

**2016**

**HSBC Bank Canada**

**Regulatory Capital and  
Risk Management**

**Pillar 3 Supplemental Disclosures  
as at September 30, 2016**



## 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	Market Risk	18-20
Standardized Exposures by Risk Weight Category	9	Glossary	21
Risk Assessment - IRB Retail Credit Portfolio	10		

## Notes to Users

### Regulatory Capital and Risk Management Pillar 3 Disclosures

The Office of the Superintendent of Financial Institutions ("OSFI") supervises HSBC Bank Canada (the "Bank") on a consolidated basis. 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 2015 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.

The Pillar 3 Supplemental Disclosures are additional summary descriptions and quantitative financial information which supplement those already made in the Annual Report and Accounts 2015 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 (BCBS) in June 2006 and the "Composition of capital disclosure requirements" ("Basel III") issued by the BCBS in June 2012 under OSFI's advisory letter requirements issued in July 2013 and revised April 2014.

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/III ("the Basel rules"), capital, particular risk exposures, risk assessment processes, and hence the capital adequacy of the institution.

The supervisory objectives of BCBS 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. The Basel rules are structured around three "pillars": pillar 1, minimum capital requirements, pillar 2, supervisory review and pillar 3, market discipline.

On June 26, 2012, the BCBS issued the Basel III rules on the information banks must publicly disclose when detailing the composition of their capital, which set 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.

Basel III builds on Basel II. It 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 addition 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.

Effective November 1, 2012, Canadian banks are subject to the revised capital adequacy requirements of Basel III as published by the BCBS. OSFI announced its decision to implementation of the Credit Valuation Adjustment (CVA) on Bilateral OTC derivatives starting 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).

Effective with public disclosures beginning in Q1, 2014 and Q3 2014, 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" dated July 2013 and revised April 2013.

Effective with public disclosures beginning in Q1, 2016, OSFI has authorized HSBC Bank Canada's Market Risk model. As a result, credit risk exposures exclude the trading book portfolio.

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 <sup>1</sup>							
Common Equity Tier 1 capital: instruments and reserves		3Q 2016	2Q 2016	1Q 2016	4Q 2015	3Q 2015	2Q 2015	1Q 2015	4Q 2014
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	1,225	1,225
2	Retained earnings	3,310	3,263	3,246	3,209	3,292	3,254	3,151	3,108
3	Accumulated other comprehensive income (and other reserves)	167	146	90	92	83	154	233	117
4	Directly issued capital subject to phase out from CET1 (only applicable to non-joint stock companies)	na	na	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	na	na
6	Common Equity Tier 1 capital before regulatory adjustments	4,702	4,634	4,561	4,526	4,600	4,633	4,609	4,450
<b>Common Equity Tier 1 capital: regulatory adjustments</b>									
28	Total regulatory adjustments to Common Equity Tier 1	(221)	(220)	(233)	(198)	(207)	(190)	(236)	(170)
29	<b>Common Equity Tier 1 capital (CET1)</b>	4,481	4,414	4,328	4,328	4,393	4,444	4,374	4,280
<b>Additional Tier 1 capital: instruments</b>									
30	Directly issued qualifying Additional Tier 1 instruments plus related stock surplus	500	500	500	500	500	500	na	na
31	of which: classified as equity under applicable accounting standards	500	500	500	500	500	500	na	na
32	of which: classified as liabilities under applicable accounting standards	na	na	na	na	na	na	na	na
33	Directly issued capital instruments subject to phase out from Additional Tier 1	350	350	350	350	350	350	550	550
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
35	of which: instruments issued by subsidiaries subject to phase out	-	-	-	-	-	-	-	-
36	Additional Tier 1 capital before regulatory adjustments	850	850	850	850	850	850	550	550
<b>Additional Tier 1 capital: regulatory adjustments</b>									
43	Total regulatory adjustments to Additional Tier 1 capital	na	na	na	na	na	na	na	na
44	Additional Tier 1 capital (AT1)	850	850	850	850	850	850	550	550
45	<b>Tier 1 capital (T1 = CET1 + AT1)</b>	5,331	5,264	5,178	5,178	5,243	5,294	4,924	4,830
<b>Tier 2 capital: instruments and allowances</b>									
46	Directly issued qualifying Tier 2 instruments plus related stock surplus	na	na	na	na	na	na	na	na
47	Directly issued capital instruments subject to phase out from Tier 2	445	447	450	532	532	532	532	608
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	na	na
49	of which: instruments issued by subsidiaries subject to phase out	na	na	na	na	na	na	na	na
50	Impairment allowances	7	9	49	53	4	4	4	3
51	Tier 2 capital before regulatory adjustments	452	456	499	585	536	536	536	611
<b>Tier 2 capital: regulatory adjustments</b>									
57	Total regulatory adjustments to Tier 2 capital	na	na	na	na	na	na	1	na
58	Tier 2 capital (T2)	452	456	499	585	536	536	537	611
59	<b>Total capital (TC = T1 + T2)</b>	5,783	5,720	5,677	5,763	5,779	5,829	5,460	5,441
60	<b>Total risk-weighted assets</b>	na	na	na	na	na	na	na	na
60a	<b>Common Equity Tier 1 (CET1) Capital RWA<sup>2</sup></b>	41,915	42,442	43,069	42,846	42,787	42,358	41,642	40,269
60b	<b>Tier 1 Capital RWA<sup>2</sup></b>	41,915	42,442	43,069	42,846	42,787	42,358	41,642	40,269
60c	<b>Total Capital RWA<sup>2</sup></b>	41,915	42,442	43,069	42,846	42,787	42,358	41,642	40,269

(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) At Q2 2016, CVA risk-weighted assets were calculated using the scalars of 0.64, 0.71 and 0.77 to compute CET1 capital ratio, Tier 1 capital ratio and Total capital ratio respectively. Including Regulatory Floor Adjustment.

## Basel III Regulatory Capital (Continued)

(\$ millions except as noted)

		All-in Basis <sup>1</sup>							
Capital ratios		3Q 2016	2Q 2016	1Q 2016	4Q 2015	3Q 2015	2Q 2015	1Q 2015	4Q 2014
61	Common Equity Tier 1 (as percentage of risk-weighted assets)	10.7%	10.4%	10.0%	10.1%	10.3%	10.5%	10.5%	10.6%
62	Tier 1 (as percentage of risk-weighted assets)	12.7%	12.4%	12.0%	12.1%	12.3%	12.5%	11.8%	12.0%
63	Total capital (as percentage of risk-weighted assets)	13.8%	13.5%	13.2%	13.5%	13.5%	13.8%	13.1%	13.5%
OSFI all-in target									
69	Common Equity Tier 1 capital all-in target ratio	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%
70	Tier 1 capital all-in target ratio	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%
71	Total capital all-in target ratio	10.5%	10.5%	10.5%	10.5%	10.5%	10.5%	10.5%	10.5%
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	60%	60%	60%	70%	70%	70%	70%	80%
81	(excess over cap after redemptions and maturities)	na	na	na	na	na	na	na	na
82	Current cap on AT1 instruments subject to phase out arrangements	60%	60%	60%	70%	70%	70%	70%	80%
83	Amounts excluded from AT1 due to cap (excess over cap after redemptions and maturities)	-	-	-	-	-	-	-	-
84	Current cap on T2 instruments subject to phase out arrangements	60%	60%	60%	70%	70%	70%	70%	80%
85	Amounts excluded from T2 due to cap (excess over cap after redemptions and maturities)	-	-	-	121	124	129	132	57

		Transitional Basis <sup>2</sup>							
Capital		3Q 2016	2Q 2016	1Q 2016	4Q 2015	3Q 2015	2Q 2015	1Q 2015	4Q 2014
29	Common Equity Tier 1 capital (CET1)	4,526	4,444	4,385	4,391	4,451	4,494	4,427	4,367
45	Tier 1 capital (T1 = CET1 + AT1)	5,351	5,274	5,216	5,227	5,282	5,327	4,962	4,889
59	Total capital (TC = T1 + T2)	5,802	5,730	5,715	5,812	5,813	5,859	5,499	5,491
60	Total risk-weighted assets	42,131	42,659	43,267	43,141	43,102	42,661	42,074	40,867
Capital ratios									
61	Common Equity Tier 1 (as percentage of risk-weighted assets)	10.7%	10.4%	10.1%	10.2%	10.3%	10.5%	10.5%	10.7%
62	Tier 1 (as percentage of risk-weighted assets)	12.7%	12.4%	12.1%	12.1%	12.3%	12.5%	11.8%	12.0%
63	Total capital (as percentage of risk-weighted assets)	13.8%	13.4%	13.2%	13.5%	13.5%	13.7%	13.1%	13.4%
	Assets to Capital Multiple (ACM)	na	na	na	na	na	na	na	17.1
	Leverage Ratio	4.8%	4.8%	4.8%	4.7%	4.7%	4.9%	4.6%	na

(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.

(3) Leverage ratio was introduced and has replaced the assets to capital (ACM) ratio beginning in the first quarter of 2015.



## Credit Exposure by Counterparty Type

(\$ millions except as noted)

	Loans (Drawn)	Commitments (Undrawn)	Repo Style Transactions	OTC	Other Off Balance Sheet Items	Total	Loans (Drawn)	Commitments (Undrawn)	Repo Style Transactions	OTC	Other Off Balance Sheet Items	Total
<b>September 30, 2016</b>						<b>June 30, 2016</b>						
Corporate	28,058	11,599	4,216	1,288	3,310	48,470	28,411	12,306	3,785	1,255	3,504	49,261
Sovereign	21,716	405	457	158	70	22,805	20,122	235	511	170	70	21,107
Bank	3,780	9	6,632	692	879	11,992	3,752	5,477	989	864		11,083
<b>Total Corporate, Sovereign and Bank (1)</b>	<b>53,553</b>	<b>12,013</b>	<b>11,305</b>	<b>2,138</b>	<b>4,258</b>	<b>83,267</b>	<b>52,284</b>	<b>12,541</b>	<b>9,773</b>	<b>2,414</b>	<b>4,438</b>	<b>81,451</b>
Residential Mortgages	20,296	3				20,299	20,240	4				20,244
HELOC's	1,852	1,045				2,898	1,882	1,049				2,931
Other Retail (excluding QRR and SME)	2,001	179			2	2,181	2,079	179			2	2,261
Qualifying Revolving Retail	244	216				460	250	219				469
Retail SME	195	223			17	435	209	241			17	467
<b>Total Retail</b>	<b>24,589</b>	<b>1,666</b>			<b>18</b>	<b>26,273</b>	<b>24,660</b>	<b>1,692</b>			<b>19</b>	<b>26,371</b>
<b>Total Gross Credit Exposure</b>	<b>78,142</b>	<b>13,678</b>	<b>11,305</b>	<b>2,138</b>	<b>4,277</b>	<b>109,540</b>	<b>76,944</b>	<b>14,233</b>	<b>9,773</b>	<b>2,414</b>	<b>4,458</b>	<b>107,822</b>
<b>March 31, 2016</b>						<b>December 31, 2015</b>						
Corporate	28,364	12,143	4,506	1,287	3,447	49,747	29,569	12,995	5,908	1,917	3,511	53,899
Sovereign	20,786	229	349	99	70	21,533	24,807	195	262	406	70	25,740
Bank	2,878		8,302	1,846	610	13,636	3,511	6,738	1,222	482		11,953
<b>Total Corporate, Sovereign and Bank</b>	<b>52,028</b>	<b>12,372</b>	<b>13,156</b>	<b>3,233</b>	<b>4,127</b>	<b>84,916</b>	<b>57,886</b>	<b>13,190</b>	<b>12,908</b>	<b>3,545</b>	<b>4,063</b>	<b>91,592</b>
Residential Mortgages	19,665					19,665	19,239	4				19,243
HELOC's	1,855	1,045				2,900	1,862	1,040				2,902
Other Retail (excluding QRR and SME)	2,170	178			3	2,350	2,315	186			5	2,506
Qualifying Revolving Retail	261	223				483	267	224				491
Retail SME	216	253			18	487	228	262			18	508
<b>Total Retail</b>	<b>24,167</b>	<b>1,699</b>			<b>21</b>	<b>25,886</b>	<b>23,911</b>	<b>1,716</b>			<b>23</b>	<b>25,649</b>
<b>Total Gross Credit Exposure</b>	<b>76,195</b>	<b>14,071</b>	<b>13,156</b>	<b>3,233</b>	<b>4,147</b>	<b>110,802</b>	<b>81,797</b>	<b>14,906</b>	<b>12,908</b>	<b>3,545</b>	<b>4,086</b>	<b>117,241</b>
<b>September 30, 2015</b>						<b>June 30, 2015</b>						
Corporate	30,306	13,324	8,260	1,921	3,649	57,459	30,284	13,253	7,102	1,604	3,703	55,946
Sovereign	25,502	40	389	262	70	26,263	21,659	34	190	111	70	22,065
Bank	3,486		7,515	915	858	12,775	3,135	6,824	1,134	839		11,931
<b>Total Corporate, Sovereign and Bank</b>	<b>59,293</b>	<b>13,363</b>	<b>16,165</b>	<b>3,098</b>	<b>4,577</b>	<b>96,496</b>	<b>55,078</b>	<b>13,287</b>	<b>14,116</b>	<b>2,849</b>	<b>4,611</b>	<b>89,942</b>
Residential Mortgages	19,099					19,099	18,698	1				18,699
HELOC's	1,910	1,035				2,945	1,950	1,001				2,951
Other Retail (excluding QRR and SME)	2,411	196			13	2,620	2,620	196			13	2,829
Qualifying Revolving Retail	277	226				502	280	226				506
Retail SME	237	252			19	508	271	271			19	561
<b>Total Retail</b>	<b>23,933</b>	<b>1,709</b>			<b>32</b>	<b>25,674</b>	<b>23,819</b>	<b>1,696</b>			<b>32</b>	<b>25,547</b>
<b>Total Gross Credit Exposure</b>	<b>83,227</b>	<b>15,072</b>	<b>16,165</b>	<b>3,098</b>	<b>4,609</b>	<b>122,171</b>	<b>78,897</b>	<b>14,983</b>	<b>14,116</b>	<b>2,849</b>	<b>4,644</b>	<b>115,489</b>
<b>March 31, 2015</b>						<b>December 31, 2014</b>						
Corporate	30,122	12,356	5,899	1,815	3,489	53,681	28,088	12,137	9,539	1,212	3,650	54,626
Sovereign	20,917	38	581	67	70	21,672	21,186	34	250	57	70	21,597
Bank	3,162		7,615	1,459	802	13,038	3,269	3,067	2,237	628		9,201
<b>Total Corporate, Sovereign and Bank</b>	<b>54,201</b>	<b>12,394</b>	<b>14,094</b>	<b>3,341</b>	<b>4,361</b>	<b>88,391</b>	<b>52,542</b>	<b>12,172</b>	<b>12,856</b>	<b>3,506</b>	<b>4,348</b>	<b>85,424</b>
Residential Mortgages	18,266					18,266	18,326	1				18,328
HELOC's	1,970	1,001				2,971	2,006	1,040				3,046
Other Retail (excluding QRR and SME)	2,573	196			4	2,774	2,451	197			30	2,678
Qualifying Revolving Retail	285	229				514	293	234				527
Retail SME	268	266			20	554	279	293			20	593
<b>Total Retail</b>	<b>23,362</b>	<b>1,691</b>			<b>24</b>	<b>25,078</b>	<b>23,355</b>	<b>1,765</b>			<b>51</b>	<b>25,171</b>
<b>Total Gross Credit Exposure</b>	<b>77,563</b>	<b>14,085</b>	<b>14,094</b>	<b>3,341</b>	<b>4,385</b>	<b>113,469</b>	<b>75,898</b>	<b>13,937</b>	<b>12,856</b>	<b>3,506</b>	<b>4,399</b>	<b>110,595</b>

(1) Effective Q1 2016, OSFI has authorised HSBC Bank Canada's Market Risk model. As a result, credit risk exposures exclude the trading portfolio.

## Credit Exposure by Geography

(\$ millions except as noted)

	September 30, 2016						June 30, 2016					
	Loans (Drawn)	Commitments (Undrawn)	Repo Style Transactions	OTC	Other Off Balance Sheet Items	Total	Loans (Drawn)	Commitments (Undrawn)	Repo Style Transactions	OTC	Other Off Balance Sheet Items	Total
British Columbia	22,677	3,297	185	114	544	26,818	22,887	3,299	75	115	522	26,898
Western Canada, excluding British Columbia	9,338	4,047		734	955	15,073	9,664	4,369		743	1,149	15,924
Ontario	39,392	4,231	11,101	1,058	1,995	57,776	37,690	4,568	9,691	1,357	1,955	55,260
Quebec & Atlantic provinces	6,736	2,103	18	232	783	9,872	6,704	1,998	7	199	832	9,740
<b>Total Gross Credit Exposure (1)</b>	<b>78,142</b>	<b>13,678</b>	<b>11,305</b>	<b>2,138</b>	<b>4,277</b>	<b>109,540</b>	<b>76,944</b>	<b>14,233</b>	<b>9,773</b>	<b>2,414</b>	<b>4,458</b>	<b>107,822</b>

	March 31, 2016						December 31, 2015					
	Loans (Drawn)	Commitments (Undrawn)	Repo Style Transactions	OTC	Other Off Balance Sheet Items	Total	Loans (Drawn)	Commitments (Undrawn)	Repo Style Transactions	OTC	Other Off Balance Sheet Items	Total
British Columbia	22,687	3,273		139	529	26,628	21,579	3,517		221	523	25,840
Western Canada, excluding British Columbia	9,870	4,433		628	1,168	16,100	10,458	4,644		786	1,176	17,064
Ontario	36,820	4,394	13,156	2,245	1,673	58,288	42,585	4,531	12,908	1,924	1,594	63,542
Quebec & Atlantic provinces	6,817	1,971		220	777	9,785	7,175	2,214		614	793	10,796
<b>Total Gross Credit Exposure</b>	<b>76,195</b>	<b>14,071</b>	<b>13,156</b>	<b>3,233</b>	<b>4,147</b>	<b>110,802</b>	<b>81,797</b>	<b>14,906</b>	<b>12,908</b>	<b>3,545</b>	<b>4,086</b>	<b>117,241</b>

	September 30, 2015						June 30, 2015					
	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	21,149	3,445	122	227	561	25,504	20,876	3,348	52	167	567	25,010
Western Canada, excluding British Columbia	11,070	4,821		832	1,074	17,797	11,310	4,969		625	1,168	18,071
Ontario	43,707	4,565	16,043	1,509	2,101	67,924	39,556	4,419	14,065	1,642	2,042	61,723
Quebec & Atlantic provinces	7,301	2,242		530	873	10,945	7,156	2,247		416	866	10,685
<b>Total Gross Credit Exposure</b>	<b>83,227</b>	<b>15,072</b>	<b>16,165</b>	<b>3,098</b>	<b>4,609</b>	<b>122,171</b>	<b>78,897</b>	<b>14,983</b>	<b>14,116</b>	<b>2,849</b>	<b>4,644</b>	<b>115,489</b>

	March 31, 2015						December 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	20,614	3,021	215	205	552	24,607	20,277	3,080		109	542	24,007
Western Canada, excluding British Columbia	11,597	4,740		738	1,156	18,231	10,629	4,542		477	1,420	17,068
Ontario	38,159	4,237	13,879	1,945	1,919	60,140	38,375	4,204	12,856	2,632	1,564	59,631
Quebec & Atlantic provinces	7,193	2,087		454	759	10,492	6,617	2,110		288	873	9,888
<b>Total Gross Credit Exposure</b>	<b>77,563</b>	<b>14,085</b>	<b>14,094</b>	<b>3,341</b>	<b>4,385</b>	<b>113,469</b>	<b>75,898</b>	<b>13,937</b>	<b>12,856</b>	<b>3,506</b>	<b>4,399</b>	<b>110,595</b>

(1) Effective Q1 2016, OSFI has authorised HSBC Bank Canada's Market Risk model. As a result, credit risk exposures exclude the trading portfolio.

## Residual Contract Maturity Breakdown

(\$ millions except as noted)

	September 30, 2016						June 30, 2016					
	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	22,674	8,033	11,305	820	3,178	46,009	24,096	8,466	9,773	956	3,506	46,797
1-5 years	46,462	5,406		716	1,049	53,633	44,193	5,360		816	896	51,266
Greater than 5 years	9,006	240		601	50	9,898	8,655	407		642	55	9,759
<b>Total Gross Credit Exposure (1)</b>	<b>78,142</b>	<b>13,678</b>	<b>11,305</b>	<b>2,138</b>	<b>4,277</b>	<b>109,540</b>	<b>76,944</b>	<b>14,233</b>	<b>9,773</b>	<b>2,414</b>	<b>4,458</b>	<b>107,822</b>

	March 31, 2016						December 31, 2015					
	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	24,297	8,432	13,156	1,412	3,167	50,464	24,670	8,766	12,908	1,760	3,145	51,249
1-5 years	41,915	5,441		1,037	913	49,307	45,243	5,777		1,230	875	53,125
Greater than 5 years	9,982	199		783	67	11,031	11,884	363		555	65	12,867
<b>Total Gross Credit Exposure</b>	<b>76,195</b>	<b>14,071</b>	<b>13,156</b>	<b>3,233</b>	<b>4,147</b>	<b>110,802</b>	<b>81,797</b>	<b>14,906</b>	<b>12,908</b>	<b>3,545</b>	<b>4,086</b>	<b>117,241</b>

	September 30, 2015						June 30, 2015					
	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	29,501	9,099	16,165	1,357	3,602	59,723	29,927	9,031	14,116	1,372	3,348	57,795
1-5 years	43,633	5,771		1,176	933	51,512	40,000	5,605		997	1,215	47,816
Greater than 5 years	10,093	203		565	74	10,936	8,970	346		480	81	9,878
<b>Total Gross Credit Exposure</b>	<b>83,227</b>	<b>15,072</b>	<b>16,165</b>	<b>3,098</b>	<b>4,609</b>	<b>122,171</b>	<b>78,897</b>	<b>14,983</b>	<b>14,116</b>	<b>2,849</b>	<b>4,644</b>	<b>115,489</b>

	March 31, 2015						December 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	30,042	8,675	14,094	1,430	3,182	57,423	30,388	8,688	12,856	1,347	3,289	56,568
1-5 years	38,446	4,988		1,232	1,135	45,801	37,140	4,982		1,252	1,056	44,429
Greater than 5 years	9,075	423		679	68	10,245	8,370	268		907	54	9,598
<b>Total Gross Credit Exposure</b>	<b>77,563</b>	<b>14,085</b>	<b>14,094</b>	<b>3,341</b>	<b>4,385</b>	<b>113,469</b>	<b>75,898</b>	<b>13,937</b>	<b>12,856</b>	<b>3,506</b>	<b>4,399</b>	<b>110,595</b>

(1) Effective Q1 2016, OSFI has authorised HSBC Bank Canada's Market Risk model. As a result, credit risk exposures exclude the trading portfolio.



## Credit Risk Portfolio Exposure at Default

(\$ millions except as noted)

	September 30, 2016				June 30, 2016				March 31, 2016				December 31, 2015			
	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			28,058	11,599			28,411	12,306			28,364	12,143			29,569	12,995
Sovereign			21,716	405			20,122	235			20,786	229			24,807	195
Bank			3,780	9			3,752				2,878				3,511	
<b>Total Corporate, Sovereign and Bank (1)</b>			<b>53,553</b>	<b>12,013</b>			<b>52,284</b>	<b>12,541</b>			<b>52,028</b>	<b>12,372</b>			<b>57,886</b>	<b>13,190</b>
Residential Mortgages			20,296	3			20,240	4			19,665				19,239	4
HELOC's			1,852	1,045			1,882	1,049			1,855	1,045			1,862	1,040
Other Retail (excluding QRR and SME)	515		1,486	179	539		1,540	179	573		1,597	178	638		1,678	186
Qualifying Revolving Retail			244	216			250	219			261	223			267	224
Retail SME			195	223			209	241			216	253			228	262
<b>Total Retail</b>	<b>515</b>		<b>24,074</b>	<b>1,666</b>	<b>539</b>		<b>24,121</b>	<b>1,692</b>	<b>573</b>		<b>23,593</b>	<b>1,699</b>	<b>638</b>		<b>23,273</b>	<b>1,716</b>
<b>Total Gross Credit Exposure</b>	<b>515</b>		<b>77,627</b>	<b>13,678</b>	<b>539</b>		<b>76,405</b>	<b>14,233</b>	<b>573</b>		<b>75,621</b>	<b>14,071</b>	<b>638</b>		<b>81,159</b>	<b>14,906</b>

	September 30, 2015				June 30, 2015				March 31, 2015				December 31, 2014			
	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			30,306	13,324			30,284	13,253			30,122	12,356			28,088	12,137
Sovereign			25,502	40			21,659	34			20,917	38			21,186	34
Bank			3,486				3,135				3,162				3,269	
<b>Total Corporate, Sovereign and Bank</b>			<b>59,293</b>	<b>13,363</b>			<b>55,078</b>	<b>13,287</b>			<b>54,201</b>	<b>12,394</b>			<b>52,542</b>	<b>12,172</b>
Residential Mortgages			19,099				18,698	1			18,266		238		18,088	1
HELOC's			1,910	1,035			1,950	1,001			1,970	1,001			2,006	1,040
Other Retail (excluding QRR and SME)	670		1,741	196	708		1,912	196	726		1,847	196	560		1,891	197
Qualifying Revolving Retail			277	226			280	226			285	229			293	234
Retail SME			237	252			271	271			268	266			279	293
<b>Total Retail</b>	<b>670</b>		<b>23,264</b>	<b>1,709</b>	<b>708</b>		<b>23,111</b>	<b>1,696</b>	<b>726</b>		<b>22,636</b>	<b>1,691</b>	<b>798</b>		<b>22,557</b>	<b>1,765</b>
<b>Total Gross Credit Exposure</b>	<b>670</b>		<b>82,557</b>	<b>15,072</b>	<b>708</b>		<b>78,189</b>	<b>14,983</b>	<b>726</b>		<b>76,837</b>	<b>14,085</b>	<b>798</b>		<b>75,100</b>	<b>13,937</b>

(1) Effective Q1 2016, OSFI has authorised HSBC Bank Canada's Market Risk model. As a result, credit risk exposures exclude the trading portfolio.

### Standardized Exposures by Risk Weight Category

(\$ millions except as noted)

	September 30, 2016								June 30, 2016							
	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 (1) Heloc's Other Retail Retail SME					503		11	515					527	12		539
Total Retail					503		11	515					527	12		539
<b>Total Exposure at Default</b>					503		11	515					527	12		539

	March 31, 2016								December 31, 2015							
	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 Heloc's Other Retail Retail SME					558	15		573					621	16		638
Total Retail					558	15		573					621	16		638
<b>Total Exposure at Default</b>					558	15		573					621	16		638

	September 30, 2015								June 30, 2015							
	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 Heloc's Other Retail Retail SME					652	18		670					689	19		708
Total Retail					652	18		670					689	19		708
<b>Total Exposure at Default</b>					652	18		670					689	19		708

	March 31, 2015								December 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																
Total Corporate, Sovereign and Bank																
Residential Mortgages Heloc's Other Retail Retail SME					705	22		726			192		34	12		238
Total Retail					705	22		726			192		586	20	1	798
<b>Total Exposure at Default</b>					705	22		726			192		586	20	1	798

**Risk Assessment - IRB Retail Credit Portfolio**

(\$ millions except as noted)

	September 30, 2016						June 30, 2016					
	Residential Mortgages	HELOC	Other Retail (excl. QRR and SME)	Qualifying Revolving Retail	Retail SME	Total	Residential Mortgages	HELOC	Other Retail (excl. QRR and SME)	Qualifying Revolving Retail	Retail SME	Total
Strong	19,968	2,809	1,612	338	195	24,921	19,904	2,836	1,662	345	198	24,945
Medium	292	82	49	116	234	773	300	85	54	117	262	818
Sub-Standard			1	4		5			1	5		6
Impaired/Default	39	7	5	3	6	60	40	10	5	2	6	64
<b>Total Exposure at Default</b>	<b>20,299</b>	<b>2,898</b>	<b>1,667</b>	<b>460</b>	<b>435</b>	<b>25,758</b>	<b>20,244</b>	<b>2,931</b>	<b>1,722</b>	<b>469</b>	<b>467</b>	<b>25,832</b>

	March 31, 2016						December 31, 2015					
	Residential Mortgages	HELOC	Other Retail (excl. QRR and SME)	Qualifying Revolving Retail	Retail SME	Total	Residential Mortgages	HELOC	Other Retail (excl. QRR and SME)	Qualifying Revolving Retail	Retail SME	Total
Strong	19,323	2,794	1,719	352	199	24,387	18,919	2,786	1,811	363	210	24,088
Medium	307	94	51	123	282	857	284	101	52	120	291	848
Sub-Standard			1	5		7			1	4	1	6
Impaired/Default	35	12	6	4	6	63	40	15	5	4	6	69
<b>Total Exposure at Default</b>	<b>19,665</b>	<b>2,900</b>	<b>1,777</b>	<b>483</b>	<b>487</b>	<b>25,313</b>	<b>19,243</b>	<b>2,902</b>	<b>1,868</b>	<b>491</b>	<b>508</b>	<b>25,011</b>

	September 30, 2015						June 30, 2015					
	Residential Mortgages	HELOC	Other Retail (excl. QRR and SME)	Qualifying Revolving Retail	Retail SME	Total	Residential Mortgages	HELOC	Other Retail (excl. QRR and SME)	Qualifying Revolving Retail	Retail SME	Total
Strong	18,808	2,862	1,897	370	211	24,147	18,425	2,876	2,067	372	215	23,955
Medium	256	66	49	125	289	784	241	61	48	126	339	816
Sub-Standard			1	4		6			1	4		5
Impaired/Default	36	18	4	4	7	68	33	14	5	4	8	63
<b>Total Exposure at Default</b>	<b>19,099</b>	<b>2,945</b>	<b>1,950</b>	<b>502</b>	<b>508</b>	<b>25,005</b>	<b>18,699</b>	<b>2,951</b>	<b>2,121</b>	<b>506</b>	<b>561</b>	<b>24,839</b>

	March 31, 2015						December 31, 2014					
	Residential Mortgages	HELOC	Other Retail (excl. QRR and SME)	Qualifying Revolving Retail	Retail SME	Total	Residential Mortgages	HELOC	Other Retail (excl. QRR and SME)	Qualifying Revolving Retail	Retail SME	Total
Strong	17,982	2,889	1,990	376	340	23,578	17,768	2,929	2,052	390	355	23,493
Medium	249	63	52	130	204	698	281	100	61	131	228	801
Sub-Standard			1	4		6			2	2		4
Impaired/Default	35	18	4	4	9	70	40	17	4	4	9	75
<b>Total Exposure at Default</b>	<b>18,266</b>	<b>2,971</b>	<b>2,047</b>	<b>514</b>	<b>554</b>	<b>24,351</b>	<b>18,090</b>	<b>3,046</b>	<b>2,118</b>	<b>527</b>	<b>593</b>	<b>24,373</b>

**Risk Assessment - AIRB Non-Retail Credit Portfolio** (1)

(\$ millions except as noted)

Internal Rating	September 30, 2016				June 30, 2016				March 31, 2016				December 31, 2015			
	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	983	0.04	44	11	990	0.04	42	11	1,160	0.04	43	12	2,070	0.04	47	16
Low Risk	3,970	0.11	43	27	4,814	0.11	40	25	4,447	0.11	39	23	5,408	0.11	41	24
Satisfactory Risk	21,280	0.42	36	47	21,160	0.43	36	48	21,515	0.43	37	48	21,600	0.43	37	49
Fair Default Risk	11,355	1.15	34	69	11,428	1.15	34	69	11,224	1.14	34	68	12,119	1.13	34	67
Moderate Default Risk	3,326	2.82	31	81	3,218	2.92	31	84	3,226	2.86	33	86	3,637	2.94	34	90
Significant Default Risk	1,015	6.62	33	117	1,373	6.75	34	119	1,214	6.54	33	116	982	6.84	34	122
High Default Risk	872	10.10	34	142	883	10.05	34	141	1,256	10.03	32	134	1,154	10.07	26	109
Special Management	548	29.84	34	161	752	32.51	34	162	550	33.22	31	150	427	38.98	32	143
Default	914	100.00	47	150	869	100.00	49	188	656	100.00	51	172	609	100.00	49	176
<b>Total Corporate (2)</b>	<b>44,263</b>	<b>3.51</b>	<b>36</b>	<b>60</b>	<b>45,487</b>	<b>3.55</b>	<b>36</b>	<b>61</b>	<b>45,248</b>	<b>3.01</b>	<b>36</b>	<b>60</b>	<b>48,006</b>	<b>2.71</b>	<b>37</b>	<b>58</b>
<b>Sovereign</b>																
Minimal Risk	22,179	0.02	8	3	20,486	0.02	8	3	20,994	0.02	8	3	25,245	0.02	10	3
Low Risk	113	0.08	13	13	112	0.08	13	13	182	0.07	12	8	225	0.07	11	8
Satisfactory Risk	2	0.42	45	50	4	0.37	49	63	5	0.40	48	68	5	0.39	48	66
Fair Default Risk	60	1.65	10	20	1	0.93	45	93	2	0.98	42	88	2	0.91	45	97
Default																
<b>Total Sovereign (2)</b>	<b>22,354</b>	<b>0.03</b>	<b>8</b>	<b>3</b>	<b>20,603</b>	<b>0.02</b>	<b>8</b>	<b>3</b>	<b>21,184</b>	<b>0.02</b>	<b>8</b>	<b>3</b>	<b>25,478</b>	<b>0.02</b>	<b>10</b>	<b>3</b>
<b>Bank</b>																
Minimal Risk	4,437	0.03	20	8	4,520	0.03	22	8	4,482	0.03	23	9	3,773	0.03	22	9
Low Risk	888	0.11	30	19	1,092	0.12	28	17	844	0.11	32	24	1,311	0.10	26	16
Satisfactory Risk	72	0.39	32	32	90	0.36	35	36	65	0.40	34	34	107	0.41	34	37
Fair Default Risk	5	1.39	34	71	6	1.36	47	90	3	1.30	36	65	65	1.59	45	132
Moderate Default Risk	2	3.33	61	153	3	3.47	53	139	1	3.99	35	104	1	3.79	61	153
Significant Default Risk					1	5.75	51	149	1	5.75	47	139	1	5.75	37	108
High Default Risk	1	10.00	59	216	1	10.00	59	215	1	10.00	59	215	1	10.00	59	215
Special Management																
Default																
<b>Total Bank (2)</b>	<b>5,405</b>	<b>0.06</b>	<b>22</b>	<b>10</b>	<b>5,713</b>	<b>0.06</b>	<b>24</b>	<b>10</b>	<b>5,397</b>	<b>0.06</b>	<b>24</b>	<b>12</b>	<b>5,259</b>	<b>0.08</b>	<b>24</b>	<b>13</b>
Internal Rating	September 30, 2015				June 30, 2015				March 31, 2015				December 31, 2014			
	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	2,349	0.04	45	15	2,105	0.04	47	17	1,772	0.04	45	15	1,692	0.04	45	15
Low Risk	5,358	0.11	41	24	5,063	0.11	40	23	5,418	0.11	42	29	5,528	0.11	42	28
Satisfactory Risk	22,542	0.41	37	50	22,683	0.41	37	48	22,949	0.41	36	46	21,674	0.41	35	44
Fair Default Risk	12,628	1.15	34	69	12,547	1.13	34	69	11,731	1.12	34	68	11,516	1.13	34	67
Moderate Default Risk	3,467	3.00	32	86	3,441	2.73	33	83	3,186	2.93	32	85	2,644	2.85	31	83
Significant Default Risk	1,241	6.95	30	107	1,444	6.83	30	105	1,316	6.49	35	124	843	6.63	31	109
High Default Risk	743	10.12	28	116	889	10.08	32	132	719	10.30	28	119	613	10.39	30	124
Special Management	425	41.42	36	162	343	46.78	31	117	344	42.61	33	132	261	30.46	32	148
Default	455	100.00	50	191	354	100.00	53	156	360	100.00	47	152	354	100.00	45	141
<b>Total Corporate</b>	<b>49,208</b>	<b>2.32</b>	<b>37</b>	<b>58</b>	<b>48,869</b>	<b>2.12</b>	<b>37</b>	<b>56</b>	<b>47,795</b>	<b>2.07</b>	<b>36</b>	<b>56</b>	<b>45,125</b>	<b>1.89</b>	<b>36</b>	<b>53</b>
<b>Sovereign</b>																
Minimal Risk	25,668	0.02	10	3	21,700	0.02	10	3	18,897	0.02	10	3	19,911	0.02	10	3
Low Risk	201	0.07	12	9	170	0.07	13	9	2,189	0.07	14	6	1,430	0.07	12	6
Satisfactory Risk	3	0.33	40	40	3	0.34	40	35	5	0.32	57	51	6	0.30	46	41
Fair Default Risk	1	1.05	37	83												
Default																
<b>Total Sovereign</b>	<b>25,873</b>	<b>0.02</b>	<b>10</b>	<b>3</b>	<b>21,873</b>	<b>0.02</b>	<b>10</b>	<b>3</b>	<b>21,091</b>	<b>0.03</b>	<b>11</b>	<b>3</b>	<b>21,347</b>	<b>0.02</b>	<b>10</b>	<b>3</b>
<b>Bank</b>																
Minimal Risk	3,614	0.03	21	8	3,567	0.03	22	8	3,790	0.03	22	9	4,951	0.03	23	10
Low Risk	1,547	0.11	27	19	1,329	0.12	27	20	1,426	0.11	28	18	1,051	0.11	28	19
Satisfactory Risk	126	0.37	33	32	193	0.34	32	32	195	0.33	34	33	123	0.31	33	29
Fair Default Risk	11	1.54	38	79	57	1.62	29	60	43	1.28	29	62	4	1.31	47	84
Moderate Default Risk	1	4.11	50	134	1	3.97	57	140	26	3.09	28	82	5	3.07	27	82
Significant Default Risk	6	5.75	38	109												
High Default Risk	1	10.00	59	217	1	10.00	59	217	7	10.02	47	173	6	10.02	49	183
Special Management																
Default																
<b>Total Bank</b>	<b>5,306</b>	<b>0.08</b>	<b>23</b>	<b>12</b>	<b>5,148</b>	<b>0.09</b>	<b>24</b>	<b>13</b>	<b>5,487</b>	<b>0.10</b>	<b>24</b>	<b>13</b>	<b>6,140</b>	<b>0.07</b>	<b>24</b>	<b>12</b>

(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

(2) Effective Q1 2016, OSFI has authorised HSBC Bank Canada's Market Risk model. As a result, credit risk exposures exclude the trading portfolio.



## Exposures Covered By Credit Risk Mitigation

(\$ millions except as noted)

Counterparty Type	September 30, 2016			June 30, 2016			March 31, 2016			December 31, 2015		
	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			1,043			1,009			1,016			1,032
Sovereign												
Bank												
Total Corporate, Sovereign and Bank			1,043			1,009			1,016			1,032
Residential Mortgages			1,802			1,940			2,007			2,030
HELOC's												
Other Retail (excluding QRR and SME)												
Qualifying Revolving Retail												
Retail SME												
Total Retail			1,802			1,940			2,007			2,030
<b>Total</b>			<b>2,845</b>			<b>2,949</b>			<b>3,023</b>			<b>3,062</b>

Counterparty Type	September 30, 2015			June 30, 2015			March 31, 2015			December 31, 2014		
	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			1,274			1,294			1,283			1,294
Sovereign												
Bank												
Total Corporate, Sovereign and Bank			1,274			1,294			1,283			1,294
Residential Mortgages			2,213			2,483			2,448			2,437
HELOC's												
Other Retail (excluding QRR and SME)												
Qualifying Revolving Retail												
Retail SME												
Total Retail			2,213			2,483			2,448			2,437
<b>Total</b>			<b>3,487</b>			<b>3,777</b>			<b>3,730</b>			<b>3,731</b>

## AIRB Credit Risk Exposures - Credit Commitments

(\$ millions except as noted)

Counterparty Type	September 30, 2016		June 30, 2016		March 31, 2016		December 31, 2015	
	Notional Undrawn	EAD on Undrawn	Notional Undrawn	EAD on Undrawn	Notional Undrawn	EAD on Undrawn	Notional Undrawn	EAD on Undrawn
Corporate	28,823	11,599	30,313	12,306	29,966	12,143	32,094	12,995
Sovereign	988	405	574	235	588	229	511	195
Bank	180	9	127		327		156	
Total Corporate, Sovereign and Bank	29,991	12,013	31,013	12,541	30,882	12,372	32,761	13,190
Residential Mortgages	9	3	14	4	18		26	4
HELOC's	3,333	1,045	3,305	1,049	3,319	1,045	3,281	1,040
Other Retail (excluding QRR and SME)	620	179	626	179	632	178	655	186
Qualifying Revolving Retail	902	216	909	219	915	223	922	224
Retail SME	225	223	242	241	254	253	263	262
Total Retail	5,089	1,666	5,096	1,692	5,138	1,699	5,147	1,716
<b>Total</b>	<b>35,080</b>	<b>13,678</b>	<b>36,109</b>	<b>14,233</b>	<b>36,020</b>	<b>14,071</b>	<b>37,908</b>	<b>14,906</b>

Counterparty Type	September 30, 2015		June 30, 2015		March 31, 2015		December 31, 2014	
	Notional Undrawn	EAD on Undrawn	Notional Undrawn	EAD on Undrawn	Notional Undrawn	EAD on Undrawn	Notional Undrawn	EAD on Undrawn
Corporate	32,775	13,324	32,619	13,253	30,479	12,356	29,974	12,137
Sovereign	137	40	124	34	123	38	116	34
Bank	79		89		58		88	
Total Corporate, Sovereign and Bank	32,992	13,363	32,832	13,287	30,660	12,394	30,178	12,172
Residential Mortgages	25		24	1	27		30	1
HELOC's	3,260	1,035	3,176	1,001	3,165	1,001	3,144	1,040
Other Retail (excluding QRR and SME)	675	196	679	196	694	196	691	197
Qualifying Revolving Retail	920	226	926	226	936	229	941	234
Retail SME	257	252	283	271	269	266	294	293
Total Retail	5,137	1,709	5,089	1,696	5,090	1,691	5,101	1,765
<b>Total</b>	<b>38,129</b>	<b>15,072</b>	<b>37,921</b>	<b>14,983</b>	<b>35,751</b>	<b>14,085</b>	<b>35,279</b>	<b>13,937</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 2015.

## 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 2015.

### *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 has not changed during 2015. Further details may be found in the notes on significant account policies and fair value of financial instruments, Annual Report and Accounts 2015.

### *Securitization activities during 2016*

To date, there has not been any securitization activity during 2016.

### *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 2015.



## Securitization Exposures

(\$ millions except as noted)

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

	At September 30, 2016			At June 30, 2016			At March 31, 2016			At December 31, 2015		
	Trading	Banking	Total	Trading	Banking	Total	Trading	Banking	Total	Trading	Banking	Total
<b>As Sponsor<sup>3</sup></b>												
Trade receivables		51	51		230	230		230	230		230	230
<b>As Investor</b>												
Residential mortgages												
Trade receivables												
		51	51		230	230		230	230		230	230

	At September 30, 2015			At June 30, 2015			At March 31, 2015			At December 31, 2014		
	Trading	Banking	Total	Trading	Banking	Total	Trading	Banking	Total	Trading	Banking	Total
<b>As Sponsor<sup>3</sup></b>												
Trade receivables		245	245		245	245		245	245		245	245
<b>As Investor</b>												
Residential mortgages												
Trade receivables												
		245	245		245	245		245	245		245	245

<sup>1</sup> 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.

<sup>2</sup> 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 for periods thereafter) in respect of derivative contracts with the bank sponsored multi-seller conduit.

<sup>3</sup> 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 September 30
		As sponsor	As investor	
<b>2016</b>				
Aggregate amount of securitization exposures (retained or purchased)				
Residential mortgages				
Trade receivables	230	(179)	-	51
	230	(179)	-	51

### Securitization exposure - asset values and impairment charges

	At September 30, 2016			At June 30, 2016			At March 31, 2016			At December 31, 2015		
	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
<b>As Sponsor</b>												
Trade receivables	94			306			306			290		
<b>As Investor</b>												
Residential mortgages												
Trade receivables												

	At September 30, 2015			At June 30, 2015			At March 31, 2015			At December 31, 2014		
	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
<b>As Sponsor</b>												
Trade receivables	343			334			350			355		
<b>As Investor<sup>1</sup></b>												
Residential mortgages												
Trade receivables												

<sup>1</sup> For securitisations where HSBC acts as investor, information on third-party underlying assets is not available.

## Securitization Exposures

(\$ millions except as noted)

### Securitization exposures by risk weighting

	Exposure value at September 30, 2016			Exposure value at June 30, 2016			Exposure value at March 31, 2016			Exposure value at December 31, 2015		
	Trading book	Banking book	Total	Trading book	Banking book	Total	Trading book	Banking book	Total	Trading book	Banking book	Total
Category risk weights												
≤ 10%												
> 10% ≤ 20%		51	51		230	230		230	230		230	230
> 20% ≤ 50%												
> 50% ≤ 100%												
> 100% ≤ 650%												
> 650% < 1250%												
1250%												
<b>Total</b>		<b>51</b>	<b>51</b>		<b>230</b>	<b>230</b>		<b>230</b>	<b>230</b>		<b>230</b>	<b>230</b>

	Exposure value at September 30, 2015			Exposure value at June 30, 2015			Exposure value at March 31, 2015			Exposure value at December 31, 2014		
	Trading book	Banking book	Total	Trading book	Banking book	Total	Trading book	Banking book	Total	Trading book	Banking book	Total
Category risk weights												
≤ 10%												
> 10% ≤ 20%		245	245		245	245		245	245		245	245
> 20% ≤ 50%												
> 50% ≤ 100%												
> 100% ≤ 650%												
> 650% < 1250%												
1250%												
<b>Total</b>		<b>245</b>	<b>245</b>		<b>245</b>	<b>245</b>		<b>245</b>	<b>245</b>		<b>245</b>	<b>245</b>

### Capital required by risk weighting

	Capital required at September 30, 2016			Capital required at June 30, 2016			Capital required at March 31, 2016			Capital required at December 31, 2015		
	Trading book	Banking book	Total	Trading book	Banking book	Total	Trading book	Banking book	Total	Trading book	Banking book	Total
Category risk weights												
≤ 10%												
> 10% ≤ 20%		1	1		1	1		1	1		1	1
> 20% ≤ 50%												
> 50% ≤ 100%												
> 100% ≤ 650%												
> 650% < 1250%												
1250%												
<b>Total</b>		<b>1</b>	<b>1</b>		<b>1</b>	<b>1</b>		<b>1</b>	<b>1</b>		<b>1</b>	<b>1</b>

	Capital required at September 30, 2015			Capital required at June 30, 2015			Capital required at March 31, 2015			Capital required at December 31, 2014		
	Trading book	Banking book	Total	Trading book	Banking book	Total	Trading book	Banking book	Total	Trading book	Banking book	Total
Category risk weights												
≤ 10%												
> 10% ≤ 20%		1	1		1	1		2	2		2	2
> 20% ≤ 50%												
> 50% ≤ 100%												
> 100% ≤ 650%												
> 650% < 1250%												
1250%												
<b>Total</b>		<b>1</b>	<b>1</b>		<b>1</b>	<b>1</b>		<b>2</b>	<b>2</b>		<b>2</b>	<b>2</b>

## Market Risk

### **Market Risk**

Market Risk is the risk that movements in market factors, such as foreign exchange rates, interest rates, credit spread, equity prices and commodity prices will reduce the value of our portfolios.

### **Market Risk Governance**

HSBC Bank Canada's strategic objectives in undertaking trading activities are to solidify the Bank's position as the leading international bank in Canada through finance-focused and emerging markets-led strategy. The Bank delivers global products and solutions to domestic clients, and provides global clients access to local products and services. The Bank uses global models and systems for measuring market risk. Information from the Primary Trading Systems is sent to global HSBC Group systems, where the VaR calculations and aggregations are performed. The calculations are performed daily and the risk measures are compared to limits. Breaches are escalated to senior management.

Market Risk is the independent oversight unit within HSBC Bank Canada and has a mandate to ensure that market risks are within the risk appetite of the Bank. Market Risk is responsible for the daily calculation of market risk measures and backtesting reports, setting of limits and monitoring exposures against limits, and calculation and reporting of capital charges. The Global Risk Analytics team, which is responsible for development and validation of model methodology as well as liaison with external regulators, works closely with the core Market Risk team.

The Audit and Risk Committee (ARC), a committee of the Board of Directors, has non-executive responsibility for oversight and advice to the Board on matters related to financial reporting and high level risk related matters and risk governance. The Risk Management Committee (RMC) has a mission to provide strategic enterprise-wide risk management. A subcommittee of the RMC is the Wholesale Credit and Market Risk Model Oversight Committee which is primarily responsible for oversight (including approval, monitoring, vetting, ensuring fitness of purpose, etc) of models, primarily Basel models used in the estimation of regulatory capital charges. The Market Risk IMA Steering Committee is responsible for providing guidance on preparation of the Market Risk IMA application. As OSFI granted conditional approval for the Market Risk IMA application in January 2016, the Steering Committee's main focus now is on tracking and oversight of remediation work to obtain full approval for the IMA.

## Market Risk RWA

(\$ millions except as noted)

### Internal Model Approach (IMA)

At HSBC Bank Canada, the IMA is used to measure VaR and Stressed VaR for the Trading Book for regulatory purposes. A historical simulation approach is used for General Market Risk and a Standardized Approach is used for Specific Risk. The VaR model used by HSBC Bank Canada is an HSBC Group model used in jurisdictions around the world. For regulatory purposes, 99% VaR 10-day is computed while for internal purposes 1-day VaR is used.

VaR and stressed VaR are computed using the historical scenarios approach. For VaR, 500 scenarios (roughly 2 years of scenarios) are used, whereas for stressed VaR 250 scenarios (roughly 1 year of scenarios) are used. For VaR, the 10-day VaR is obtained from 1-day VaR by multiplying by the square root of 10. For stressed VaR, the 10-day VaR is computed directly. Historical scenarios are updated every 2 weeks, and a Taylor-series approach, as opposed to full revaluation, is used to compute the daily profit and loss vectors used in the VaR calculation.

For general market risk, VaR is computed for the entire Trading Book as well as for the individual lines of business. For general market risk the profit and loss vectors are aggregated from the different lines of business before the VaR is computed for the Trading Book. The specific risk component is computed separately.

For the stressed VaR calculation, each quarter a VaR calculation is done using overlapping 250-day windows to determine the largest VaR value. The 250-day period corresponding to the largest VaR value is the stressed VaR period, which is then used for the remainder of the quarter to determine the stressed VaR. Backtesting is performed on a daily basis to monitor the performance of the VaR model. VaR for each day is compared to the hypothetical profit and loss (profit and loss between next business day and VaR day, assuming portfolio has not changed). If the profit and loss exceeds the VaR, then a breach is said to occur. Breaches of 99% 1-day VaR

## Market Risk RWA

(\$ millions except as noted)

RWA flow statement of market risk exposures	September 30, 2016			June 30, 2016			March 31, 2016		
	VaR	Stressed VaR	Total RWA	VaR	Stressed VaR	Total RWA	VaR	Stressed VaR	Total RWA
<b>Internal model approach:</b>									
RWA at previous quarter-end	217	383	600	274	536	810			
Movement in risk levels (1)	12	(52)	(40)	(57)	(153)	(210)			
Methodology and policy (2)							274	536	810
<b>RWA at end of reporting period</b>	<b>229</b>	<b>331</b>	<b>560</b>	<b>217</b>	<b>383</b>	<b>600</b>	<b>274</b>	<b>536</b>	<b>810</b>
<b>Standardised method:</b>									
Interest rate position risk (specific)			230			367			678
<b>RWA at end of reporting period</b>			<b>790</b>			<b>967</b>			<b>1,488</b>

(1) Movement due to position changes; foreign exchange movements are embedded in the movement in risk levels.

(2) HSBC has been authorised to use its internal models to calculate Market Risk beginning with Q1 2016.

### IMA values for trading portfolios

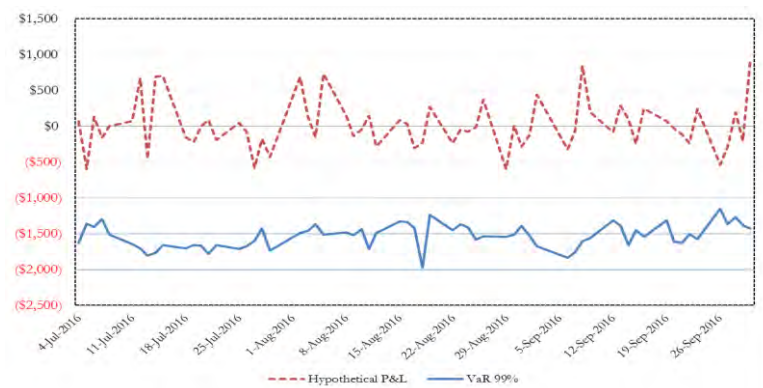
(\$ thousands except as noted)

	September 30, 2016		June 30, 2016		March 31, 2016	
	VaR	Stressed VaR	VaR	Stressed VaR	VaR	Stressed VaR
1 Maximum value	7,011	8,853	7,029	10,029	8,095	10,897
2 Average value	4,551	6,602	4,430	6,232	5,427	8,035
3 Minimum value	2,949	5,136	2,427	3,493	3,752	6,085
4 Period end	4,374	5,420	4,532	8,659	6,430	10,861

### Comparison of VaR estimates with gains/losses

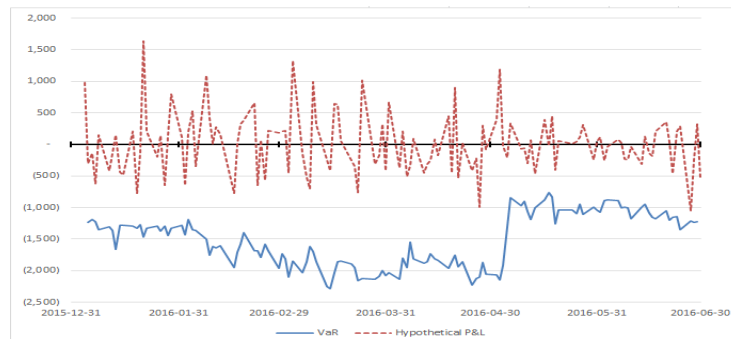
(\$ thousands except as noted)

For the current quarter ended at September 30, 2016



There were no backtesting exceptions during the period.

For the first half year ended June 30, 2016



There were no backtesting exceptions during the period.

## 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** - Deposit taking institutions, securities firms and certain public sector entities.

**Commitments (Undrawn)** - A credit risk exposure resulting from the unutilized portion of an authorized credit line/committed credit facility.

**Corporate** - Exposures to corporations, partnerships and proprietorships.

**Drawn** - A 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)** - 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** - Over-the-counter derivatives contracts.

**Other Off Balance Sheet Items** - Off-balance sheet arrangements other than derivatives and undrawn commitments, such as standby letters of credit and letters of guarantee.

**Other Retail** - Personal loans not captured in Retail Mortgages, HELOCs and QRR.

**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)** - Credit cards and unsecured lines of credit extended to individuals.

**Repo-Style Transactions** - Repurchase and reverse repurchase agreements as well as securities borrowing and lending.

**Retail SME** - Retail Small Medium Enterprises eg. small business loans.

**Sovereign** - 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.