

**2013**

**HSBC Bank Canada  
Capital and Risk Management  
Pillar 3 Supplemental Disclosures  
as at June 30, 2013**



## Index & Notes to Users

Index	Page	Index	Page
Regulatory Capital	2- 3	Risk Assessment - AIRB Non-Retail Credit Portfolio	11
Risk-Weighted Assets	4	Exposures Covered by Credit Risk Mitigation	12
Credit Exposure by Counterparty Type	5	AIRB Credit Risk Exposures - Credit Commitments	13
Credit Exposure by Geography	6	Securitization Disclosure	14-15
Residual Contract Maturity Breakdown	7	Securitization Exposures	16-17
Credit Risk Portfolio Exposure at Default	8	Residential Mortgages and Home Equity Lines of Credit	18
Standardized Exposures by Risk Weight Category	9	Glossary	19
Risk Assessment - IRB Retail Credit Portfolio	10		

## 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 2012 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 2012 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. Effective November 1, 2012, Canadian banks are subject to the revised capital adequacy requirements as published by the Basel Committee on Banking Supervision (BCBS) and commonly referred to as Basel III. Basel III builds on the "International Convergence of Capital Measurement and Capital Standards: A Revised Framework" (Basel II). Effective with public disclosures beginning in Q1, 2013, Banks are subject to disclosure requirements under OSFI's Guidelines on Residential Mortgage Underwriting Practices and Procedures (B-20).

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

<b>Basel III Regulatory Capital</b>				
(\$ millions except as noted)				
	2Q 2013		1Q 2013	
	All-in <sup>1</sup>	Transitional <sup>2</sup>	All-in <sup>1</sup>	Transitional <sup>2</sup>
<b>Common Equity Tier 1 capital: instruments and reserves</b>				
Directly issued qualifying common share capital plus related stock surplus	1,285	1,285	1,285	1,285
Retained earnings	2,732	2,739	2,706	2,714
Accumulated other comprehensive income (and other reserves)	29	29	118	118
Common share capital issued by subsidiaries and held by third parties (amount allowed in group CET1)				
<b>Common Equity Tier 1 capital: regulatory adjustments</b>				
Regulatory adjustments applied to Common Equity Tier 1 under Basel III	(111)		(113)	
<b>Common Equity Tier 1 capital (CET1)</b>	<b>3,935</b>	<b>4,053</b>	<b>3,996</b>	<b>4,117</b>
<b>Additional Tier 1 capital: instruments</b>				
Directly issued qualifying Additional Tier 1 instruments plus related stock surplus				
Directly issued capital instruments subject to phase out from Additional Tier 1	1,031	1,031	1,031	1,031
Additional Tier 1 instruments (and CET1 instruments not otherwise included) issued by subsidiaries and held by third parties (amount allowed in group AT1)	1	27	1	27
<i>of which: instruments issued by subsidiaries subject to phase out</i>				
<b>Additional Tier 1 capital: regulatory adjustments</b>				
Regulatory adjustments applied to Additional Tier 1 under Basel III		(24)		(29)
<b>Additional Tier 1 capital (AT1)</b>	<b>1,032</b>	<b>1,035</b>	<b>1,032</b>	<b>1,030</b>
<b>Tier 1 capital (T1 = CET1 + AT1)</b>	<b>4,967</b>	<b>5,088</b>	<b>5,028</b>	<b>5,146</b>
<b>Tier 2 capital: instruments and provisions</b>				
Directly issued qualifying Tier 2 instruments plus related stock surplus				
Directly issued capital instruments subject to phase out from Tier 2	683	683	683	683
Tier 2 instruments (and CET1 and AT1 instruments not otherwise included) issued by subsidiaries and held by third parties (amount allowed in group Tier 2)				
<i>of which: instruments issued by subsidiaries subject to phase out</i>				
Provisions	15	15	16	16
<b>Tier 2 capital: regulatory adjustments</b>				
Regulatory adjustments applied to Tier 2 under Basel III				(5)
<b>Tier 2 capital (T2)</b>	<b>698</b>	<b>698</b>	<b>699</b>	<b>694</b>
<b>Total capital (TC = T1 + T2)</b>	<b>5,665</b>	<b>5,786</b>	<b>5,727</b>	<b>5,841</b>
<b>Total risk weighted assets</b>	<b>36,467</b>	<b>37,883</b>	<b>36,114</b>	<b>37,432</b>
<b>Capital instruments subject to phase-out arrangements</b> <i>(only applicable between 1 Jan 2013 and 1 Jan 2022)</i>				
Current cap on CET1 instruments subject to phase out arrangements				
Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	90%	90%	90%	90%
Current cap on AT1 instruments subject to phase out arrangements				
Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	115	115	115	115
Current cap on T2 instruments subject to phase out arrangements	90%	90%	90%	90%
Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	73	73	80	80
<b>Capital Ratios</b>				
<b>Common Equity Tier 1 ratio</b>	10.8%	10.7%	11.1%	11.0%
<b>Tier 1 ratio</b>	13.6%	13.4%	13.9%	13.8%
<b>Total capital ratio</b>	15.5%	15.3%	15.9%	15.6%
<b>OSFI Target All-in Basis</b>				
<b>Common Equity Tier 1 minimum ratio</b>	7.0%		7.0%	
<b>Asset to Capital Multiple</b>	14.5		14.1	

(1) "All-in" regulatory capital assumes that all Basel III regulatory adjustments are applied effective January 1, 2013 and that the capital value of instruments which no longer qualify as regulatory capital under Basel III rules will be phased out at a rate of 10% per year from January 1, 2013 and continuing to January 1, 2022.

(2) Transitional regulatory capital assumes that all Basel III regulatory capital adjustments are phased in from January 1, 2014 to January 1, 2018 and that the capital value of instruments which no longer qualify as regulatory capital under Basel III rules will be phased out at a rate of 10% per year from January 1, 2013 and continuing to January 1, 2022.

**Basel II Regulatory Capital <sup>1 2</sup>**

(\$ millions except as noted)

Qualifying Regulatory Capital	December 31	September 30	June 30	March 31	December 31	September 30	June 30	March 31
	2012	2012	2012	2012	2011	2011	2011	2011
Common shares	1,225	1,225	1,225	1,225	1,225	1,225	1,225	1,225
Retained earnings	2,680	2,601	2,545	2,455	2,363	2,306	2,241	2,133
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)	(5)	(10)	(9)	(9)	(9)	(12)	(11)
Goodwill	(23)	(23)	(23)	(23)	(23)	(26)	(26)	(26)
<b>Total Tier 1 capital</b>	<b>5,053</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>
Subordinated debentures	760	759	757	751	752	753	742	735
Other	64	100	79	95	155	157	178	186
<b>Total Tier 2 capital</b>	<b>823</b>	<b>859</b>	<b>836</b>	<b>846</b>	<b>906</b>	<b>910</b>	<b>920</b>	<b>920</b>
<b>Total capital available for regulatory purposes</b>	<b>5,876</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>

  

Capital Ratios <sup>3</sup>	December 31	September 30	June 30	March 31	December 31	September 30	June 30	March 31
	2012	2012	2012	2012	2011	2011	2011	2011
Tier 1 capital ratio	13.78%	13.51%	13.79%	13.23%	13.39%	13.43%	13.30%	13.41%
Total capital ratio	16.03%	15.84%	16.13%	15.55%	15.96%	16.05%	15.95%	16.16%
Assets to capital multiple	13.08	13.60	13.33	13.20	13.13	13.48	13.76	13.51

(1) Effective Q1 2013, this schedule has been replaced with page 2, which is computed under Basel III requirements.

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

(3) OSFI's target capital ratios under Basel II for well capitalized Canadian banks are 7% for Tier 1 Capital and 10% for Total Capital.

**Risk-Weighted Assets<sup>1</sup>**

(\$ millions except as noted)

Risk-Weighted Assets (RWA)	June 30, 2013				March 31, 2013				December 31, 2012				September 30, 2012						
	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			
(\$ millions except as noted)																			
Corporate	45,883		21,132	21,132	45,757		21,049	21,049	44,898		20,285	20,285	46,041		20,340	20,340	20,340	20,340	
Sovereign	20,441		535	535	20,843		514	514	20,191		446	446	22,159		474	474	474	474	
Bank	11,433		833	833	9,614	3	872	875	9,332	2	642	643	9,438	8	680	680	688	688	
Residential Mortgages	17,799	227	1,652	1,879	18,106	256	1,721	1,977	18,378	282	1,741	2,023	18,707	314	1,728	2,042	2,042	2,042	
HELOC's	5,195		740	740	5,386		755	755	5,543		781	781	5,650		786	786	786	786	
Other Retail (excluding QRR and SME)	5,254	1,898	725	2,623	5,343	1,927	764	2,691	5,631	2,130	777	2,906	5,940	2,302	825	3,126	3,126	3,126	
Qualifying Revolving Retail	1,087		343	343	1,109		355	355	1,127		364	364	1,141		369	369	369	369	
Retail SME	698		423	423	732		417	417	746		409	409	827		460	460	460	460	
<b>Exposures subject to standardized or IRB approaches</b>	<b>107,791</b>	<b>2,125</b>	<b>26,382</b>	<b>28,507</b>	<b>106,891</b>	<b>2,186</b>	<b>26,447</b>	<b>28,633</b>	<b>105,845</b>	<b>2,413</b>	<b>25,443</b>	<b>27,856</b>	<b>109,904</b>	<b>2,623</b>	<b>25,663</b>	<b>28,286</b>	<b>28,286</b>	<b>28,286</b>	
Equity (3)	89		89	89	76		76	76	73		73	73	56		56	56	56	56	
Securitization (4)	2	19		19	5	63		63	9	32		32	10	34		34	34	34	
Other assets not included in standardized or IRB approaches	2,043			988	2,122			974	1,004			853	997			813	813	813	
Adjustment to IRB risk-weighted assets for scaling factor				1,588				1,591				1,531				1,543	1,543	1,543	
<b>Total Credit Risk</b>	<b>109,924</b>			<b>31,192</b>	<b>109,094</b>			<b>31,337</b>	<b>106,932</b>			<b>30,346</b>	<b>110,967</b>			<b>30,732</b>	<b>30,732</b>	<b>30,732</b>	
Market Risk (5)																			
Operational Risk - Standardized Approach				4,151				4,183				4,154				4,186		4,186	
<b>Total Risk-Weighted Assets</b>				<b>35,343</b>				<b>35,520</b>				<b>34,500</b>				<b>34,919</b>		<b>34,919</b>	
Adjustment for Regulatory Floor (6)				1,124				594				2,168				1,899		1,899	
<b>Total Transitional Risk-Weighted Assets</b>				<b>36,467</b>				<b>36,114</b>				<b>36,668</b>				<b>36,818</b>		<b>36,818</b>	

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					
		Standardized Approach	Advanced Approach	Total		Standardized Approach	Advanced Approach	Total		Standardized Approach	Advanced Approach	Total		Standardized Approach	Advanced Approach	Total			
(\$ millions except as noted)																			
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	18,740	18,740	
Sovereign	20,530		450	450	20,139		492	492	19,290		433	433	20,252		455	455	455	455	
Bank	7,720	6	581	587	8,187	5	666	671	10,289		681	681	11,400		728	728	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	2,071	2,071	
HELOC's	5,782		808	808	5,955		832	832	6,032		848	848	6,117		852	852	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	3,385	3,385	
Qualifying Revolving Retail	1,140		367	367	1,154		326	326	1,158		326	326	1,167		328	328	328	328	
Retail SME	755		414	414	805		370	370	815		356	356	853		378	378	378	378	
<b>Exposures subject to standardized or IRB approaches</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>	<b>105,552</b>	<b>2,896</b>	<b>24,041</b>	<b>26,936</b>	<b>26,936</b>	<b>26,936</b>	
Equity (3)	234		234	234	207		207	207	191		191	191	161		161	161	161	161	
Securitization (4)	19	67		67	19	66		66	19	66		66	18	65		65	65	65	
Other assets not included in standardized or IRB approaches	994			787	1,139			873	944			760	1,045			856	856	856	
Adjustment to IRB risk-weighted assets for scaling factor				1,536				1,525				1,489				1,452	1,452	1,452	
<b>Total Credit Risk</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>	<b>106,777</b>			<b>29,470</b>	<b>29,470</b>	<b>29,470</b>	
Market Risk (5)																			
Operational Risk - Standardized Approach				4,216				4,207				4,212				4,222		4,222	
<b>Total Risk-Weighted Assets</b>				<b>34,935</b>				<b>34,945</b>				<b>34,236</b>				<b>33,692</b>		<b>33,692</b>	
Adjustment for Regulatory Floor (6)				702				1,515				1,086				1,094		1,094	
<b>Total Transitional Risk-Weighted Assets</b>				<b>35,637</b>				<b>36,460</b>				<b>35,322</b>				<b>34,786</b>		<b>34,786</b>	

(1) Effective Q1 2013, amounts are calculated in accordance with the Basel III regulatory framework, and are presented based on the "all-in" methodology.

Prior to Q1 2013, amounts were calculated in accordance with the Basel II regulatory framework.

(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>June 30, 2013</b>						<b>March 31, 2013</b>						
Corporate	26,926	10,699	4,405	1,244	2,610	45,883	26,693	10,720	4,912	1,064	2,369	45,757
Sovereign	20,326	37		78		20,441	20,663	33	58	89		20,843
Bank	3,102		5,573	2,320	439	11,433	3,463		3,313	2,363	475	9,614
<b>Total Corporate, Sovereign and Bank</b>	<b>50,354</b>	<b>10,736</b>	<b>9,977</b>	<b>3,642</b>	<b>3,048</b>	<b>77,757</b>	<b>50,819</b>	<b>10,753</b>	<b>8,282</b>	<b>3,516</b>	<b>2,845</b>	<b>76,214</b>
Residential Mortgages	17,797	2				17,799	18,106					18,106
HELOC's	2,373	2,822				5,195	2,479	2,907				5,386
Other Retail (excluding QRR and SME)	3,349	1,901			4	5,254	3,491	1,847			5	5,343
Qualifying Revolving Retail	330	757				1,087	338					1,109
Retail SME	397	240			62	698	409	259			64	732
Total Retail	24,246	5,721			66	30,033	24,823	5,784			70	30,676
<b>Total Gross Credit Exposure</b>	<b>74,600</b>	<b>16,457</b>	<b>9,977</b>	<b>3,642</b>	<b>3,114</b>	<b>107,791</b>	<b>75,642</b>	<b>16,537</b>	<b>8,282</b>	<b>3,516</b>	<b>2,914</b>	<b>106,891</b>
<b>December 31, 2012</b>						<b>September 30, 2012</b>						
Corporate	26,330	11,124	4,097	1,070	2,277	44,898	27,147	10,759	4,878	1,096	2,162	46,041
Sovereign	20,083	29		79		20,191	22,062	29		68		22,159
Bank	3,598		3,259	2,127	348	9,332	3,703		3,106	2,281	349	9,438
<b>Total Corporate, Sovereign and Bank</b>	<b>50,011</b>	<b>11,153</b>	<b>7,356</b>	<b>3,276</b>	<b>2,625</b>	<b>74,420</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>
Residential Mortgages	18,377	1				18,378	18,707					18,707
HELOC's	2,598	2,945				5,543	2,656	2,994				5,650
Other Retail (excluding QRR and SME)	3,651	1,974			6	5,631	3,806	2,126			8	5,940
Qualifying Revolving Retail	350	776				1,127	354					1,141
Retail SME	421	263			61	746	447	319			61	827
Total Retail	25,398	5,960			67	31,425	25,970	6,227			69	32,266
<b>Total Gross Credit Exposure</b>	<b>75,409</b>	<b>17,113</b>	<b>7,356</b>	<b>3,276</b>	<b>2,692</b>	<b>105,845</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>June 30, 2012</b>						<b>March 31, 2012</b>						
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
<b>Total Corporate, Sovereign and Bank</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>	<b>50,183</b>	<b>11,182</b>	<b>3,533</b>	<b>3,209</b>	<b>3,015</b>	<b>71,122</b>
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
<b>Total Gross Credit Exposure</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>76,875</b>	<b>17,690</b>	<b>3,533</b>	<b>3,209</b>	<b>3,058</b>	<b>104,365</b>
<b>December 31, 2011</b>						<b>September 30, 2011</b>						
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
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
<b>Total Corporate, Sovereign and Bank</b>	<b>18,853</b>	<b>7</b>				<b>18,859</b>	<b>18,680</b>	<b>6</b>				<b>18,685</b>
Residential Mortgages	2,889	3,143				6,032	2,989	3,129				6,117
HELOC's	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
<b>Total Gross Credit Exposure</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>73,379</b>	<b>17,263</b>	<b>6,803</b>	<b>3,878</b>	<b>4,229</b>	<b>105,552</b>

## Credit Exposure by Geography

(\$ millions except as noted)

	June 30, 2013						March 31, 2013					
	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	20,296	4,819	150	56	622	25,944	20,598	4,863	140	60	600	26,261
Western Canada, excluding British Columbia	10,790	4,537		448	644	16,419	10,457	4,652		411	573	16,093
Ontario	36,344	5,143	9,827	2,853	1,196	55,363	37,617	4,965	8,142	2,814	1,139	54,677
Quebec & Atlantic provinces	7,171	1,957		285	652	10,065	6,970	2,056		232	602	9,860
<b>Total Gross Credit Exposure</b>	<b>74,600</b>	<b>16,457</b>	<b>9,977</b>	<b>3,642</b>	<b>3,114</b>	<b>107,791</b>	<b>75,642</b>	<b>16,537</b>	<b>8,282</b>	<b>3,516</b>	<b>2,914</b>	<b>106,891</b>

	December 31, 2012						September 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	20,519	4,938	51	55	578	26,141	21,187	4,985	53	61	605	26,891
Western Canada, excluding British Columbia	10,237	4,784		359	588	15,968	10,655	4,533		349	574	16,112
Ontario	37,373	5,225	7,305	2,624	1,007	53,533	39,529	5,360	7,931	2,827	757	56,405
Quebec & Atlantic provinces	7,280	2,166		238	519	10,203	7,511	2,136		207	643	10,497
<b>Total Gross Credit Exposure</b>	<b>75,409</b>	<b>17,113</b>	<b>7,356</b>	<b>3,276</b>	<b>2,692</b>	<b>105,845</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>

	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
<b>Total Gross Credit Exposure</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>76,875</b>	<b>17,690</b>	<b>3,533</b>	<b>3,209</b>	<b>3,058</b>	<b>104,365</b>

	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
<b>Total Gross Credit Exposure</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>73,379</b>	<b>17,263</b>	<b>6,803</b>	<b>3,878</b>	<b>4,229</b>	<b>105,552</b>

## Residual Contract Maturity Breakdown

(\$ millions except as noted)

	June 30, 2013						March 31, 2013					
	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	29,292	12,265	9,977	1,266	2,508	55,308	31,323	12,811	8,282	1,160	2,372	55,948
1-5 years	38,462	3,914		1,593	605	44,575	35,991	3,363		1,508	535	41,397
Greater than 5 years	6,846	278		783	1	7,907	8,328	363		848	7	9,546
<b>Total Gross Credit Exposure</b>	<b>74,600</b>	<b>16,457</b>	<b>9,977</b>	<b>3,642</b>	<b>3,114</b>	<b>107,791</b>	<b>75,642</b>	<b>16,537</b>	<b>8,282</b>	<b>3,516</b>	<b>2,914</b>	<b>106,891</b>

	December 31, 2012						September 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	31,961	15,399	6,994	1,133	2,524	58,011	37,496	15,413	7,984	1,241	2,258	64,392
1-5 years	36,378	1,521		1,438	167	39,505	37,125	1,413		1,422	321	40,281
Greater than 5 years	7,070	192	362	704	1	8,329	4,261	189		782	0	5,232
<b>Total Gross Credit Exposure</b>	<b>75,409</b>	<b>17,113</b>	<b>7,356</b>	<b>3,276</b>	<b>2,692</b>	<b>105,845</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>

	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	0	4,554	4,051	245		630	0	4,926
<b>Total Gross Credit Exposure</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>76,875</b>	<b>17,690</b>	<b>3,533</b>	<b>3,209</b>	<b>3,058</b>	<b>104,365</b>

	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
<b>Total Gross Credit Exposure</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>73,379</b>	<b>17,263</b>	<b>6,803</b>	<b>3,878</b>	<b>4,229</b>	<b>105,552</b>



## Credit Risk Portfolio Exposure at Default

(\$ millions except as noted)

	June 30, 2013				March 31, 2013				December 31, 2012				September 30, 2012			
	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			26,926	10,699			26,693	10,720			26,330	11,124			27,147	10,759
Sovereign			20,326	37			20,663	33			20,083	29			22,062	29
Bank			3,102		16		3,447		8		3,591		39		3,664	
Total Corporate, Sovereign and Bank			50,354	10,736	16		50,803	10,753	8		50,003	11,153	39		52,873	10,788
Residential Mortgages	427		17,370	2	481		17,625		528		17,849	1	586		18,122	
HELOC's			2,373	2,822			2,479	2,907			2,598	2,945			2,656	2,994
Other Retail (excluding QRR and SME)	1,186	1,319	2,162	582	1,284	1,244	2,207	603	1,445	1,358	2,206	615	1,535	1,496	2,271	630
Qualifying Revolving Retail			330	757			338	771			350	776			354	786
Retail SME			397	240			409	259			421	263			447	319
Total Retail	1,613	1,319	22,633	4,402	1,765	1,244	23,058	4,540	1,973	1,358	23,425	4,601	2,120	1,496	23,850	4,731
<b>Total Gross Credit Exposure</b>	<b>1,613</b>	<b>1,319</b>	<b>72,987</b>	<b>15,138</b>	<b>1,781</b>	<b>1,244</b>	<b>73,861</b>	<b>15,293</b>	<b>1,981</b>	<b>1,358</b>	<b>73,428</b>	<b>15,754</b>	<b>2,160</b>	<b>1,496</b>	<b>76,723</b>	<b>15,519</b>

	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
<b>Total Gross Credit Exposure</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>	<b>2,446</b>	<b>1,613</b>	<b>70,933</b>	<b>15,650</b>

## Standardized Exposures by Risk Weight Category

(\$ millions except as noted)

	June 30, 2013								March 31, 2013							
	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										16						16
Residential Mortgages			245		161	20		427			276		184	21		481
Heloc's					2,480			2,505					2,487		41	2,528
Other Retail																
Retail SME																
Total Retail			245		2,641	20	25	2,932			276		2,670	21	41	3,009
<b>Total Exposure at Default</b>			245		2,641	20	25	2,932		16	276		2,670	21	41	3,025

	December 31, 2012								September 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																
Total Corporate, Sovereign and Bank		8						8		39						39
Residential Mortgages			301		201	26		528			333		221	32		586
Heloc's					2,768			2,804					2,992		38	3,031
Other Retail																
Retail SME																
Total Retail			301		2,968	26	36	3,332			333		3,214	32	38	3,616
<b>Total Exposure at Default</b>		8	301		2,968	26	36	3,340		39	333		3,214	32	38	3,656

	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																
Total Corporate, Sovereign and Bank		30						30		23						23
Residential Mortgages			378		249	31		657			422		277	29		728
Heloc's					3,098			3,133					3,230		35	3,265
Other Retail																
Retail SME																
Total Retail			378		3,347	31	35	3,790			422		3,507	29	35	3,993
<b>Total Exposure at Default</b>		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					3,267			3,302					3,247		36	3,283
Other Retail																
Retail SME																
Total Retail			445		3,545	30	36	4,055			460		3,526	36	36	4,058
<b>Total Exposure at Default</b>			445		3,545	30	36	4,055		0	460		3,526	36	36	4,058

## Risk Assessment - IRB Retail Credit Portfolio

(\$ millions except as noted)

	June 30, 2013						March 31, 2013					
	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	17,040	5,077	2,661	766	303	25,848	17,280	5,275	2,717	770	334	26,375
Medium	254	93	78	311	381	1,117	255	87	85	329	384	1,140
Sub-Standard			4	6	4	14			5	6	5	16
Impaired/Default	77	24	7	4	11	123	90	24	8	4	10	136
<b>Total Exposure at Default</b>	<b>17,372</b>	<b>5,195</b>	<b>2,749</b>	<b>1,087</b>	<b>698</b>	<b>27,101</b>	<b>17,625</b>	<b>5,386</b>	<b>2,815</b>	<b>1,109</b>	<b>732</b>	<b>27,667</b>

	December 31, 2012						September 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	17,506	5,430	2,700	780	539	26,956	17,750	5,526	2,783	787	594	27,440
Medium	249	91	116	335	193	985	286	103	112	342	209	1,053
Sub-Standard			3	7	2	12			3	7	12	22
Impaired/Default	95	22	8	4	11	140	86	21	11	4	12	135
<b>Total Exposure at Default</b>	<b>17,850</b>	<b>5,543</b>	<b>2,827</b>	<b>1,127</b>	<b>746</b>	<b>28,093</b>	<b>18,122</b>	<b>5,650</b>	<b>2,910</b>	<b>1,141</b>	<b>827</b>	<b>28,650</b>

	June 30, 2012						March 31, 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	17,904	5,652	2,876	791	563	27,786	17,914	5,819	2,889	797	603	28,022
Medium	274	106	128	339	177	1,024	258	111	142	346	187	1,043
Sub-Standard			3	6	2	11			2	7	1	10
Impaired/Default	104	23	14	4	12	158	119	25	13	4	14	175
<b>Total Exposure at Default</b>	<b>18,282</b>	<b>5,782</b>	<b>3,021</b>	<b>1,140</b>	<b>755</b>	<b>28,980</b>	<b>18,290</b>	<b>5,955</b>	<b>3,045</b>	<b>1,154</b>	<b>805</b>	<b>29,250</b>

	December 31, 2011						September 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	17,720	5,887	2,865	802	614	27,888	17,534	5,999	2,912	807	642	27,894
Medium	275	122	137	344	187	1,065	258	94	125	350	195	1,022
Sub-Standard			2	8	2	12			2	7	2	10
Impaired/Default	112	23	14	4	12	165	118	25	19	4	14	180
<b>Total Exposure at Default</b>	<b>18,106</b>	<b>6,032</b>	<b>3,019</b>	<b>1,158</b>	<b>815</b>	<b>29,130</b>	<b>17,910</b>	<b>6,117</b>	<b>3,058</b>	<b>1,167</b>	<b>853</b>	<b>29,106</b>

**Risk Assessment - AIRB Non-Retail Credit Portfolio**

(\$ millions except as noted)

Internal Rating	June 30, 2013				March 31, 2013				December 31, 2012				September 30, 2012			
	EAD <sup>1</sup>	PD <sup>2,4</sup> (%)	LGD <sup>3,4</sup> (%)	Risk Weight <sup>4</sup> (%)	EAD	PD (%)	LGD (%)	Risk Weight (%)	EAD	PD (%)	LGD (%)	Risk Weight (%)	EAD	PD (%)	LGD (%)	Risk Weight (%)
<b>Corporate</b>																
Minimal Risk	1,790	0.04	40	12	1,397	0.04	45	14	1,787	0.04	49	13	1,721	0.04	50	13
Low Risk	5,091	0.11	45	28	4,807	0.11	44	28	4,384	0.11	45	25	4,815	0.10	46	24
Satisfactory Risk	21,848	0.42	35	44	20,485	0.42	34	43	19,529	0.43	34	41	19,396	0.43	34	40
Fair Default Risk	10,063	1.11	32	62	11,382	1.11	32	63	12,340	1.12	33	62	12,541	1.13	33	61
Moderate Default Risk	1,245	2.98	29	78	1,322	2.97	30	79	1,367	2.92	29	77	1,295	2.86	29	76
Significant Default Risk	202	6.39	29	100	206	6.22	31	106	169	6.19	31	105	178	6.16	30	106
High Default Risk	774	10.07	31	125	636	10.13	31	125	596	10.09	30	121	504	10.15	31	128
Special Management	221	35.66	32	153	304	40.65	32	144	246	38.74	33	143	298	49.01	29	115
Default	515	100.00	47	201	527	100.00	44	210	514	100.00	45	208	562	100.00	47	225
<b>Total Corporate</b>	<b>41,749</b>	<b>2.23</b>	<b>35</b>	<b>50</b>	<b>41,066</b>	<b>2.40</b>	<b>35</b>	<b>51</b>	<b>40,932</b>	<b>2.31</b>	<b>35</b>	<b>50</b>	<b>41,310</b>	<b>2.51</b>	<b>36</b>	<b>49</b>
<b>Sovereign</b>																
Minimal Risk	19,177	0.02	10	2	19,649	0.02	10	2	18,965	0.01	10	2	20,645	0.01	10	2
Low Risk	1,263	0.08	14	7	1,135	0.07	10	6	1,223	0.07	11	6	1,512	0.07	10	6
Satisfactory Risk						0.23	56	42	2	0.33	56	54	2	0.33	55	53
Fair Default Risk					1	1.65	10	20								
Default																
<b>Total Sovereign</b>	<b>20,440</b>	<b>0.02</b>	<b>10</b>	<b>2</b>	<b>20,785</b>	<b>0.02</b>	<b>10</b>	<b>2</b>	<b>20,190</b>	<b>0.02</b>	<b>10</b>	<b>2</b>	<b>22,159</b>	<b>0.02</b>	<b>10</b>	<b>2</b>
<b>Bank</b>																
Minimal Risk	4,978	0.04	25	12	5,311	0.04	25	12	4,966	0.04	24	9	5,245	0.04	24	9
Low Risk	794	0.11	29	22	879	0.11	29	19	1,057	0.10	30	14	1,001	0.10	30	14
Satisfactory Risk	83	0.23	29	32	60	0.23	29	34	56	0.25	31	31	55	0.25	35	33
Fair Default Risk	34	1.08	38	68	47	1.11	35	61	14	1.38	36	67	15	1.08	37	65
Moderate Default Risk	3	2.74	41	115	7	2.33	39	91	4	2.89	56	139	4	2.88	51	128
Significant Default Risk	5	5.99	52	165	6	6.12	57	188	4	6.02	55	175	14	5.95	72	251
High Default Risk	1	10.31	81	321	1	10.08	77	330	1	10.41	69	289	2	10.00	69	292
Special Management																
Default																
<b>Total Bank</b>	<b>5,898</b>	<b>0.06</b>	<b>25</b>	<b>14</b>	<b>6,311</b>	<b>0.07</b>	<b>25</b>	<b>14</b>	<b>6,102</b>	<b>0.06</b>	<b>25</b>	<b>10</b>	<b>6,336</b>	<b>0.07</b>	<b>26</b>	<b>11</b>

Internal Rating	June 30, 2012				March 31, 2012				December 31, 2011				September 30, 2011			
	EAD	PD (%)	LGD (%)	Risk Weight (%)	EAD	PD (%)	LGD (%)	Risk Weight (%)	EAD	PD (%)	LGD (%)	Risk Weight (%)	EAD	PD (%)	LGD (%)	Risk Weight (%)
<b>Corporate</b>																
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
<b>Total Corporate</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>38,729</b>	<b>2.73</b>	<b>35</b>	<b>48</b>
<b>Sovereign</b>																
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								
Default																
<b>Total Sovereign</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>20,251</b>	<b>0.02</b>	<b>10</b>	<b>2</b>
<b>Bank</b>																
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	3	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																
<b>Total Bank</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>	<b>6,902</b>	<b>0.06</b>	<b>27</b>	<b>10</b>

<sup>1</sup> EAD - Exposure at Default, see glossary for details

<sup>2</sup> PD - Probability of Default, see glossary for details

<sup>3</sup> LGD - Loss Given Default, see glossary for details

<sup>4</sup> Weighted Average based on EAD

**Exposures Covered By Credit Risk Mitigation**

(\$ millions except as noted)

Counterparty Type	June 30, 2013			March 31, 2013			December 31, 2012			September 30, 2012		
	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			675			966			1,359			1,264
Sovereign												
Bank												
Total Corporate, Sovereign and Bank			675			966			1,359			1,264
Residential Mortgages			4,664			4,772			5,152			5,897
HELOC's												
Other Retail (excluding QRR and SME)												
Qualifying Revolving Retail												
Retail SME												
Total Retail			4,664			4,772			5,152			5,897
<b>Total</b>			<b>5,339</b>			<b>5,738</b>			<b>6,512</b>			<b>7,162</b>

Counterparty Type	June 30, 2012			March 31, 2012			December 31, 2011			September 30, 2011		
	Standardized		AIRB	Standardized		AIRB	Standardized		AIRB	Standardized		AIRB
	Eligible Financial Collateral	Credit Derivatives/ Guarantees	Credit Derivatives/ Guarantees	Eligible Financial Collateral	Credit Derivatives/ Guarantees	Credit Derivatives/ Guarantees	Eligible Financial Collateral	Credit Derivatives/ Guarantees	Credit Derivatives/ Guarantees	Eligible Financial Collateral	Credit Derivatives/ Guarantees	Credit Derivatives/ Guarantees
Corporate			1,238			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
<b>Total</b>			<b>7,895</b>			<b>8,270</b>			<b>8,773</b>			<b>8,934</b>

## AIRB Credit Risk Exposures - Credit Commitments

(\$ millions except as noted)

Counterparty Type	June 30, 2013		March 31, 2013		December 31, 2012		September 30, 2012	
	Notional Undrawn	EAD on Undrawn	Notional Undrawn	EAD on Undrawn	Notional Undrawn	EAD on Undrawn	Notional Undrawn	EAD on Undrawn
Corporate	26,143	10,699	26,699	10,720	26,874	11,124	26,429	10,759
Sovereign	90	37	82	33	71	29	71	29
Bank	415		402		450		2,284	
<b>Total Corporate, Sovereign and Bank</b>	<b>26,648</b>	<b>10,736</b>	<b>27,183</b>	<b>10,753</b>	<b>27,395</b>	<b>11,153</b>	<b>28,784</b>	<b>10,788</b>
Residential Mortgages	22	2	20		23	1	23	
HELOC's	3,213	2,822	3,288	2,907	3,310	2,945	3,299	2,994
Other Retail (excluding QRR and SME)	784	582	802	603	1,208	615	1,146	630
Qualifying Revolving Retail	995	757	1,011	771	1,015	776	1,020	786
Retail SME	265	240	299	259	627	263	459	319
<b>Total Retail</b>	<b>5,279</b>	<b>4,402</b>	<b>5,420</b>	<b>4,540</b>	<b>6,183</b>	<b>4,601</b>	<b>5,948</b>	<b>4,731</b>
<b>Total</b>	<b>31,926</b>	<b>15,138</b>	<b>32,603</b>	<b>15,293</b>	<b>33,578</b>	<b>15,754</b>	<b>34,732</b>	<b>15,519</b>

Counterparty Type	June 30, 2012		March 31, 2012		December 31, 2011		September 30, 2011	
	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
<b>Total Corporate, Sovereign and Bank</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>	<b>26,104</b>	<b>10,703</b>
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
<b>Total Retail</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>6,570</b>	<b>4,948</b>
<b>Total</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>	<b>32,674</b>	<b>15,650</b>

## Securitization

### *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 swap and liquidity facilities.

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 outlined above, refer to the note on contingent liabilities, contractual commitments and guarantees, Annual Report and Accounts 2012.

## Securitization

### *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.

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 the credit risk and market risk sections in Management's Discussion and Analysis, Annual Report and Accounts 2012.

### *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 2013. Further details may be found in the notes on significant account policies and fair value of financial instruments, Annual Report and Accounts 2012.

### *Securitization activities during 2013*

Activities consisted of structural changes to the sponsored multi-seller conduit and disposals of 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 the note on significant account policies, Annual Report and Accounts 2012.



## Securitization Exposures

(\$ millions except as noted)

### Securitization exposure - by trading and banking book<sup>1 2</sup>

	At June 30, 2013			At March 31, 2013			At December 31, 2012			At September 30, 2012		
	Trading	Banking	Total	Trading	Banking	Total	Trading	Banking	Total	Trading	Banking	Total
<b>As Sponsor<sup>3</sup></b>												
Trade receivables		966	966		970	970		1,007	1,007		965	965
<b>As Investor</b>	1	2	3	3	5	8	5	9	14	282	10	292
Residential mortgages		2	2		5	5		9	9		10	10
Trade receivables	1		1	3		3	5		5	282		282
	1	968	969	3	975	978	5	1,016	1,021	282	975	1,257

  

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

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.

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 \$3 million (\$8 million at March 2013)

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 January 1	Year to date movement		Total at June 30
		As sponsor	As investor	
<b>2013</b>				
Aggregate amount of securitization exposures (retained or purchased)				
Residential mortgages	9		(7)	2
Trade receivables	1,012	(41)	(4)	967
	1,021	(41)	(11)	969

### Securitization exposure - asset values and impairment charges

	At June 30, 2013			At March 31, 2013			At December 31, 2012			At September 30, 2012		
	Underlying assets <sup>1</sup>		Securitization exposures impairment charge	Underlying assets <sup>1</sup>		Securitization exposures impairment charge	Underlying assets <sup>1</sup>		Securitization exposures impairment charge	Underlying assets <sup>1</sup>		Securitization exposures impairment charge
	Total	Impaired & past due		Total	Impaired & past due		Total	Impaired & past due		Total	Impaired & past due	
<b>As Sponsor</b>												
Trade receivables	1,332			1,326			1,328			1,270		
<b>As Investor<sup>2</sup></b>												
Residential mortgages												
Trade receivables												

  

	At June 30, 2012			At 31 March 2012			At 31 December 2011		
	Underlying assets <sup>1</sup>		Securitization exposures impairment charge	Underlying assets <sup>1</sup>		Securitization exposures impairment charge	Underlying assets <sup>1</sup>		Securitization exposures impairment charge
	Total	Impaired & past due		Total	Impaired & past due		Total	Impaired & past due	
<b>As Sponsor</b>									
Trade receivables	1,267			914			933		
<b>As Investor<sup>2</sup></b>									
Residential mortgages									
Trade receivables									
								1	
								1	
								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

Category risk weights	Exposure value at June 30, 2013			Exposure value at March 31, 2013			Exposure value at December 31, 2012			Exposure value at September 30, 2012		
	Trading book	Banking book	Total	Trading book	Banking book	Total	Trading book	Banking book	Total	Trading book	Banking book	Total
≤ 10%		959	959		959	959		996	996		810	810
> 10% ≤ 20%				3		3	5		5	282		282
> 20% ≤ 50%	1	7	8		11	11		11	11		155	155
> 50% ≤ 100%												
> 100% ≤ 650%												
> 650% < 1250%		2	2		5	5		9	9		10	10
1250%												
<b>Total</b>	<b>1</b>	<b>968</b>	<b>969</b>	<b>3</b>	<b>975</b>	<b>978</b>	<b>5</b>	<b>1,016</b>	<b>1,021</b>	<b>282</b>	<b>975</b>	<b>1,257</b>

Category risk weights	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
≤ 10%		555	555		543	543		564	564
> 10% ≤ 20%	226		226	35		35	7		7
> 20% ≤ 50%		157	157	11	152	163	13	157	170
> 50% ≤ 100%									
> 100% ≤ 650%									
> 650% < 1250%									
1250%		19	19		19	19		19	19
<b>Total</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

Category risk weights	Capital required at June 30, 2013			Capital required at March 31, 2013			Capital required at December 31, 2012			Capital required at September 30, 2012		
	Trading book	Banking book	Total	Trading book	Banking book	Total	Trading book	Banking book	Total	Trading book	Banking book	Total
≤ 10%		1	1		3	3		4	4		3	3
> 10% ≤ 20%										4		4
> 20% ≤ 50%					1	1					5	5
> 50% ≤ 100%												
> 100% ≤ 650%												
> 650% < 1250%												
1250%		2	2		5	5		9	9		10	10
<b>Total</b>		<b>3</b>	<b>3</b>		<b>9</b>	<b>9</b>		<b>13</b>	<b>13</b>	<b>4</b>	<b>18</b>	<b>22</b>

Category risk weights	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
≤ 10%		2	2		2	2		2	2
> 10% ≤ 20%	3		3	1		1			
> 20% ≤ 50%		5	5		5	5	1	5	6
> 50% ≤ 100%									
> 100% ≤ 650%									
> 650% < 1250%									
1250%		19	19		19	19		19	19
<b>Total</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>

## Residential Mortgages and Home Equity Lines of Credit (HELOC)

(\$ millions except as noted)

The bank's mortgage and home equity lines of credit portfolios are considered to be low-risk since the majority are secured by a first charge against the underlying real estate. The tables below detail how the bank mitigates risk further by diversifying the geographical markets in which it operates, by purchasing insurance, by keeping loan terms within reasonable time-frames and by monitoring loan-to-value ratios to assess the quality of its portfolio.

Insurance and geographic distribution <sup>(1)</sup>	June 30, 2013						
	Residential mortgages					HELOC <sup>(2)</sup>	
	Insured <sup>(3)</sup>		Uninsured		Total	Uninsured	
	Amount	% insured	Amount	% uninsured	Amount	Amount	% uninsured
(\$ millions except as noted)							
British Columbia	2,461	23 %	8,256	77 %	10,717	1,210	100 %
Western Canada excluding British Columbia	471	31 %	1,067	69 %	1,538	315	100 %
Ontario	1,398	28 %	3,636	72 %	5,034	713	100 %
Quebec and Atlantic provinces	334	32 %	722	68 %	1,056	135	100 %
<b>Total June 30, 2013</b>	<b>4,664</b>	<b>25 %</b>	<b>13,681</b>	<b>75 %</b>	<b>18,345</b>	<b>2,373</b>	<b>100 %</b>
<b>March 31, 2013</b>	<b>4,772</b>	<b>26 %</b>	<b>13,874</b>	<b>74 %</b>	<b>18,646</b>	<b>2,479</b>	<b>100 %</b>

Amortization period <sup>(4)</sup>	June 30, 2013				
	Residential mortgages				
	< 20 years	20-24 years	25-29 years	30-34 years	35 years and greater
<b>Total June 30, 2013</b>	<b>31 %</b>	<b>41 %</b>	<b>23 %</b>	<b>5 %</b>	<b>0 %</b>
<b>March 31, 2013</b>	<b>29 %</b>	<b>42 %</b>	<b>23 %</b>	<b>5 %</b>	<b>1 %</b>

Average loan-to-value ratios of new originations <sup>(5)</sup>	For the 3 months ended: June 30, 2013	
	Uninsured %LTV <sup>(6)</sup>	
	Residential mortgages	HELOC <sup>(2)</sup>
British Columbia	58 %	65 %
Western Canada excluding British Columbia	62 %	56 %
Ontario	59 %	56 %
Quebec and Atlantic provinces	58 %	53 %
<b>Total June 30, 2013</b>	<b>58 %</b>	<b>53 %</b>
<b>March 31, 2013</b>	<b>60 %</b>	<b>55 %</b>

(1) Geographic location is determined by the address of the originating branch.

(2) HELOC is an abbreviation for Home Equity Lines of Credit, which are lines of credit secured by equity in real estate.

(3) Insured mortgages are protected from potential losses caused by borrower default through the purchase of insurance coverage, either from the Canadian Housing and Mortgage Corporation or other accredited private insurers.

(4) Amortization period is based on the remaining term of the residential mortgages.

(5) All new mortgages and home equity lines of credit were originated by the bank; there were no acquisitions during the period.

(6) Loan-to-value ratios are simple averages, based on property values at the date of mortgage origination.

### Potential impact of an economic downturn on residential mortgage loans and home equity lines of credit

The Bank performs stress testing on its Retail portfolio to assess the impact of increased levels of unemployment, rising interest rates, reduction in property values and changes in other relevant macro economic variables. Potential increase in losses in the mortgage portfolio under downturn economic scenarios are considered manageable given the diversified composition of the portfolio, the low Loan to Value in the portfolio and risk mitigation strategies in place.

## Glossary

**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.