<b>28,095</b>	<b>104,365</b>	<b>2,864</b>	<b>25,203</b>	<b>28,067</b>	<b>102,893</b>	<b>2,898</b>	<b>24,620</b>	<b>27,517</b>
Equity (3)	56		56	56	234		234	234	207		207	207	191		191	191
Securitization (4)	10	34		34	19	67		67	19	66		66	19	66		66
Other assets not included in standardized or IRB approaches	997			813	994			787	1,139			873	944		760	760
Adjustment to IRB risk-weighted assets for scaling factor				1,543				1,536				1,525			1,489	1,489
<b>Total Credit Risk</b>	<b>110,967</b>			<b>30,732</b>	<b>106,866</b>			<b>30,719</b>	<b>105,730</b>			<b>30,738</b>	<b>104,046</b>			<b>30,023</b>
Market Risk (5)																
Operational Risk - Standardized Approach				4,186				4,216				4,207			4,212	4,212
<b>Total Risk-Weighted Assets</b>				<b>34,919</b>				<b>34,935</b>				<b>34,945</b>			<b>34,236</b>	<b>34,236</b>
Adjustment for Regulatory Floor (6)				1,899				702				1,515			1,086	1,086
<b>Total Transitional Risk-Weighted Assets</b>				<b>36,818</b>				<b>35,637</b>				<b>36,460</b>			<b>35,322</b>	<b>35,322</b>

Risk-Weighted Assets (RWA)	September 30, 2011				June 30, 2011				March 31, 2011				December 31, 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	40,737		18,740	18,740	42,334		18,466	18,466	41,452		18,295	18,295	40,638		18,858	18,858
Sovereign	20,252		455	19,488	19,488		383	383	17,292		336	336	19,084		345	345
Bank	11,400		728	728	11,481		572	572	11,461		497	502	11,718		538	544
Residential Mortgages	18,685	407	1,665	2,071	18,494	419	1,625	2,043	18,515	437	1,619	2,056	18,747	455	1,626	2,081
HELOC's	6,117		852	852	6,195		869	869	6,303		894	894	6,318		909	909
Other Retail (excluding QRR and SME)	6,340	2,489	896	3,385	6,232	2,402	928	3,330	6,357	2,447	1,374	3,821	6,266	2,403	1,365	3,767
Qualifying Revolving Retail	1,167		328	328	1,163		317	317	1,171		318	318	1,174		317	317
Retail SME	853		378	378	875		394	394	890		395	395	945		422	422
<b>Exposures subject to standardized or IRB approaches</b>	<b>105,552</b>	<b>2,896</b>	<b>24,041</b>	<b>26,936</b>	<b>106,262</b>	<b>2,821</b>	<b>23,553</b>	<b>26,374</b>	<b>103,439</b>	<b>2,889</b>	<b>23,729</b>	<b>26,617</b>	<b>104,890</b>	<b>2,864</b>	<b>24,380</b>	<b>27,244</b>
Equity (3)	161		161	161	265		265	265	181		181	181	199		199	199
Securitization (4)	18	65		65	23	81		81	22	78		78	126	72		72
Other assets not included in standardized or IRB approaches	1,045			856	1,253			1,011	1,223			1,052	1,176		972	972
Adjustment to IRB risk-weighted assets for scaling factor				1,452				1,429				1,435			1,475	1,475
<b>Total Credit Risk</b>	<b>106,777</b>			<b>29,470</b>	<b>107,803</b>			<b>29,161</b>	<b>104,865</b>			<b>29,363</b>	<b>106,391</b>			<b>29,962</b>
Market Risk (5)																
Operational Risk - Standardized Approach				4,222				4,173				4,168			4,190	4,190
<b>Total Risk-Weighted Assets</b>				<b>33,692</b>				<b>33,333</b>				<b>33,531</b>			<b>34,152</b>	<b>34,152</b>
Adjustment for Regulatory Floor (6)				1,094				1,300				-			-	-
<b>Total Transitional Risk-Weighted Assets</b>				<b>34,786</b>				<b>34,633</b>				<b>33,531</b>			<b>34,152</b>	<b>34,152</b>

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

(2) Exposure represents gross exposure at default before allowances and credit risk mitigation.

(3) Under OSFI guidelines the Bank is exempt from using the AIRB approach based on materiality. Accordingly equity investments are risk weighted at 100%.

(4) Securitization exposures are currently treated as on balance sheet exposures and included in the Basel II counterparty category to which the exposures relate.

(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
<b>September 30, 2012</b>						<b>June 30, 2012</b>						
Corporate	27,147	10,759	4,878	1,096	2,162	46,041	26,562	10,577	3,906	1,197	2,357	44,599
Sovereign	22,062	29		68		22,159	20,423	21		85		20,530
Bank	3,703		3,106	2,281	349	9,438	2,829	47	2,360	2,330	154	7,720
<b>Total Corporate, Sovereign and Bank</b>	<b>52,912</b>	<b>10,788</b>	<b>7,984</b>	<b>3,444</b>	<b>2,511</b>	<b>77,639</b>	<b>49,814</b>	<b>10,646</b>	<b>6,266</b>	<b>3,612</b>	<b>2,511</b>	<b>72,849</b>
Residential Mortgages	18,707					18,707	18,936	3				18,939
HELOC's	2,656	2,994				5,650	2,716	3,066				5,782
Other Retail (excluding QRR and SME)	3,806	2,126			8	5,940	3,958	2,177			19	6,154
Qualifying Revolving Retail	354	786				1,141	353	787				1,140
Retail SME	447	319			61	827	440	273			42	755
<b>Total Retail</b>	<b>25,970</b>	<b>6,227</b>			<b>69</b>	<b>32,266</b>	<b>26,403</b>	<b>6,305</b>			<b>61</b>	<b>32,770</b>
<b>Total Gross Credit Exposure</b>	<b>78,882</b>	<b>17,015</b>	<b>7,984</b>	<b>3,444</b>	<b>2,580</b>	<b>109,904</b>	<b>76,218</b>	<b>16,951</b>	<b>6,266</b>	<b>3,612</b>	<b>2,572</b>	<b>105,618</b>
<b>March 31, 2012</b>						<b>December 31, 2011</b>						
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
<b>Total Corporate, Sovereign and Bank</b>	<b>50,183</b>	<b>11,182</b>	<b>3,533</b>	<b>3,209</b>	<b>3,015</b>	<b>71,122</b>	<b>47,392</b>	<b>10,990</b>	<b>5,058</b>	<b>3,342</b>	<b>2,927</b>	<b>69,708</b>
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
<b>Total Retail</b>	<b>26,693</b>	<b>6,508</b>			<b>43</b>	<b>33,243</b>	<b>26,668</b>	<b>6,473</b>			<b>44</b>	<b>33,185</b>
<b>Total Gross Credit Exposure</b>	<b>76,875</b>	<b>17,690</b>	<b>3,533</b>	<b>3,209</b>	<b>3,058</b>	<b>104,365</b>	<b>74,060</b>	<b>17,462</b>	<b>5,058</b>	<b>3,342</b>	<b>2,971</b>	<b>102,893</b>
<b>September 30, 2011</b>						<b>June 30, 2011</b>						
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
<b>Total Corporate, Sovereign and Bank</b>	<b>46,822</b>	<b>10,703</b>	<b>6,803</b>	<b>3,878</b>	<b>4,182</b>	<b>72,388</b>	<b>45,496</b>	<b>10,560</b>	<b>10,732</b>	<b>2,617</b>	<b>3,899</b>	<b>73,304</b>
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
<b>Total Retail</b>	<b>26,557</b>	<b>6,560</b>			<b>47</b>	<b>33,164</b>	<b>26,423</b>	<b>6,494</b>			<b>42</b>	<b>32,959</b>
<b>Total Gross Credit Exposure</b>	<b>73,379</b>	<b>17,263</b>	<b>6,803</b>	<b>3,878</b>	<b>4,229</b>	<b>105,552</b>	<b>71,919</b>	<b>17,053</b>	<b>10,732</b>	<b>2,617</b>	<b>3,942</b>	<b>106,262</b>
<b>March 31, 2011</b>						<b>December 31, 2010</b>						
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
<b>Total Corporate, Sovereign and Bank</b>	<b>42,720</b>	<b>10,222</b>	<b>11,497</b>	<b>2,373</b>	<b>3,391</b>	<b>70,204</b>	<b>43,645</b>	<b>11,696</b>	<b>10,818</b>	<b>2,167</b>	<b>3,114</b>	<b>71,440</b>
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
<b>Total Retail</b>	<b>26,627</b>	<b>6,543</b>			<b>65</b>	<b>33,235</b>	<b>26,974</b>	<b>6,408</b>			<b>68</b>	<b>33,450</b>
<b>Total Gross Credit Exposure</b>	<b>69,347</b>	<b>16,765</b>	<b>11,497</b>	<b>2,373</b>	<b>3,456</b>	<b>103,439</b>	<b>70,619</b>	<b>18,104</b>	<b>10,818</b>	<b>2,167</b>	<b>3,182</b>	<b>104,890</b>

**Credit Exposure by Geography**

(\$ millions except as noted)



	September 30, 2012						June 30, 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	21,187	4,985	53	61	605	26,891	21,421	5,105	120	68	622	27,336
Western Canada, excluding British Columbia	10,655	4,533		349	574	16,112	10,419	4,456		408	530	15,813
Ontario	39,529	5,360	7,931	2,827	757	56,405	37,089	5,175	6,146	2,882	782	52,074
Quebec & Atlantic provinces	7,511	2,136		207	643	10,497	7,289	2,215		254	637	10,395
<b>Total Gross Credit Exposure</b>	<b>78,882</b>	<b>17,015</b>	<b>7,984</b>	<b>3,444</b>	<b>2,580</b>	<b>109,904</b>	<b>76,218</b>	<b>16,951</b>	<b>6,266</b>	<b>3,612</b>	<b>2,572</b>	<b>105,618</b>

	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
<b>Total Gross Credit Exposure</b>	<b>76,875</b>	<b>17,690</b>	<b>3,533</b>	<b>3,209</b>	<b>3,058</b>	<b>104,365</b>	<b>74,060</b>	<b>17,462</b>	<b>5,058</b>	<b>3,342</b>	<b>2,971</b>	<b>102,893</b>

	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
<b>Total Gross Credit Exposure</b>	<b>73,379</b>	<b>17,263</b>	<b>6,803</b>	<b>3,878</b>	<b>4,229</b>	<b>105,552</b>	<b>71,919</b>	<b>17,053</b>	<b>10,732</b>	<b>2,617</b>	<b>3,942</b>	<b>106,262</b>

	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
<b>Total Gross Credit Exposure</b>	<b>69,347</b>	<b>16,765</b>	<b>11,497</b>	<b>2,373</b>	<b>3,456</b>	<b>103,439</b>	<b>70,619</b>	<b>18,104</b>	<b>10,818</b>	<b>2,167</b>	<b>3,182</b>	<b>104,890</b>

**Residual Contract Maturity Breakdown**

(\$ millions except as noted)



	September 30, 2012						June 30, 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	37,496	15,413	7,984	1,241	2,258	64,392	33,544	15,297	6,266	1,250	2,413	58,771
1-5 years	37,125	1,413		1,422	321	40,281	39,091	1,459		1,584	158	42,293
Greater than 5 years	4,261	189		782		5,232	3,582	195		777	0	4,554
<b>Total Gross Credit Exposure</b>	<b>78,882</b>	<b>17,015</b>	<b>7,984</b>	<b>3,444</b>	<b>2,580</b>	<b>109,904</b>	<b>76,218</b>	<b>16,951</b>	<b>6,266</b>	<b>3,612</b>	<b>2,572</b>	<b>105,618</b>

	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	0	4,926	3,477	251		704	0	4,432
<b>Total Gross Credit Exposure</b>	<b>76,875</b>	<b>17,690</b>	<b>3,533</b>	<b>3,209</b>	<b>3,058</b>	<b>104,365</b>	<b>74,060</b>	<b>17,462</b>	<b>5,058</b>	<b>3,342</b>	<b>2,971</b>	<b>102,893</b>

	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
<b>Total Gross Credit Exposure</b>	<b>73,379</b>	<b>17,263</b>	<b>6,803</b>	<b>3,878</b>	<b>4,229</b>	<b>105,552</b>	<b>71,919</b>	<b>17,053</b>	<b>10,732</b>	<b>2,617</b>	<b>3,942</b>	<b>106,262</b>

	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
<b>Total Gross Credit Exposure</b>	<b>69,347</b>	<b>16,765</b>	<b>11,497</b>	<b>2,373</b>	<b>3,456</b>	<b>103,439</b>	<b>70,619</b>	<b>18,104</b>	<b>10,818</b>	<b>2,167</b>	<b>3,182</b>	<b>104,890</b>

**Portfolio Breakdown by Basel II Approaches**

(\$ millions except as noted)



	September 30, 2012				June 30, 2012				March 31, 2012				December 31, 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			27,147	10,759			26,562	10,577			26,420	10,361			24,762	10,179
Sovereign			22,062	29			20,423	21			20,073	25			19,235	25
Bank	39		3,664		30		2,799	47	23		3,668	795			3,395	785
<b>Total Corporate, Sovereign and Bank</b>	<b>39</b>		<b>52,873</b>	<b>10,788</b>	<b>30</b>		<b>49,784</b>	<b>10,646</b>	<b>23</b>		<b>50,160</b>	<b>11,182</b>			<b>47,392</b>	<b>10,990</b>
Residential Mortgages	586		18,122		657		18,279	3	725	4	18,289	2	749	4	18,103	3
HELOC's			2,656	2,994			2,716	3,066			2,832	3,123			2,889	3,143
Other Retail (excluding QRR and SME)	1,535	1,496	2,271	630	1,615	1,518	2,343	659	1,670	1,595	2,362	676	1,723	1,580	2,329	682
Qualifying Revolving Retail			354	786			353	787			359	795			367	791
Retail SME			447	319			440	273			455	315			507	270
<b>Total Retail</b>	<b>2,120</b>	<b>1,496</b>	<b>23,850</b>	<b>4,731</b>	<b>2,272</b>	<b>1,518</b>	<b>24,132</b>	<b>4,787</b>	<b>2,395</b>	<b>1,598</b>	<b>24,298</b>	<b>4,909</b>	<b>2,472</b>	<b>1,583</b>	<b>24,196</b>	<b>4,889</b>
<b>Total Gross Credit Exposure</b>	<b>2,160</b>	<b>1,496</b>	<b>76,723</b>	<b>15,519</b>	<b>2,302</b>	<b>1,518</b>	<b>73,916</b>	<b>15,433</b>	<b>2,418</b>	<b>1,598</b>	<b>74,458</b>	<b>16,091</b>	<b>2,472</b>	<b>1,583</b>	<b>71,588</b>	<b>15,879</b>

	September 30, 2011				June 30, 2011				March 31, 2011				December 31, 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			23,242	9,902			23,232	9,749			23,032	9,408			22,766	10,762
Sovereign			20,212	15			19,441	16			17,244	15			17,796	17
Bank			3,367	786	1		2,823	795	28		2,416	800	31		3,053	917
<b>Total Corporate, Sovereign and Bank</b>			<b>46,822</b>	<b>10,703</b>	<b>1</b>		<b>45,495</b>	<b>10,560</b>	<b>28</b>		<b>42,692</b>	<b>10,222</b>	<b>31</b>		<b>43,614</b>	<b>11,696</b>
Residential Mortgages	773	3	17,907	3	805	3	17,681	5	844	3	17,668		882	2	17,858	5
HELOC's			2,989	3,129			3,050	3,145			3,134	3,169			3,160	3,158
Other Retail (excluding QRR and SME)	1,673	1,610	2,336	714	1,632	1,537	2,354	701	1,630	1,551	2,425	723	1,708	1,409	2,401	720
Qualifying Revolving Retail			375	792			371	792			379	792			383	791
Retail SME			505	310			529	311			547	305			582	323
<b>Total Retail</b>	<b>2,446</b>	<b>1,613</b>	<b>24,111</b>	<b>4,948</b>	<b>2,437</b>	<b>1,540</b>	<b>23,985</b>	<b>4,954</b>	<b>2,474</b>	<b>1,553</b>	<b>24,153</b>	<b>4,989</b>	<b>2,590</b>	<b>1,411</b>	<b>24,384</b>	<b>4,997</b>
<b>Total Gross Credit Exposure</b>	<b>2,446</b>	<b>1,613</b>	<b>70,933</b>	<b>15,650</b>	<b>2,438</b>	<b>1,540</b>	<b>69,481</b>	<b>15,513</b>	<b>2,502</b>	<b>1,553</b>	<b>66,845</b>	<b>15,212</b>	<b>2,621</b>	<b>1,411</b>	<b>67,998</b>	<b>16,693</b>



**Standardized Exposures by Risk Weight Category**

(\$ millions except as noted)



	September 30, 2012							June 30, 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		39						39		30						30
Total Corporate, Sovereign and Bank		39						39		30						30
Residential Mortgages			333		221	32		586			378		249	31		657
Heloc's													3,098		35	3,133
Other Retail					2,992			3,031								
Retail SME																
Total Retail			333		3,214	32	38	3,616			378		3,347	31	35	3,790
<b>Total Exposure at Default</b>		39	333		3,214	32	38	3,656		30	378		3,347	31	35	3,820

	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													3,267		36	3,302
Other Retail					3,230			3,265								
Retail SME																
Total Retail			422		3,507	29	35	3,993			445		3,545	30	36	4,055
<b>Total Exposure at Default</b>		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																
Total Corporate, Sovereign and Bank										1						1
Residential Mortgages			460		279	36		776			489		289	31		809
Heloc's													3,134		34	3,168
Other Retail					3,247			3,283								
Retail SME																
Total Retail			460		3,526	36	36	4,058			489		3,423	31	34	3,977
<b>Total Exposure at Default</b>			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													3,030		87	3,117
Other Retail					3,099			3,181								
Retail SME																
Total Retail			516		3,397	33	81	4,027			543		3,335	37	87	4,001
<b>Total Exposure at Default</b>		28	516		3,397	33	81	4,055		31	543		3,335	37	87	4,032

**Risk Assessment - IRB Retail Credit Portfolio**

(\$ millions except as noted)



	September 30, 2012						June 30, 2012					
	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	17,750	5,526	2,783	787	594	27,440	17,904	5,652	2,876	791	563	27,786
Medium	286	103	112	342	209	1,053	274	106	128	339	177	1,024
Sub-Standard			3	7	12	22			3	6	2	11
Impaired/Default	86	21	11	4	12	135	104	23	14	4	12	158
<b>Total Exposure at Default</b>	<b>18,122</b>	<b>5,650</b>	<b>2,910</b>	<b>1,141</b>	<b>827</b>	<b>28,650</b>	<b>18,282</b>	<b>5,782</b>	<b>3,021</b>	<b>1,140</b>	<b>755</b>	<b>28,980</b>

	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
<b>Total Exposure at Default</b>	<b>18,290</b>	<b>5,955</b>	<b>3,045</b>	<b>1,154</b>	<b>805</b>	<b>29,250</b>	<b>18,106</b>	<b>6,032</b>	<b>3,019</b>	<b>1,158</b>	<b>815</b>	<b>29,130</b>

	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
<b>Total Exposure at Default</b>	<b>17,910</b>	<b>6,117</b>	<b>3,058</b>	<b>1,167</b>	<b>853</b>	<b>29,106</b>	<b>17,686</b>	<b>6,195</b>	<b>3,063</b>	<b>1,163</b>	<b>875</b>	<b>28,981</b>

	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
<b>Total Exposure at Default</b>	<b>17,668</b>	<b>6,303</b>	<b>3,176</b>	<b>1,171</b>	<b>890</b>	<b>29,208</b>	<b>17,863</b>	<b>6,318</b>	<b>3,149</b>	<b>1,174</b>	<b>945</b>	<b>29,449</b>

(\$ millions except as noted)

Internal Rating	September 30, 2012				June 30, 2012				March 31, 2012				December 31, 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 (%)
<b>Corporate</b>																
Minimal Risk	1,721	0.04	50	13	1,908	0.04	49	14	2,172	0.04	49	11	1,460	0.04	48	13
Low Risk	4,815	0.10	46	24	4,380	0.10	45	24	4,469	0.11	44	23	4,500	0.11	44	24
Satisfactory Risk	19,396	0.43	34	40	19,267	0.44	34	41	18,539	0.44	33	40	17,383	0.44	33	39
Fair Default Risk	12,541	1.13	33	61	12,359	1.13	33	62	12,611	1.15	32	62	12,497	1.16	32	62
Moderate Default Risk	1,295	2.86	29	76	1,308	2.82	29	77	1,286	2.94	28	75	1,379	2.98	28	76
Significant Default Risk	178	6.16	30	106	199	6.17	30	104	232	6.10	29	102	191	6.20	31	109
High Default Risk	504	10.15	31	128	463	10.06	31	126	441	10.11	31	129	488	10.39	31	128
Special Management	298	49.01	29	115	283	50.05	32	125	278	43.01	31	132	324	42.23	29	129
Default	562	100.00	47	225	542	100.00	43	210	579	100.00	47	237	533	100.00	51	240
<b>Total Corporate</b>	<b>41,310</b>	<b>2.51</b>	<b>36</b>	<b>49</b>	<b>40,709</b>	<b>2.48</b>	<b>35</b>	<b>50</b>	<b>40,607</b>	<b>2.53</b>	<b>35</b>	<b>49</b>	<b>38,755</b>	<b>2.58</b>	<b>35</b>	<b>50</b>
<b>Sovereign</b>																
Minimal Risk	20,645	0.01	10	2	18,863	0.01	10	2	18,480	0.01	10	2	17,969	0.01	10	2
Low Risk	1,512	0.07	10	6	1,664	0.07	10	6	1,656	0.07	11	6	1,318	0.07	11	6
Satisfactory Risk	2	0.33	55	53	2	0.34	55	53	2	0.34	55	54	2	0.33	54	56
Fair Default Risk									1	1.20	37	65				
Moderate Default Risk																
Significant Default Risk																
High Default Risk																
Special Management																
Default																
<b>Total Sovereign</b>	<b>22,159</b>	<b>0.02</b>	<b>10</b>	<b>2</b>	<b>20,529</b>	<b>0.02</b>	<b>10</b>	<b>2</b>	<b>20,139</b>	<b>0.02</b>	<b>10</b>	<b>2</b>	<b>19,289</b>	<b>0.02</b>	<b>10</b>	<b>2</b>
<b>Bank</b>																
Minimal Risk	5,245	0.04	24	9	4,634	0.03	25	9	5,928	0.04	25	8	5,702	0.04	27	9
Low Risk	1,001	0.10	30	14	657	0.11	28	13	836	0.11	31	15	965	0.11	30	15
Satisfactory Risk	55	0.25	35	33	49	0.24	33	32	55	0.25	37	31	61	0.32	41	38
Fair Default Risk	15	1.08	37	65	45	0.88	39	61	36	0.91	39	61	18	0.92	34	60
Moderate Default Risk	4	2.88	51	128	6	3.92	39	116	6	3.87	38	113				
Significant Default Risk	14	5.95	72	251	5	6.23	78	268	2	6.74	72	244	1	6.06	43	141
High Default Risk	2	10.00	69	292	3	10.33	64	272	1	11.68	71	320	2	12.49	78	333
Special Management																
Default																
<b>Total Bank</b>	<b>6,336</b>	<b>0.07</b>	<b>26</b>	<b>11</b>	<b>5,399</b>	<b>0.07</b>	<b>25</b>	<b>11</b>	<b>6,864</b>	<b>0.06</b>	<b>26</b>	<b>10</b>	<b>6,749</b>	<b>0.06</b>	<b>27</b>	<b>10</b>

Internal Rating	September 30, 2011				June 30, 2011				March 31, 2011				December 31, 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 (%)
<b>Corporate</b>																
Minimal Risk	1,722	0.04	48	13	1,398	0.04	48	14	1,125	0.04	46	14	984	0.04	46	13
Low Risk	4,857	0.11	46	23	4,307	0.10	44	21	4,053	0.11	44	21	4,395	0.11	44	20
Satisfactory Risk	16,928	0.44	33	38	16,384	0.44	32	38	15,645	0.44	33	38	15,299	0.44	32	38
Fair Default Risk	12,284	1.15	32	61	12,612	1.17	31	60	12,363	1.17	31	59	13,086	1.19	31	60
Moderate Default Risk	1,332	2.99	28	75	1,470	2.76	28	72	1,710	2.89	28	75	1,711	2.73	29	74
Significant Default Risk	171	6.06	32	110	236	6.15	28	100	237	6.21	29	102	279	6.02	27	95
High Default Risk	430	10.09	31	126	473	10.23	30	125	488	10.12	31	130	568	10.27	31	128
Special Management	456	42.25	28	125	292	34.07	31	154	324	28.19	31	160	337	29.53	31	158
Default	549	100.00	45	196	559	100.00	45	210	602	100.00	45	210	623	100.00	43	232
<b>Total Corporate</b>	<b>38,729</b>	<b>2.73</b>	<b>35</b>	<b>48</b>	<b>37,731</b>	<b>2.62</b>	<b>34</b>	<b>49</b>	<b>36,547</b>	<b>2.81</b>	<b>34</b>	<b>50</b>	<b>37,282</b>	<b>2.87</b>	<b>34</b>	<b>51</b>
<b>Sovereign</b>																
Minimal Risk	19,221	0.01	10	2	19,425	0.01	10	2	17,227	0.01	10	2	17,651	0.01	10	2
Low Risk	1,028	0.07	11	4	61	0.08	24	15	62	0.08	24	16	242	0.07	14	7
Satisfactory Risk	2	0.34	55	55	2	0.22	51	37	2	0.22	48	35	3	0.25	45	34
Fair Default Risk																
Moderate Default Risk																
Significant Default Risk																
High Default Risk																
Special Management																
Default																
<b>Total Sovereign</b>	<b>20,251</b>	<b>0.02</b>	<b>10</b>	<b>2</b>	<b>19,488</b>	<b>0.01</b>	<b>10</b>	<b>2</b>	<b>17,291</b>	<b>0.01</b>	<b>10</b>	<b>2</b>	<b>17,896</b>	<b>0.01</b>	<b>10</b>	<b>2</b>
<b>Bank</b>																
Minimal Risk	5,713	0.04	27	9	4,680	0.04	27	9	4,076	0.04	27	8	4,697	0.04	26	8
Low Risk	1,108	0.11	27	13	958	0.12	27	14	1,100	0.11	27	13	930	0.10	27	13
Satisfactory Risk	63	0.32	40	37	52	0.23	36	27	39	0.37	40	36	285	0.23	17	13
Fair Default Risk	12	0.97	33	53	7	0.98	26	46	15	1.44	28	55	4	1.33	30	62
Moderate Default Risk	3	3.58	50	142	2	2.97	39	96	1	3.09	48	123				
Significant Default Risk	2	7.29	69	265						7.85	35	123				
High Default Risk	1	11.61	81	335	1	12.66	79	339	1	13.00	80	348	1	13.00	82	388
Special Management																
Default																
<b>Total Bank</b>	<b>6,902</b>	<b>0.06</b>	<b>27</b>	<b>10</b>	<b>5,700</b>	<b>0.06</b>	<b>27</b>	<b>10</b>	<b>5,232</b>	<b>0.06</b>	<b>27</b>	<b>9</b>	<b>5,917</b>	<b>0.06</b>	<b>26</b>	<b>9</b>

**Exposures Covered By Credit Risk Mitigation**

(\$ millions except as noted)



Counterparty Type	September 30, 2012			June 30, 2012			March 31, 2012			December 31, 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			1,264			1,238			1,131			1,100
Sovereign												
Bank												
<b>Total Corporate, Sovereign and Bank</b>			<b>1,264</b>			<b>1,238</b>			<b>1,131</b>			<b>1,100</b>
Residential Mortgages			5,897			6,657			7,139			7,673
HELOC's												
Other Retail (excluding QRR and SME)												
Qualifying Revolving Retail												
Retail SME												
<b>Total Retail</b>			<b>5,897</b>			<b>6,657</b>			<b>7,139</b>			<b>7,673</b>
<b>Total</b>			<b>7,162</b>			<b>7,895</b>			<b>8,270</b>			<b>8,773</b>

Counterparty Type	September 30, 2011			June 30, 2011			March 31, 2011			December 31, 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			1,259			1,234			1,461			1,398
Sovereign												
Bank												
<b>Total Corporate, Sovereign and Bank</b>			<b>1,259</b>			<b>1,234</b>			<b>1,461</b>			<b>1,398</b>
Residential Mortgages			7,675			7,934			8,866			1,590
HELOC's												
Other Retail (excluding QRR and SME)												
Qualifying Revolving Retail												
Retail SME												
<b>Total Retail</b>			<b>7,675</b>			<b>7,934</b>			<b>8,866</b>			<b>1,590</b>
<b>Total</b>			<b>8,934</b>			<b>9,168</b>			<b>10,327</b>			<b>2,988</b>

**AIRB Credit Risk Exposures - Credit Commitments**

(\$ millions except as noted)



Counterparty Type	September 30, 2012		June 30, 2012		March 31, 2012		December 31, 2011	
	Notional Undrawn	EAD on Undrawn	Notional Undrawn	EAD on Undrawn	Notional Undrawn	EAD on Undrawn	Notional Undrawn	EAD on Undrawn
Corporate	26,429	10,759	25,797	10,577	25,271	10,361	24,828	10,179
Sovereign	71	29	52	21	61	25	61	25
Bank	2,284		116	47	1,940	795	1,915	785
<b>Total Corporate, Sovereign and Bank</b>	<b>28,784</b>	<b>10,788</b>	<b>25,965</b>	<b>10,646</b>	<b>27,273</b>	<b>11,182</b>	<b>26,804</b>	<b>10,990</b>
Residential Mortgages	23		30	3	27	2	33	3
HELOC's	3,299	2,994	3,363	3,066	3,385	3,123	3,397	3,143
Other Retail (excluding QRR and SME)	1,146	630	1,274	659	1,293	676	1,458	682
Qualifying Revolving Retail	1,020	786	1,020	787	1,024	795	1,017	791
Retail SME	459	319	562	273	487	315	1,545	270
<b>Total Retail</b>	<b>5,948</b>	<b>4,731</b>	<b>6,250</b>	<b>4,787</b>	<b>6,216</b>	<b>4,909</b>	<b>7,451</b>	<b>4,889</b>
<b>Total</b>	<b>34,732</b>	<b>15,519</b>	<b>32,214</b>	<b>15,433</b>	<b>33,489</b>	<b>16,091</b>	<b>34,255</b>	<b>15,879</b>

Counterparty Type	September 30, 2011		June 30, 2011		March 31, 2011		December 31, 2010	
	Notional Undrawn	EAD on Undrawn	Notional Undrawn	EAD on Undrawn	Notional Undrawn	EAD on Undrawn	Notional Undrawn	EAD on Undrawn
Corporate	24,150	9,902	23,778	9,749	22,946	9,408	22,899	10,762
Sovereign	36	15	38	16	37	15	36	17
Bank	1,917	786	1,940	795	1,950	800	1,951	917
<b>Total Corporate, Sovereign and Bank</b>	<b>26,104</b>	<b>10,703</b>	<b>25,755</b>	<b>10,560</b>	<b>24,933</b>	<b>10,222</b>	<b>24,885</b>	<b>11,696</b>
Residential Mortgages	94	3	35	5	33		38	5
HELOC's	3,336	3,129	3,312	3,145	3,320	3,169	3,302	3,158
Other Retail (excluding QRR and SME)	1,481	714	1,521	701	1,564	723	1,578	720
Qualifying Revolving Retail	1,013	792	1,014	792	1,012	792	1,006	791
Retail SME	646	310	505	311	701	305	665	323
<b>Total Retail</b>	<b>6,570</b>	<b>4,948</b>	<b>6,387</b>	<b>4,954</b>	<b>6,630</b>	<b>4,989</b>	<b>6,590</b>	<b>4,997</b>
<b>Total</b>	<b>32,674</b>	<b>15,650</b>	<b>32,143</b>	<b>15,513</b>	<b>31,562</b>	<b>15,212</b>	<b>31,476</b>	<b>16,693</b>

*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 30, Annual Report and Accounts 2011)

*HSBC as investor*

We have exposure to third party securitizations in the form of 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<sup>1 2</sup>

	At September 30, 2012			At June 30, 2012			At March 31, 2012			At 31 December 2011		
	Trading	Banking	Total	Trading	Banking	Total	Trading	Banking	Total	Trading	Banking	Total
<b>As Sponsor<sup>3</sup></b>												
Trade receivables	-	965	965	-	712	712	-	695	695	-	721	721
<b>As Investor</b>	<b>282</b>	<b>10</b>	<b>292</b>	<b>226</b>	<b>19</b>	<b>245</b>	<b>46</b>	<b>19</b>	<b>65</b>	<b>20</b>	<b>19</b>	<b>39</b>
Residential mortgages		10	10	-	19	19	-	19	19	-	19	19
Trade receivables	282	-	282	226	-	226	46	-	46	20	-	20
	<b>282</b>	<b>975</b>	<b>1,257</b>	<b>226</b>	<b>731</b>	<b>957</b>	<b>46</b>	<b>714</b>	<b>760</b>	<b>20</b>	<b>740</b>	<b>760</b>

1 All securitizations exposures result from traditional securitizations. National Housing Association MBS and bonds issued by Canada Housing Trust are not considered securitization exposures and are excluded. Prior period balances have been restated, as appropriate.

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 \$12 million (\$14 million at 30 June 2012, \$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 Jan.	Year to date movement		Total at 30 Sep.
		As sponsor	As investor	
<b>2012</b>				
Aggregate amount of securitization exposures (retained or purchased)	19	-	(9)	10
Residential mortgages	741	244	262	1,247
Trade receivables	<b>760</b>	<b>244</b>	<b>253</b>	<b>1,257</b>

### Securitization exposure - asset values and impairment charges

	At September 30, 2012			At June 30, 2012			At March 31, 2012			At 31 December 2011		
	Underlying assets <sup>1</sup>		Securitization exposures	Underlying assets <sup>1</sup>		Securitization exposures	Underlying assets <sup>1</sup>		Securitization exposures	Underlying assets <sup>1</sup>		Securitization exposures
	Total	Impaired & past due		Total	Impaired & past due		Total	Impaired & past due		Total	Impaired & past due	
<b>As Sponsor</b>												
Trade receivables	1,270	-	-	1,267	-	-	914	-	-	933	-	
<b>As Investor<sup>2</sup></b>												
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 September 30, 2012			Exposure value at June 30, 2012			Exposure value at March 31, 2012			Exposure value at 31 December 2011		
	Trading book	Banking book	Total	Trading book	Banking book	Total	Trading book	Banking book	Total	Trading book	Banking book	Total
<b>Category risk weights</b>												
≤ 10%	-	810	810	-	555	555	-	543	543	-	564	564
> 10% ≤ 20%	282	-	282	226	-	226	35	-	35	7	-	7
> 20% ≤ 50%	-	155	155	-	157	157	11	152	163	13	157	170
> 50% ≤ 100%	-	-	-	-	-	-	-	-	-	-	-	-
> 100% ≤ 650%	-	-	-	-	-	-	-	-	-	-	-	-
> 650% < 1250%	-	-	-	-	-	-	-	-	-	-	-	-
Deductions from capital / 1250%	-	10	10	-	19	19	-	19	19	-	19	19
<b>Total</b>	<b>282</b>	<b>975</b>	<b>1,257</b>	<b>226</b>	<b>731</b>	<b>957</b>	<b>46</b>	<b>714</b>	<b>760</b>	<b>20</b>	<b>740</b>	<b>760</b>

### Capital required by risk weighting

	Capital required at September 30, 2012			Capital required at June 30, 2012			Capital required at March 31, 2012			Capital required at 31 December 2011		
	Trading book	Banking book	Total	Trading book	Banking book	Total	Trading book	Banking book	Total	Trading book	Banking book	Total
<b>Category risk weights</b>												
≤ 10%	-	3	3	-	2	2	-	2	2	-	2	2
> 10% ≤ 20%	4	-	4	3	-	3	1	-	1	-	-	-
> 20% ≤ 50%	-	5	5	-	5	5	-	5	5	1	5	6
> 50% ≤ 100%	-	-	-	-	-	-	-	-	-	-	-	-
> 100% ≤ 650%	-	-	-	-	-	-	-	-	-	-	-	-
> 650% < 1250%	-	-	-	-	-	-	-	-	-	-	-	-
Deductions from capital / 1250%	-	10	10	-	19	19	-	19	19	-	19	19
<b>Total</b>	<b>4</b>	<b>18</b>	<b>22</b>	<b>3</b>	<b>26</b>	<b>29</b>	<b>1</b>	<b>26</b>	<b>27</b>	<b>1</b>	<b>26</b>	<b>27</b>

**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.