

2014

**HSBC Bank Canada
Capital and Risk Management
Pillar 3 Supplemental Disclosures
as at June 30, 2014**



Index & Notes to Users

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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 2013 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 2013 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).

On June 26, 2012, the Basel Committee on Banking Supervision (BCBS) issued its final rules on the information banks must publicly disclose when detailing the composition of their capital. Entitled, Composition of capital disclosure requirements which sets out a framework to ensure that the components of banks capital bases are publicly disclosed in standardised formats across and within jurisdictions for banks subject to Basel III. Beginning with 3Q 2013 non-Domestic Systemically Important Banks (non-DSIBs as determined by OSFI) are required to disclose a modified version of the Capital Disclosure as described in the OSFI Advisory "Public Capital Disclosure Requirements related to Basel III Pillar 3" date July 2013.

Basel III places a greater emphasis on common equity by introducing a new category of capital, Common Equity Tier 1 (CET1), which consists primarily of common shareholders equity net of regulatory adjustments. These regulatory adjustments include goodwill, intangible assets, deferred tax assets, pension assets and investments in financial institutions over certain thresholds. Overall, the Basel III rules increase the level of regulatory deductions relative to Basel II. Basel III also increases the level of risk-weighted assets for significant investments and deferred tax amounts due to temporary timing differences under defined thresholds, exposures to large or unregulated financial institutions meeting specific criteria, exposures to centralized counterparties and exposures that give rise to wrong way risk. In December 2012, OSFI announced its decision to defer the implementation of the Credit Valuation Adjustment (CVA) on Bilateral OTC derivatives until Q1 2014.

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.

Basel III Regulatory Capital

(\$ millions except as noted)

		All-in ¹					
Common Equity Tier 1 capital: instruments and reserves		2Q 2014	1Q 2014	4Q 2013	3Q 2013	2Q 2013	1Q 2013
1	Directly issued qualifying common share capital (and equivalent for non-joint stock companies) plus related stock surplus	1,225	1,225	1,225	1,225	1,225	1,225
2	Retained earnings	3,079	2,995	2,926	2,903	2,802	2,777
3	Accumulated other comprehensive income (and other reserves)	137	149	134	113	101	276
4	Directly issued capital subject to phase out from CET1 (only applicable to non-joint stock companies)	na	na	na	na	na	na
5	Common share capital issued by subsidiaries and held by third parties (amount allowed in group CET1)	na	na	na	na	na	na
6	Common Equity Tier 1 capital before regulatory adjustments	4,441	4,369	4,285	4,241	4,128	4,278
Common Equity Tier 1 capital: regulatory adjustments							
28	Total regulatory adjustments to Common Equity Tier 1	(205)	(219)	(228)	(201)	(192)	(282)
29	Common Equity Tier 1 capital (CET1)	4,236	4,150	4,057	4,040	3,935	3,996
Additional Tier 1 capital: instruments							
30	Directly issued qualifying Additional Tier 1 instruments plus related stock surplus	na	na	na	na	na	na
31	of which: classified as equity under applicable accounting standards	na	na	na	na	na	na
32	of which: classified as liabilities under applicable accounting standards	na	na	na	na	na	na
33	Directly issued capital instruments subject to phase out from Additional Tier 1	550	800	800	1,031	1,031	1,031
34	Additional Tier 1 instruments (and CET1 instruments not included in row 5) issued by subsidiaries and held by third parties (amount allowed in group AT1)	na	na	na	na	na	na
35	of which: instruments issued by subsidiaries subject to phase out	-	-	-	27	27	27
36	Additional Tier 1 capital before regulatory adjustments	550	800	800	1,058	1,058	1,058
Additional Tier 1 capital: regulatory adjustments							
43	Total regulatory adjustments to Additional Tier 1 capital	na	na	na	na	na	na
44	Additional Tier 1 capital (AT1)	550	800	800	1,058	1,058	1,058
45	Tier 1 capital (T1 = CET1 + AT1)	4,786	4,950	4,857	5,098	4,994	5,054
Tier 2 capital: instruments and allowances							
46	Directly issued qualifying Tier 2 instruments plus related stock surplus	na	na	na	na	na	na
47	Directly issued capital instruments subject to phase out from Tier 2	608	608	668	684	684	684
48	Tier 2 instruments (and CET1 and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties (amount allowed in group Tier 2)	na	na	na	na	na	na
49	of which: instruments issued by subsidiaries subject to phase out	na	na	na	na	na	na
50	Collective allowances	8	8	9	10	15	16
51	Tier 2 capital before regulatory adjustments	616	616	677	694	699	700
Tier 2 capital: regulatory adjustments							
57	Total regulatory adjustments to Tier 2 capital	na	na	na	na	na	na
58	Tier 2 capital (T2)	616	616	677	694	699	700
59	Total capital (TC = T1 + T2)	5,402	5,566	5,534	5,792	5,692	5,754
60	Total risk-weighted assets	38,629	38,466	36,862	36,281	36,467	36,114
Current cap on CET1 instruments subject to phase out arrangements (only applicable between 1 Jan 2013 and 1 Jan 2022)							
80	Current cap on CET1 instruments subject to phase out arrangements	80%	80%	90%	90%	90%	90%
81	Amounts excluded from CET1 due to cap (excess over cap after redemptions and maturities)	na	na	na	na	na	na
82	Current cap on AT1 instruments subject to phase out arrangements	80%	80%	90%	90%	90%	90%
83	Amounts excluded from AT1 due to cap (excess over cap after redemptions and maturities)	-	-	-	118	118	118
84	Current cap on T2 instruments subject to phase out arrangements	80%	80%	90%	90%	90%	90%
85	Amounts excluded from T2 due to cap (excess over cap after redemptions and maturities)	60	62	-	71	73	80

(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.

Basel III Regulatory Capital (Continued)

(\$ millions except as noted)

	All-in ¹	Transitional ²	All-in	Transitional	All-in	Transitional	All-in	Transitional
Capital	2Q 2014		1Q 2014		4Q 2013		3Q 2013	
29 Common Equity Tier 1 capital (CET1)	4,236	4,333	4,150	4,244	4,057	4,186	4,040	4,158
45 Tier 1 capital (T1 = CET1 + AT1)	4,786	4,858	4,950	5,022	4,857	4,955	5,098	5,193
59 Total capital (TC = T1 + T2)	5,402	5,469	5,566	5,636	5,534	5,624	5,792	5,887
60 Total risk-weighted assets	38,629	39,445	38,466	39,284	36,862	37,919	36,281	37,354
Capital ratios								
61 Common Equity Tier 1 (as percentage of risk-weighted assets)	11.0%	11.0%	10.8%	10.8%	11.0%	11.0%	11.1%	11.1%
62 Tier 1 (as percentage of risk-weighted assets)	12.4%	12.3%	12.9%	12.8%	13.2%	13.1%	14.1%	13.9%
63 Total capital (as percentage of risk-weighted assets)	14.0%	13.9%	14.5%	14.4%	15.0%	14.8%	16.0%	15.8%
Assets to Capital Multiple (ACM)		16.0		15.3		15.1		14.5
OSFI all-in target								
69 Common Equity Tier 1 capital all-in target ratio	7.0%		7.0%		7.0%		7.0%	
70 Tier 1 capital all-in target ratio	8.5%		8.5%		8.5%		8.5%	
71 Total capital all-in target ratio	10.5%		10.5%		10.5%		10.5%	

	All-in	Transitional	All-in	Transitional
Capital	2Q 2013		1Q 2013	
29 Common Equity Tier 1 capital (CET1)	3,935	4,053	3,996	4,117
45 Tier 1 capital (T1 = CET1 + AT1)	4,994	5,088	5,054	5,146
59 Total capital (TC = T1 + T2)	5,692	5,786	5,754	5,841
60 Total risk-weighted assets	36,467	37,555	36,114	37,104
Capital ratios				
61 Common Equity Tier 1 (as percentage of risk-weighted assets)	10.8%	10.8%	11.1%	11.1%
62 Tier 1 (as percentage of risk-weighted assets)	13.7%	13.6%	14.0%	13.9%
63 Total capital (as percentage of risk-weighted assets)	15.6%	15.4%	15.9%	15.7%
Assets to Capital Multiple (ACM)		14.5		14.1
OSFI all-in target				
69 Common Equity Tier 1 capital all-in target ratio	7.0%		7.0%	
70 Tier 1 capital all-in target ratio				
71 Total capital all-in target ratio				

(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 ^{1 2}

(\$ 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)
Total Tier 1 capital	5,053	4,974	4,913	4,823	4,731	4,672	4,605	4,497
Subordinated debentures	760	759	757	751	752	753	742	735
Other	64	100	79	95	155	157	178	186
Total Tier 2 capital	823	859	836	846	906	910	920	920
Total capital available for regulatory purposes	5,876	5,833	5,749	5,669	5,637	5,582	5,524	5,418

Capital Ratios ³	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 and 3, 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 Assets¹

(\$ millions except as noted)

Risk-Weighted Assets (RWA)	June 30, 2014				March 31, 2014				December 31, 2013				September 30, 2013						
	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	50,717		22,906	22,906	51,536		21,990	21,990	48,839		21,258	21,258	48,493		21,282	21,282	21,282	21,282	
Sovereign	20,865		765	765	20,787		666	666	23,002		659	659	22,618		596	596	596	596	
Bank	7,868		730	730	8,506	6	729	735	7,537		854	854	10,838	1	774	774	774	775	
Residential Mortgages	17,873	150	1,641	1,791	17,672	167	1,615	1,782	17,690	181	1,627	1,808	17,771	202	1,625	1,827	1,827	1,827	
HELOC's	3,152		672	672	4,866		671	671	4,916		686	686	5,034		702	702	702	702	
Other Retail (excluding QRR and SME)	3,683	1,116	439	1,555	4,108	1,113	703	1,817	4,124	1,150	680	1,830	4,209	1,150	705	1,855	1,855	1,855	
Qualifying Revolving Retail	544		215	215	1,042		314	314	1,060		322	322	1,075		330	330	330	330	
Retail SME	649		421	421	577		350	350	624		367	367	706		403	403	403	403	
Exposures subject to standardized or IRB approaches	105,351	1,266	27,789	29,055	109,094	1,286	27,038	28,325	107,792	1,331	26,451	27,783	110,744	1,353	26,417	27,770	27,770	27,770	
Equity (3)	4		4	4	16		16	16	-		-	-	-		-	-	-	-	
Securitization (4)																			
Other assets not included in standardized or IRB approaches (5)	2,411			1,944	1,670			1,777	1,686			935	2,094			1,122		1,122	
Adjustment to IRB risk-weighted assets for scaling factor				1,668				1,623				1,587				1,585		1,585	
Total Credit Risk	107,765			32,671	110,780			31,741	109,477			30,304	112,838			30,477		30,477	
Market Risk (6)																			
Operational Risk - Standardized Approach				3,989				4,037				4,083				4,153		4,153	
Total Risk-Weighted Assets				36,659				35,778				34,387				34,631		34,631	
Adjustment for Regulatory Floor (7)				1,969				2,688				2,475				1,650		1,650	
Adjusted Risk-Weighted Assets				38,629				38,466				36,862				36,281		36,281	

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	688	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	
Exposures subject to standardized or IRB approaches	107,791	2,125	26,382	28,507	106,891	2,186	26,447	28,633	105,845	2,413	25,443	27,856	109,904	2,623	25,663	28,286	28,286	28,286	
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	
Other assets not included in standardized or IRB approaches (5)	2,043			988	2,122			974	1,004			853	997			813		813	
Adjustment to IRB risk-weighted assets for scaling factor				1,588				1,591				1,531				1,543		1,543	
Total Credit Risk	109,924			31,192	109,094			31,337	106,932			30,346	110,967			30,732		30,732	
Market Risk (6)																			
Operational Risk - Standardized Approach				4,151				4,183				4,154				4,186		4,186	
Total Risk-Weighted Assets				35,343				35,520				34,500				34,919		34,919	
Adjustment for Regulatory Floor (7)				1,124				594				2,168				1,899		1,899	
Adjusted Risk-Weighted Assets				36,467				36,114				36,668				36,818		36,818	

(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 III counterparty category to which the exposures relate.

(5) Commencing 1Q 2014, a new CVA regulatory capital charge has been added. For 2014 the CVA regulatory capital charge is calculated using the standardized method applied at a phased in factor of 57%. The charge has been reflected in RWAs and included in Other assets.

(6) Under OSFI guidelines the value of the bank's trading assets or liabilities do not meet the threshold for the capital adequacy requirements for market risk.

(7) The Bank is subject to a regulatory capital floor according to transitional arrangements prescribed by OSFI. OSFI has given the Bank their approval to reduce the capital floor to 90% commencing with the third quarter 2008 regulatory reporting period.

Credit Exposure by Counterparty Type

(\$ millions except as noted)

	Loans (Drawn)	Commitments (Undrawn)	Repo Style Transactions	OTC	Other Off Balance Sheet Items	Total	Loans (Drawn)	Commitments (Undrawn)	Repo Style Transactions	OTC	Other Off Balance Sheet Items	Total
June 30, 2014						March 31, 2014						
Corporate	28,115	10,878	7,430	1,216	3,079	50,717	27,739	11,561	7,881	1,340	3,015	51,536
Sovereign	20,530	47		215	73	20,865	20,392	31		291	73	20,787
Bank	1,961		2,706	2,655	547	7,868	2,879		2,721	2,392	515	8,506
Total Corporate, Sovereign and Bank	50,605	10,926	10,135	4,085	3,700	79,451	51,010	11,592	10,601	4,023	3,603	80,829
Residential Mortgages	17,871	1				17,873	17,672					17,672
HELOC's	2,118	1,033				3,152	2,164	2,701				4,866
Other Retail (excluding QRR and SME)	2,612	1,063			8	3,683	2,702	1,397			9	4,108
Qualifying Revolving Retail	305	240				544	313	729				1,042
Retail SME	314	312			24	649	347	204			25	577
Total Retail	23,220	2,649			31	25,900	23,199	5,032			34	28,264
Total Gross Credit Exposure	73,825	13,574	10,135	4,085	3,731	105,351	74,209	16,624	10,601	4,023	3,637	109,094
December 31, 2013						September 30, 2013						
Corporate	26,456	11,636	6,519	1,278	2,950	48,839	26,806	11,237	6,651	1,105	2,694	48,493
Sovereign	22,696	18	10	278		23,002	22,363	26	113	115		22,618
Bank	3,275		1,384	2,409	469	7,537	2,951		5,424	2,021	442	10,838
Total Corporate, Sovereign and Bank	52,427	11,653	7,913	3,965	3,418	79,377	52,120	11,263	12,189	3,242	3,136	81,949
Residential Mortgages	17,688	1				17,690	17,771					17,771
HELOC's	2,187	2,729				4,916	2,270	2,764				5,034
Other Retail (excluding QRR and SME)	2,726	1,395			4	4,124	2,809	1,397			4	4,209
Qualifying Revolving Retail	321	739				1,060	329	746				1,075
Retail SME	357	224			43	624	381	281			44	706
Total Retail	23,280	5,088			47	28,415	23,559	5,188			47	28,795
Total Gross Credit Exposure	75,707	16,741	7,913	3,965	3,465	107,792	75,679	16,451	12,189	3,242	3,183	110,744
June 30, 2013						March 31, 2013						
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
Total Corporate, Sovereign and Bank	50,354	10,736	9,977	3,642	3,048	77,757	50,819	10,753	8,282	3,516	2,845	76,214
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	771				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
Total Gross Credit Exposure	74,600	16,457	9,977	3,642	3,114	107,791	75,642	16,537	8,282	3,516	2,914	106,891
December 31, 2012						September 30, 2012						
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
Total Corporate, Sovereign and Bank	50,011	11,153	7,356	3,276	2,625	74,420	52,912	10,788	7,984	3,444	2,511	77,639
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	786				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
Total Gross Credit Exposure	75,409	17,113	7,356	3,276	2,692	105,845	78,882	17,015	7,984	3,444	2,580	109,904

Credit Exposure by Geography

(\$ millions except as noted)

	June 30, 2014						March 31, 2014					
	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	20,447	3,391	103	58	674	24,673	19,817	4,618	12	59	696	25,201
Western Canada, excluding British Columbia	10,438	4,213		484	903	16,039	10,227	4,440		522	842	16,032
Ontario	36,344	4,145	10,032	3,247	1,418	55,187	37,238	5,541	10,589	3,107	1,351	57,826
Quebec & Atlantic provinces	6,595	1,825		296	735	9,452	6,927	2,024		335	749	10,035
Total Gross Credit Exposure	73,825	13,574	10,135	4,085	3,731	105,351	74,209	16,624	10,601	4,023	3,637	109,094

	December 31, 2013						September 30, 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	20,095	4,679	6	50	747	25,578	20,338	4,811		48	669	25,865
Western Canada, excluding British Columbia	10,315	4,356		506	773	15,950	10,553	4,355		353	681	15,943
Ontario	38,543	5,445	7,907	3,060	1,293	56,249	37,739	5,358	12,189	2,549	1,190	59,024
Quebec & Atlantic provinces	6,753	2,262		348	652	10,015	7,050	1,927		292	643	9,912
Total Gross Credit Exposure	75,707	16,741	7,913	3,965	3,465	107,792	75,679	16,451	12,189	3,242	3,183	110,744

	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
Total Gross Credit Exposure	74,600	16,457	9,977	3,642	3,114	107,791	75,642	16,537	8,282	3,516	2,914	106,891

	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
Total Gross Credit Exposure	75,409	17,113	7,356	3,276	2,692	105,845	78,882	17,015	7,984	3,444	2,580	109,904

Residual Contract Maturity Breakdown

(\$ millions except as noted)

	June 30, 2014						March 31, 2014					
	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	27,652	8,746	10,135	1,603	2,516	50,653	28,665	12,229	10,601	1,438	2,423	55,357
1-5 years	37,664	4,655		1,455	1,174	44,948	37,786	4,240		1,564	1,177	44,767
Greater than 5 years	8,509	173		1,027	41	9,750	7,758	154		1,021	38	8,970
Total Gross Credit Exposure	73,825	13,574	10,135	4,085	3,731	105,351	74,209	16,624	10,601	4,023	3,637	109,094

	December 31, 2013						September 30, 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	30,028	12,641	7,913	1,407	2,274	54,263	30,233	12,413	11,857	1,052	2,372	57,927
1-5 years	38,393	3,964		1,574	1,178	45,109	38,847	3,818	332	1,471	788	45,256
Greater than 5 years	7,285	137		984	13	8,420	6,599	220		719	24	7,562
Total Gross Credit Exposure	75,707	16,741	7,913	3,965	3,465	107,792	75,679	16,451	12,189	3,242	3,183	110,744

	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
Total Gross Credit Exposure	74,600	16,457	9,977	3,642	3,114	107,791	75,642	16,537	8,282	3,516	2,914	106,891

	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
Total Gross Credit Exposure	75,409	17,113	7,356	3,276	2,692	105,845	78,882	17,015	7,984	3,444	2,580	109,904

Credit Risk Portfolio Exposure at Default

(\$ millions except as noted)

	June 30, 2014				March 31, 2014				December 31, 2013				September 30, 2013			
	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			28,115	10,878			27,739	11,561			26,456	11,636			26,806	11,237
Sovereign			20,530	47			20,392	31			22,696	18			22,363	26
Bank			1,961		30		2,849				3,275		4		2,947	
Total Corporate, Sovereign and Bank			50,605	10,926	30		50,980	11,592			52,427	11,653	4		52,115	11,263
Residential Mortgages	284		17,587	1	315		17,357		343		17,346	1	381		17,390	
HELOC's			2,118	1,033			2,164	2,701			2,187	2,729			2,270	2,764
Other Retail (excluding QRR and SME)	619	864	1,993	198	629	849	2,073	548	697	828	2,029	567	700	823	2,108	574
Qualifying Revolving Retail			305	240			313	729			321	739			329	746
Retail SME			314	312			347	204			357	224			381	281
Total Retail	903	864	22,317	1,784	943	849	22,255	4,182	1,039	828	22,240	4,260	1,081	823	22,478	4,365
Total Gross Credit Exposure	903	864	72,922	12,710	973	849	73,235	15,774	1,039	828	74,667	15,914	1,085	823	74,594	15,628

	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
Total Gross Credit Exposure	1,613	1,319	72,987	15,138	1,781	1,244	73,861	15,293	1,981	1,358	73,428	15,754	2,160	1,496	76,723	15,519

Standardized Exposures by Risk Weight Category

(\$ millions except as noted)

	June 30, 2014								March 31, 2014							
	Risk Weight Category								Risk Weight Category							
	0%	20%	35%	50%	75%	100%	150%	Total	0%	20%	35%	50%	75%	100%	150%	Total
Corporate Sovereign Bank										30						30
Total Corporate, Sovereign and Bank										30						30
Residential Mortgages			166		105	13		284			182		117	15		315
Heloc's							1,478	1,483					1,471		7	1,478
Other Retail																
Retail SME																
Total Retail			166		1,583	13	5	1,767			182		1,589	15	7	1,793
Total Exposure at Default			166		1,583	13	5	1,767		30	182		1,589	15	7	1,823

	December 31, 2013								September 30, 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										4						4
Total Corporate, Sovereign and Bank										4						4
Residential Mortgages			200		128	15		343			220		142	18		381
Heloc's							1,515	1,524					1,513		10	1,523
Other Retail																
Retail SME																
Total Retail			200		1,643	15	9	1,867			220		1,656	18	10	1,904
Total Exposure at Default			200		1,643	15	9	1,867		4	220		1,656	18	10	1,908

	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										16						16
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
Total Exposure at Default			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		8						8		39						39
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
Total Exposure at Default		8	301		2,968	26	36	3,340		39	333		3,214	32	38	3,656

Risk Assessment - IRB Retail Credit Portfolio

(\$ millions except as noted)

	June 30, 2014						March 31, 2014					
	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	17,257	3,072	2,126	400	375	23,230	17,084	4,786	2,550	745	267	25,430
Medium	289	58	67	136	265	815	212	57	70	290	294	922
Sub-Standard			2	4	1	7			6	5	5	15
Impaired/Default	42	22	5	4	9	81	61	24	4	3	11	104
Total Exposure at Default	17,588	3,152	2,199	544	649	24,133	17,357	4,866	2,630	1,042	577	26,472

	December 31, 2013						September 30, 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	17,046	4,819	2,509	757	292	25,423	17,117	4,938	2,595	763	355	25,768
Medium	242	79	66	294	319	1,000	208	74	80	303	339	1,004
Sub-Standard			21	6	3	30			4	4	2	11
Impaired/Default	59	18	5	3	10	95	66	22	7	4	10	107
Total Exposure at Default	17,347	4,916	2,600	1,060	624	26,547	17,390	5,034	2,686	1,075	706	26,891

	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
Total Exposure at Default	17,372	5,195	2,749	1,087	698	27,101	17,625	5,386	2,815	1,109	732	27,667

	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
Total Exposure at Default	17,850	5,543	2,827	1,127	746	28,093	18,122	5,650	2,910	1,141	827	28,650

Risk Assessment - AIRB Non-Retail Credit Portfolio ¹

(\$ millions except as noted)

Internal Rating	June 30, 2014				March 31, 2014				December 31, 2013				September 30, 2013			
	EAD	PD (%)	LGD (%)	Risk Weight (%)	EAD	PD (%)	LGD (%)	Risk Weight (%)	EAD	PD (%)	LGD (%)	Risk Weight (%)	EAD	PD (%)	LGD (%)	Risk Weight (%)
Corporate																
Minimal Risk	1,298	0.04	43	14	2,330	0.04	36	11	2,580	0.04	36	10	2,426	0.04	34	10
Low Risk	4,899	0.11	44	28	5,454	0.11	44	27	4,979	0.11	45	29	4,928	0.11	45	30
Satisfactory Risk	22,027	0.41	35	44	22,360	0.41	34	43	21,900	0.40	35	43	21,289	0.41	35	44
Fair Default Risk	11,035	1.10	33	65	10,385	1.12	33	64	9,810	1.11	33	64	10,337	1.14	32	63
Moderate Default Risk	2,134	2.87	31	85	1,493	2.94	29	78	1,396	2.79	30	79	1,304	2.84	30	79
Significant Default Risk	503	6.90	30	107	367	6.67	31	107	293	6.66	31	110	253	6.28	30	102
High Default Risk	841	10.19	32	132	831	10.21	32	133	771	10.05	32	131	828	10.05	33	137
Special Management	223	30.80	31	143	272	31.11	32	147	339	35.87	34	151	191	32.61	32	148
Default	351	100.00	45	182	398	100.00	45	213	384	100.00	45	208	469	100.00	47	231
Total Corporate	43,311	1.89	35	53	43,890	1.94	35	50	42,452	1.99	35	50	42,025	2.09	35	51
Sovereign																
Minimal Risk	19,629	0.02	10	3	19,640	0.02	10	3	21,747	0.02	10	3	21,271	0.02	10	2
Low Risk	1,221	0.08	18	9	1,139	0.08	13	7	1,244	0.08	17	9	1,234	0.08	16	8
Satisfactory Risk	9	0.23	30	24	5	0.24	21	16		0.37	56	55				
Fair Default Risk	5	1.30	34	54	3	1.62	30	60								
Default																
Total Sovereign	20,864	0.02	11	3	20,787	0.02	10	3	22,991	0.02	11	3	22,505	0.02	11	2
Bank																
Minimal Risk	4,129	0.04	24	11	4,686	0.04	25	10	5,083	0.04	25	11	4,517	0.04	25	12
Low Risk	890	0.11	28	21	911	0.11	29	20	907	0.12	28	22	799	0.12	28	23
Satisfactory Risk	151	0.32	31	35	155	0.31	31	34	162	0.30	31	35	85	0.24	31	33
Fair Default Risk	10	1.07	37	77	8	1.15	38	86	9	1.16	45	93	28	0.97	37	63
Moderate Default Risk	9	2.91	40	124	9	2.90	39	121	8	2.31	43	136	7	2.45	44	141
Significant Default Risk	1	7.85	67	255					1	7.85	79	279	4	6.02	55	176
High Default Risk	1	12.03	79	331	1	13.00	79	341								
Special Management																
Default																
Total Bank	5,191	0.07	25	14	5,770	0.07	26	13	6,170	0.06	26	14	5,440	0.06	26	14

Internal Rating	June 30, 2013				March 31, 2013				December 31, 2012				September 30, 2012			
	EAD	PD (%)	LGD (%)	Risk Weight (%)	EAD	PD (%)	LGD (%)	Risk Weight (%)	EAD	PD (%)	LGD (%)	Risk Weight (%)	EAD	PD (%)	LGD (%)	Risk Weight (%)
Corporate																
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
Total Corporate	41,749	2.23	35	50	41,066	2.40	35	51	40,932	2.31	35	50	41,310	2.51	36	49
Sovereign																
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																
Total Sovereign	20,440	0.02	10	2	20,785	0.02	10	2	20,190	0.02	10	2	22,159	0.02	10	2
Bank																
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																
Total Bank	5,898	0.06	25	14	6,311	0.07	25	14	6,102	0.06	25	10	6,336	0.07	26	11

¹ Net of collateral, guarantees and credit derivatives

"EAD" - Exposure at Default, "PD" - Probability of Default, "LGD" - Loss Given Default, "Risk Weight %" is a Weighted Average based on EAD

Exposures Covered By Credit Risk Mitigation

(\$ millions except as noted)

Counterparty Type	June 30, 2014			March 31, 2014			December 31, 2013			September 30, 2013		
	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			1,207			1,185			1,181			586
Sovereign												
Bank												
Total Corporate, Sovereign and Bank			1,207			1,185			1,181			586
Residential Mortgages			3,123			3,437			3,702			4,145
HELOC's												
Other Retail (excluding QRR and SME)												
Qualifying Revolving Retail												
Retail SME												
Total Retail			3,123			3,437			3,702			4,145
Total			4,330			4,623			4,883			4,730

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
Total			5,339			5,738			6,512			7,162

AIRB Credit Risk Exposures - Credit Commitments

(\$ millions except as noted)

Counterparty Type	June 30, 2014		March 31, 2014		December 31, 2013		September 30, 2013	
	Notional Undrawn	EAD on Undrawn	Notional Undrawn	EAD on Undrawn	Notional Undrawn	EAD on Undrawn	Notional Undrawn	EAD on Undrawn
Corporate	26,623	10,878	27,449	11,561	27,671	11,636	26,508	11,237
Sovereign	122	47	86	31	43	18	64	26
Bank	55		57		63		61	
Total Corporate, Sovereign and Bank	26,801	10,926	27,592	11,592	27,777	11,653	26,632	11,263
Residential Mortgages	34	1	32		29	1	26	
HELOC's	3,185	1,033	3,143	2,701	3,161	2,729	3,176	2,764
Other Retail (excluding QRR and SME)	720	198	711	548	740	567	755	574
Qualifying Revolving Retail	960	240	962	729	973	739	979	746
Retail SME	317	312	229	204	255	224	327	281
Total Retail	5,217	1,784	5,077	4,182	5,157	4,260	5,262	4,365
Total	32,017	12,710	32,669	15,774	32,933	15,914	31,894	15,628

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	
Total Corporate, Sovereign and Bank	26,648	10,736	27,183	10,753	27,395	11,153	28,784	10,788
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
Total Retail	5,279	4,402	5,420	4,540	6,183	4,601	5,948	4,731
Total	31,926	15,138	32,603	15,293	33,578	15,754	34,732	15,519

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 2013.

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 2013.

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 2014. Further details may be found in the notes on significant account policies and fair value of financial instruments, Annual Report and Accounts 2013.

Securitization activities during 2014

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 III 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 2013.

Securitization Exposures

(\$ millions except as noted)

Securitization exposure - by trading and banking book^{1 2}

	At June 30, 2014			At March 31, 2014			At December 31, 2013			At September 30, 2013		
	Trading	Banking	Total	Trading	Banking	Total	Trading	Banking	Total	Trading	Banking	Total
As Sponsor³												
Trade receivables		245	245		1,042	1,042		967	967		967	967
As Investor							4		4	3		3
Residential mortgages												
Trade receivables							4		4	3		3
		245	245		1,042	1,042	4	967	971	3	967	970

	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
As Sponsor³												
Trade receivables		966	966		970	970		1,007	1,007		965	965
As Investor	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

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 \$4 million at March 2014 (zero at June 2014) 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	
2014				
Aggregate amount of securitization exposures (retained or purchased)				
Residential mortgages				
Trade receivables	971	(722)	(4)	245
	971	(722)	(4)	245

Securitization exposure - asset values and impairment charges

	At June 30, 2014			At March 31, 2014			At December 31, 2013			At September 30, 2013		
	Underlying assets ¹		Securitization exposures impairment charge	Underlying assets ¹		Securitization exposures impairment charge	Underlying assets ¹		Securitization exposures impairment charge	Underlying assets ¹		Securitization exposures impairment charge
	Total	Impaired & past due		Total	Impaired & past due		Total	Impaired & past due		Total	Impaired & past due	
As Sponsor												
Trade receivables	375			1,400			1,341			1,341		
As Investor¹												
Residential mortgages												
Trade receivables												

	At June 30, 2013			At March 31, 2013			At December 31, 2012			At September 30, 2012		
	Underlying assets ¹		Securitization exposures impairment charge	Underlying assets ¹		Securitization exposures impairment charge	Underlying assets ¹		Securitization exposures impairment charge	Underlying assets ¹		Securitization exposures impairment charge
	Total	Impaired & past due		Total	Impaired & past due		Total	Impaired & past due		Total	Impaired & past due	
As Sponsor												
Trade receivables	1,332			1,326			1,328			1,270		
As Investor¹												
Residential mortgages												
Trade receivables												

1 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, 2014			Exposure value at March 31, 2014			Exposure value at December 31, 2013			Exposure value at September 30, 2013		
	Trading book	Banking book	Total	Trading book	Banking book	Total	Trading book	Banking book	Total	Trading book	Banking book	Total
≤ 10%					1,035	1,035		959	959		959	959
> 10% ≤ 20%		245	245				4		4			
> 20% ≤ 50%					7	7		8	8		8	8
> 50% ≤ 100%												
> 100% ≤ 650%										3		3
> 650% < 1250%												
1250%												
Total		245	245		1,042	1,042	4	967	971	3	967	970

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%												
1250%		2	2		5	5		9	9		10	10
Total	1	968	969	3	975	978	5	1,016	1,021	282	975	1,257

Capital required by risk weighting

Category risk weights	Capital required at June 30, 2014			Capital required at March 31, 2014			Capital required at December 31, 2013			Capital required at September 30, 2013		
	Trading book	Banking book	Total	Trading book	Banking book	Total	Trading book	Banking book	Total	Trading book	Banking book	Total
≤ 10%					2	2		2	2		2	2
> 10% ≤ 20%		2	2									
> 20% ≤ 50%												
> 50% ≤ 100%												
> 100% ≤ 650%												
> 650% < 1250%												
1250%												
Total		2	2		2	2		2	2		2	2

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
Total		3	3		9	9		13	13	4	18	22

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 ⁽¹⁾	June 30, 2014						
	Residential mortgages					HELOC ⁽²⁾	
	Insured ⁽³⁾		Uninsured		Total	Uninsured	
	Amount	% insured	Amount	% uninsured	Amount	Amount	% uninsured
(\$ millions except as noted)							
British Columbia	1,647	15 %	9,274	85 %	10,921	1,065	100 %
Western Canada excluding British Columbia	328	23 %	1,081	77 %	1,409	287	100 %
Ontario	926	18 %	4,138	82 %	5,064	644	100 %
Quebec and Atlantic provinces	222	22 %	798	78 %	1,020	122	100 %
Total June 30, 2014	3,123	17 %	15,290	83 %	18,413	2,118	100 %
March 31, 2014	3,438	19 %	14,757	81 %	18,195	2,164	100 %

Amortization period ⁽⁴⁾	June 30, 2014				
	Residential mortgages				
	< 20 years	20-24 years	25-29 years	30-34 years	35 years and greater
Total June 30, 2014	29 %	40 %	28 %	3 %	0 %
March 31, 2014	29 %	41 %	26 %	4 %	0 %

Average loan-to-value ratios of new originations ⁽⁵⁾	For the 3 months ended: June 30, 2014	
	Uninsured %LTV ⁽⁶⁾	
	Residential mortgages	HELOC ⁽²⁾
British Columbia	58 %	51 %
Western Canada excluding British Columbia	66 %	58 %
Ontario	62 %	57 %
Quebec and Atlantic provinces	59 %	63 %
Total June 30, 2014	60 %	55 %
March 31, 2014	60 %	53 %

(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 Mortgage and Housing 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.

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.

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.

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.