

2016

**HSBC Bank Canada
Regulatory Capital and
Risk Management
Pillar 3 Supplemental Disclosures
as at March 31, 2016**



Index & Notes to Users

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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 ¹ | | | | | | | |
|--|--|---------------------|---------|---------|---------|---------|---------|---------|---------|
| Common Equity Tier 1 capital: instruments and reserves | | 1Q 2016 | 4Q 2015 | 3Q 2015 | 2Q 2015 | 1Q 2015 | 4Q 2014 | 3Q 2014 | 2Q 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 | 3,246 | 3,209 | 3,292 | 3,254 | 3,151 | 3,108 | 3,148 | 3,079 |
| 3 | Accumulated other comprehensive income (and other reserves) | 90 | 92 | 83 | 154 | 233 | 117 | 113 | 137 |
| 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 | 4,561 | 4,526 | 4,600 | 4,633 | 4,609 | 4,450 | 4,486 | 4,441 |
| Common Equity Tier 1 capital: regulatory adjustments | | | | | | | | | |
| 28 | Total regulatory adjustments to Common Equity Tier 1 | (233) | (198) | (207) | (190) | (236) | (170) | (172) | (205) |
| 29 | Common Equity Tier 1 capital (CET1) | 4,328 | 4,328 | 4,393 | 4,444 | 4,374 | 4,280 | 4,314 | 4,236 |
| Additional Tier 1 capital: instruments | | | | | | | | | |
| 30 | Directly issued qualifying Additional Tier 1 instruments plus related stock surplus | 500 | 500 | 500 | 500 | na | na | na | na |
| 31 | of which: classified as equity under applicable accounting standards | 500 | 500 | 500 | 500 | na | na | 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 | 550 | 550 | 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 | 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 | 550 | 550 | 550 | 550 |
| Additional Tier 1 capital: regulatory adjustments | | | | | | | | | |
| 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 | 550 | 550 | 550 | 550 |
| 45 | Tier 1 capital (T1 = CET1 + AT1) | 5,178 | 5,178 | 5,243 | 5,294 | 4,924 | 4,830 | 4,864 | 4,786 |
| Tier 2 capital: instruments and allowances | | | | | | | | | |
| 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 | 450 | 532 | 532 | 532 | 532 | 608 | 608 | 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 | 49 | 53 | 4 | 4 | 4 | 3 | 8 | 8 |
| 51 | Tier 2 capital before regulatory adjustments | 499 | 585 | 536 | 536 | 536 | 611 | 616 | 616 |
| Tier 2 capital: regulatory adjustments | | | | | | | | | |
| 57 | Total regulatory adjustments to Tier 2 capital | na | na | na | na | 1 | na | na | na |
| 58 | Tier 2 capital (T2) | 499 | 585 | 536 | 536 | 537 | 611 | 616 | 616 |
| 59 | Total capital (TC = T1 + T2) | 5,677 | 5,763 | 5,779 | 5,829 | 5,460 | 5,441 | 5,480 | 5,402 |
| 60 | Total risk-weighted assets | na | na | na | na | na | na | na | 38,629 |
| 60a | Common Equity Tier 1 (CET1) Capital RWA ² | 43,069 | 42,846 | 42,787 | 42,358 | 41,642 | 40,269 | 40,129 | na |
| 60b | Tier 1 Capital RWA ² | 43,069 | 42,846 | 42,787 | 42,358 | 41,642 | 40,269 | 40,129 | na |
| 60c | Total Capital RWA ² | 43,069 | 42,846 | 42,787 | 42,358 | 41,642 | 40,269 | 40,129 | 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) At Q1 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 ¹ | | | | | | | |
|--|--|---------------------------|---------|---------|---------|---------|---------|---------|---------|
| Capital ratios | | 1Q 2016 | 4Q 2015 | 3Q 2015 | 2Q 2015 | 1Q 2015 | 4Q 2014 | 3Q 2014 | 2Q 2014 |
| 61 | Common Equity Tier 1 (as percentage of risk-weighted assets) | 10.0% | 10.1% | 10.3% | 10.5% | 10.5% | 10.6% | 10.8% | 11.0% |
| 62 | Tier 1 (as percentage of risk-weighted assets) | 12.0% | 12.1% | 12.3% | 12.5% | 11.8% | 12.0% | 12.1% | 12.4% |
| 63 | Total capital (as percentage of risk-weighted assets) | 13.2% | 13.5% | 13.5% | 13.8% | 13.1% | 13.5% | 13.7% | 14.0% |
| 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% | 70% | 70% | 70% | 70% | 80% | 80% | 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% | 70% | 70% | 70% | 70% | 80% | 80% | 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% | 70% | 70% | 70% | 70% | 80% | 80% | 80% |
| 85 | Amounts excluded from T2 due to cap (excess over cap after redemptions and maturities) | - | 121 | 124 | 129 | 132 | 57 | 58 | 60 |

| | | Transitional Basis ² | | | | | | | |
|----------------|--|---------------------------------|---------|---------|---------|---------|---------|---------|---------|
| Capital | | 1Q 2016 | 4Q 2015 | 3Q 2015 | 2Q 2015 | 1Q 2015 | 4Q 2014 | 3Q 2014 | 2Q 2014 |
| 29 | Common Equity Tier 1 capital (CET1) | 4,385 | 4,391 | 4,451 | 4,494 | 4,427 | 4,367 | 4,396 | 4,333 |
| 45 | Tier 1 capital (T1 = CET1 + AT1) | 5,216 | 5,227 | 5,282 | 5,327 | 4,962 | 4,889 | 4,921 | 4,858 |
| 59 | Total capital (TC = T1 + T2) | 5,715 | 5,812 | 5,813 | 5,859 | 5,499 | 5,491 | 5,532 | 5,469 |
| 60 | Total risk-weighted assets | 43,267 | 43,141 | 43,102 | 42,661 | 42,074 | 40,867 | 40,757 | 39,445 |
| Capital ratios | | | | | | | | | |
| 61 | Common Equity Tier 1 (as percentage of risk-weighted assets) | 10.1% | 10.2% | 10.3% | 10.5% | 10.5% | 10.7% | 10.8% | 11.0% |
| 62 | Tier 1 (as percentage of risk-weighted assets) | 12.1% | 12.1% | 12.3% | 12.5% | 11.8% | 12.0% | 12.1% | 12.3% |
| 63 | Total capital (as percentage of risk-weighted assets) | 13.2% | 13.5% | 13.5% | 13.7% | 13.1% | 13.4% | 13.6% | 13.9% |
| | Assets to Capital Multiple (ACM) | na | na | na | na | na | 17.1 | 16.3 | 16.0 |
| | Leverage Ratio | 4.8% | 4.7% | 4.7% | 4.9% | 4.6% | na | na | 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.

Risk-Weighted Assets¹

(\$ millions except as noted)

| Risk-Weighted Assets (RWA) (\$ millions except as noted) | March 31, 2016 | | | | December 31, 2015 | | | | September 30, 2015 | | | | June 30, 2015 | | | |
|---|-----------------|--------------------------|----------------------|---------------|-------------------|--------------------------|----------------------|---------------|--------------------|--------------------------|----------------------|---------------|-----------------|--------------------------|----------------------|---------------|
| | Exposure (2) | RWA | | | Exposure (2) | RWA | | | Exposure (2) | RWA | | | Exposure (2) | RWA | | |
| | | Standardized Approach | Advanced Approach | Total | | Standardized Approach | Advanced Approach | Total | | Standardized Approach | Advanced Approach | Total | | Standardized Approach | Advanced Approach | Total |
| Corporate | 49,747 | - | 27,040 | 27,040 | 53,899 | - | 27,896 | 27,896 | 57,459 | - | 28,288 | 28,288 | 55,946 | - | 27,592 | 27,592 |
| Sovereign | 21,533 | - | 676 | 676 | 25,740 | - | 850 | 850 | 26,263 | - | 830 | 830 | 22,065 | - | 718 | 718 |
| Bank | 13,636 | - | 640 | 640 | 11,953 | - | 679 | 679 | 12,775 | - | 643 | 643 | 11,931 | - | 666 | 666 |
| Residential Mortgages | 19,665 | - | 1,818 | 1,818 | 19,243 | - | 1,781 | 1,781 | 19,099 | - | 1,761 | 1,761 | 18,699 | - | 1,687 | 1,687 |
| HELOC's | 2,900 | - | 606 | 606 | 2,902 | - | 611 | 611 | 2,945 | - | 626 | 626 | 2,951 | - | 617 | 617 |
| Other Retail (excluding QRR and SME) | 2,350 | 434 | 331 | 765 | 2,506 | 482 | 365 | 847 | 2,620 | 507 | 336 | 843 | 2,829 | 536 | 418 | 953 |
| Qualifying Revolving Retail | 483 | - | 196 | 196 | 491 | - | 195 | 195 | 502 | - | 196 | 196 | 506 | - | 200 | 200 |
| Retail SME | 487 | - | 304 | 304 | 508 | - | 311 | 311 | 508 | - | 318 | 318 | 561 | - | 354 | 354 |
| Exposures subject to standardized or IRB approaches (6) | 110,802 | 434 | 31,613 | 32,046 | 117,241 | 482 | 32,688 | 33,170 | 122,171 | 507 | 32,999 | 33,506 | 115,489 | 536 | 32,252 | 32,787 |
| Equity (3) | 117 | - | 117 | 117 | 23 | - | 23 | 23 | 16 | - | 16 | 16 | 4 | - | 4 | 4 |
| Securitization (4) | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Other assets not included in standardized or IRB approaches (5) | 3,332 | - | - | 2,324 | 2,678 | - | - | 2,077 | 1,424 | - | - | 1,979 | 1,652 | - | - | 2,011 |
| Adjustment to IRB risk-weighted assets for scaling factor | - | - | - | 1,904 | - | - | - | 1,963 | - | - | - | 1,981 | - | - | - | 1,935 |
| Total Credit Risk | 114,251 | | | 36,391 | 119,942 | | | 37,232 | 123,611 | | | 37,482 | 117,145 | | | 36,738 |
| Market Risk (6) | - | - | - | 1,489 | - | - | - | - | - | - | - | - | - | - | - | - |
| Operational Risk - Standardized Approach | - | - | - | 3,702 | - | - | - | 3,710 | - | - | - | 3,764 | - | - | - | 3,792 |
| Total Risk-Weighted Assets before adjustments | | | | 41,581 | | | | 40,942 | | | | 41,247 | | | | 40,529 |
| Total RWA after adjustment for CVA phase-in (5) | | | | | | | | | | | | | | | | |
| Common Equity Tier 1 (CET1) Capital RWA | - | - | - | 41,112 | - | - | - | 40,519 | - | - | - | 40,827 | - | - | - | 40,128 |
| Tier 1 Capital RWA | - | - | - | 41,203 | - | - | - | 40,602 | - | - | - | 40,909 | - | - | - | 40,206 |
| Total Capital RWA | - | - | - | 41,282 | - | - | - | 40,672 | - | - | - | 40,979 | - | - | - | 40,273 |
| Adjustment for Regulatory Floor (7) | | | | | | | | | | | | | | | | |
| CET1 Capital RWA Floor | - | - | - | 1,957 | - | - | - | 2,327 | - | - | - | 1,960 | - | - | - | 2,229 |
| Tier 1 Capital RWA Floor | - | - | - | 1,865 | - | - | - | 2,244 | - | - | - | 1,878 | - | - | - | 2,151 |
| Total Capital RWA Floor | - | - | - | 1,787 | - | - | - | 2,174 | - | - | - | 1,808 | - | - | - | 2,084 |
| Adjusted Total Risk-Weighted Assets | | | | | | | | | | | | | | | | |
| Adjusted Common Equity Tier 1 (CET1) Capital RWA | - | - | - | 43,069 | - | - | - | 42,846 | - | - | - | 42,787 | - | - | - | 42,358 |
| Adjusted Tier 1 Capital RWA | - | - | - | 43,069 | - | - | - | 42,846 | - | - | - | 42,787 | - | - | - | 42,358 |
| Adjusted Total Capital RWA | - | - | - | 43,069 | - | - | - | 42,846 | - | - | - | 42,787 | - | - | - | 42,358 |

| Risk-Weighted Assets (RWA) (\$ millions except as noted) | March 31, 2015 | | | | December 31, 2014 | | | | September 30, 2014 | | | | June 30, 2014 | | | |
|---|-----------------|--------------------------|----------------------|---------------|-------------------|--------------------------|----------------------|---------------|--------------------|--------------------------|----------------------|---------------|-----------------|--------------------------|----------------------|---------------|
| | Exposure (2) | RWA | | | Exposure (2) | RWA | | | Exposure (2) | RWA | | | Exposure (2) | RWA | | |
| | | Standardized Approach | Advanced Approach | Total | | Standardized Approach | Advanced Approach | Total | | Standardized Approach | Advanced Approach | Total | | Standardized Approach | Advanced Approach | Total |
| Corporate | 53,681 | - | 26,437 | 26,437 | 54,626 | - | 23,906 | 23,906 | 52,107 | - | 23,521 | 23,521 | 50,717 | - | 22,906 | 22,906 |
| Sovereign | 21,672 | - | 741 | 741 | 21,597 | - | 697 | 697 | 20,850 | - | 725 | 725 | 20,865 | - | 765 | 765 |
| Bank | 13,038 | - | 713 | 713 | 9,201 | - | 727 | 727 | 9,259 | - | 763 | 763 | 7,868 | - | 730 | 730 |
| Residential Mortgages | 18,266 | - | 1,661 | 1,661 | 18,328 | 105 | 1,709 | 1,814 | 18,250 | 135 | 1,679 | 1,814 | 17,873 | 150 | 1,641 | 1,791 |
| HELOC's | 2,971 | - | 631 | 631 | 3,046 | - | 652 | 652 | 3,047 | - | 650 | 650 | 3,152 | - | 672 | 672 |
| Other Retail (excluding QRR and SME) | 2,774 | 550 | 361 | 911 | 2,678 | 422 | 401 | 823 | 3,731 | 1,179 | 412 | 1,590 | 3,683 | 1,116 | 439 | 1,555 |
| Qualifying Revolving Retail | 514 | - | 203 | 203 | 527 | - | 211 | 211 | 537 | - | 210 | 210 | 544 | - | 215 | 215 |
| Retail SME | 554 | - | 350 | 350 | 593 | - | 369 | 369 | 602 | - | 378 | 378 | 649 | - | 421 | 421 |
| Exposures subject to standardized or IRB approaches | 113,469 | 550 | 31,097 | 31,647 | 110,595 | 527 | 28,672 | 29,199 | 108,383 | 1,313 | 28,338 | 29,651 | 105,351 | 1,266 | 27,789 | 29,055 |
| Equity (3) | 4 | - | 4 | 4 | 4 | - | 4 | 4 | 28 | - | 28 | 28 | 4 | - | 4 | 4 |
| Securitization (4) | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Trading Book | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Other assets not included in standardized or IRB approaches (5) | 2,108 | - | - | 2,241 | 3,064 | - | - | 2,380 | 2,485 | - | - | 2,844 | 2,411 | - | - | 1,944 |
| Adjustment to IRB risk-weighted assets for scaling factor | - | - | - | 1,866 | - | - | - | 1,721 | - | - | - | 1,702 | - | - | - | 1,668 |
| Total Credit Risk | 115,581 | | | 35,759 | 113,664 | | | 33,304 | 110,895 | | | 34,225 | 107,765 | | | 32,671 |
| Market Risk (6) | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Operational Risk - Standardized Approach | - | - | - | 3,831 | - | - | - | 3,882 | - | - | - | 3,906 | - | - | - | 3,989 |
| Total Risk-Weighted Assets before adjustments | | | | 39,590 | | | | 37,186 | | | | 38,130 | | | | 36,659 |
| Total RWA after adjustment for CVA phase-in (5) | | | | | | | | | | | | | | | | |
| Common Equity Tier 1 (CET1) Capital RWA | - | - | - | 39,118 | - | - | - | 36,553 | - | - | - | 37,328 | - | - | - | 36,659 |
| Tier 1 Capital RWA | - | - | - | 39,209 | - | - | - | 36,671 | - | - | - | 37,477 | - | - | - | 36,659 |
| Total Capital RWA | - | - | - | 39,288 | - | - | - | 36,847 | - | - | - | 37,701 | - | - | - | 36,659 |
| Adjustment for Regulatory Floor (7) | | | | | | | | | | | | | | | | |
| CET1 Capital RWA Floor | - | - | - | 2,524 | - | - | - | 3,716 | - | - | - | 2,802 | - | - | - | 1,969 |
| Tier 1 Capital RWA Floor | - | - | - | 2,433 | - | - | - | 3,598 | - | - | - | 2,653 | - | - | - | 1,969 |
| Total Capital RWA Floor | - | - | - | 2,354 | - | - | - | 3,422 | - | - | - | 2,428 | - | - | - | 1,969 |
| Adjusted Total Risk-Weighted Assets | | | | | | | | | | | | | | | | |
| Adjusted Common Equity Tier 1 (CET1) Capital RWA | - | - | - | 41,642 | - | - | - | 40,269 | - | - | - | 40,129 | - | - | - | 38,629 |
| Adjusted Tier 1 Capital RWA | - | - | - | 41,642 | - | - | - | 40,269 | - | - | - | 40,129 | - | - | - | 38,629 |
| Adjusted Total Capital RWA | - | - | - | 41,642 | - | - | - | 40,269 | - | - | - | 40,129 | - | - | - | 38,629 |

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

(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 2014, a new CVA regulatory capital charge has been added. For Q1 and Q2 2014 the CVA regulatory capital charge has been reflected in RWAs included in Other assets and is calculated using the standardized method and a scalar of .57. Commencing Q1 2015 the CVA risk-weighted assets were calculated using the scalars of 0.64, 0.71 and 0.77 to compute CET1 capital RWA, Tier 1 capital RWA and Total capital RWA respectively.

(6) Market Risk is the risk that the value of a portfolio will decrease due to movements in market factors, such as interest rates, foreign exchange rates, credit spreads, equity prices and commodity prices. Effective Q1 2016, OSFI has authorised HSBC Bank Canada's Market Risk model. As a result, credit risk exposures exclude the trading portfolio.

(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.

(8) Market Risk is the risk of losses originating from exposure to interest rate-related instruments and equities

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 |
|--|---------------|-----------------------|-------------------------|--------------|-------------------------------|--------------------------|---------------|-----------------------|-------------------------|--------------|-------------------------------|----------------|
| March 31, 2016 | | | | | | December 31, 2015 | | | | | | |
| 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 |
| Total Corporate, Sovereign and Bank (1) | 52,028 | 12,372 | 13,156 | 3,233 | 4,127 | 84,916 | 57,886 | 13,190 | 12,908 | 3,545 | 4,063 | 91,592 |
| 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 |
| Total Retail | 24,167 | 1,699 | | | 21 | 25,886 | 23,911 | 1,716 | | | 23 | 25,649 |
| Total Gross Credit Exposure | 76,195 | 14,071 | 13,156 | 3,233 | 4,147 | 110,802 | 81,797 | 14,906 | 12,908 | 3,545 | 4,086 | 117,241 |
| September 30, 2015 | | | | | | June 30, 2015 | | | | | | |
| 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 |
| Total Corporate, Sovereign and Bank | 59,293 | 13,363 | 16,165 | 3,098 | 4,577 | 96,496 | 55,078 | 13,287 | 14,116 | 2,849 | 4,611 | 89,942 |
| 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 |
| Total Retail | 23,933 | 1,709 | | | 32 | 25,674 | 23,819 | 1,696 | | | 32 | 25,547 |
| Total Gross Credit Exposure | 83,227 | 15,072 | 16,165 | 3,098 | 4,609 | 122,171 | 78,897 | 14,983 | 14,116 | 2,849 | 4,644 | 115,489 |
| March 31, 2015 | | | | | | December 31, 2014 | | | | | | |
| 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 |
| Total Corporate, Sovereign and Bank | 54,201 | 12,394 | 14,094 | 3,341 | 4,361 | 88,391 | 52,542 | 12,172 | 12,856 | 3,506 | 4,348 | 85,424 |
| 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 |
| Total Retail | 23,362 | 1,691 | | | 24 | 25,078 | 23,355 | 1,765 | | | 51 | 25,171 |
| Total Gross Credit Exposure | 77,563 | 14,085 | 14,094 | 3,341 | 4,385 | 113,469 | 75,898 | 13,937 | 12,856 | 3,506 | 4,399 | 110,595 |
| September 30, 2014 | | | | | | June 30, 2014 | | | | | | |
| Corporate | 28,236 | 11,175 | 7,545 | 1,629 | 3,521 | 52,107 | 28,115 | 10,878 | 7,430 | 1,216 | 3,079 | 50,717 |
| Sovereign | 20,530 | 25 | | 222 | 73 | 20,850 | 20,530 | 47 | | 215 | 73 | 20,865 |
| Bank | 2,685 | | 2,698 | 3,322 | 554 | 9,259 | 1,961 | | 2,706 | 2,655 | 547 | 7,868 |
| Total Corporate, Sovereign and Bank | 51,451 | 11,199 | 10,243 | 5,174 | 4,149 | 82,216 | 50,605 | 10,926 | 10,135 | 4,085 | 3,700 | 79,451 |
| Residential Mortgages | 18,250 | | | | | 18,250 | 17,871 | 1 | | | | 17,873 |
| HELOC's | 2,041 | 1,006 | | | | 3,047 | 2,118 | 1,033 | | | | 3,152 |
| Other Retail (excluding QRR and SME) | 2,541 | 1,165 | | | 25 | 3,731 | 2,612 | 1,063 | | | 8 | 3,683 |
| Qualifying Revolving Retail | 302 | 235 | | | | 537 | 305 | 240 | | | | 544 |
| Retail SME | 294 | 287 | | | 22 | 602 | 314 | 312 | | | 24 | 649 |
| Total Retail | 23,428 | 2,693 | | | 46 | 26,167 | 23,220 | 2,649 | | | 31 | 25,900 |
| Total Gross Credit Exposure | 74,879 | 13,892 | 10,243 | 5,174 | 4,195 | 108,383 | 73,825 | 13,574 | 10,135 | 4,085 | 3,731 | 105,351 |

(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)

| | 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 |
| Total Gross Credit Exposure (1) | 76,195 | 14,071 | 13,156 | 3,233 | 4,147 | 110,802 | 81,797 | 14,906 | 12,908 | 3,545 | 4,086 | 117,241 |

| | 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 |
| Total Gross Credit Exposure | 83,227 | 15,072 | 16,165 | 3,098 | 4,609 | 122,171 | 78,897 | 14,983 | 14,116 | 2,849 | 4,644 | 115,489 |

| | 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 |
| Total Gross Credit Exposure | 77,563 | 14,085 | 14,094 | 3,341 | 4,385 | 113,469 | 75,898 | 13,937 | 12,856 | 3,506 | 4,399 | 110,595 |

| | September 30, 2014 | | | | | | June 30, 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 | 20,622 | 3,377 | | 74 | 559 | 24,632 | 20,447 | 3,391 | 103 | 58 | 674 | 24,673 |
| Western Canada, excluding British Columbia | 10,413 | 4,369 | | 540 | 1,385 | 16,707 | 10,438 | 4,213 | | 484 | 903 | 16,039 |
| Ontario | 36,947 | 4,294 | 10,243 | 3,984 | 1,500 | 56,968 | 36,344 | 4,145 | 10,032 | 3,247 | 1,418 | 55,187 |
| Quebec & Atlantic provinces | 6,898 | 1,851 | | 576 | 751 | 10,075 | 6,595 | 1,825 | | 296 | 735 | 9,452 |
| Total Gross Credit Exposure | 74,879 | 13,892 | 10,243 | 5,174 | 4,195 | 108,383 | 73,825 | 13,574 | 10,135 | 4,085 | 3,731 | 105,351 |

(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)

| | 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 |
| Total Gross Credit Exposure (1) | 76,195 | 14,071 | 13,156 | 3,233 | 4,147 | 110,802 | 81,797 | 14,906 | 12,908 | 3,545 | 4,086 | 117,241 |

| | 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 |
| Total Gross Credit Exposure | 83,227 | 15,072 | 16,165 | 3,098 | 4,609 | 122,171 | 78,897 | 14,983 | 14,116 | 2,849 | 4,644 | 115,489 |

| | 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 |
| Total Gross Credit Exposure | 77,563 | 14,085 | 14,094 | 3,341 | 4,385 | 113,469 | 75,898 | 13,937 | 12,856 | 3,506 | 4,399 | 110,595 |

| | September 30, 2014 | | | | | | June 30, 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 | 28,139 | 9,231 | 10,243 | 2,452 | 3,518 | 53,583 | 27,652 | 8,746 | 10,135 | 1,603 | 2,516 | 50,653 |
| 1-5 years | 38,556 | 4,509 | | 1,596 | 621 | 45,282 | 37,664 | 4,655 | | 1,455 | 1,174 | 44,948 |
| Greater than 5 years | 8,184 | 152 | | 1,125 | 56 | 9,519 | 8,509 | 173 | | 1,027 | 41 | 9,750 |
| Total Gross Credit Exposure | 74,879 | 13,892 | 10,243 | 5,174 | 4,195 | 108,383 | 73,825 | 13,574 | 10,135 | 4,085 | 3,731 | 105,351 |

(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)

| | March 31, 2016 | | | | December 31, 2015 | | | | September 30, 2015 | | | | June 30, 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 | | | 28,364 | 12,143 | | | 29,569 | 12,995 | | | 30,306 | 13,324 | | | 30,284 | 13,253 |
| Sovereign | | | 20,786 | 229 | | | 24,807 | 195 | | | 25,502 | 40 | | | 21,659 | 34 |
| Bank | | | 2,878 | | | | 3,511 | | | | 3,486 | | | | 3,135 | |
| Total Corporate, Sovereign and Bank (1) | | | 52,028 | 12,372 | | | 57,886 | 13,190 | | | 59,293 | 13,363 | | | 55,078 | 13,287 |
| Residential Mortgages | | | 19,665 | | | | 19,239 | 4 | | | 19,099 | | | | 18,698 | 1 |
| HELOC's | | | 1,855 | 1,045 | | | 1,862 | 1,040 | | | 1,910 | 1,035 | | | 1,950 | 1,001 |
| Other Retail (excluding QRR and SME) | 573 | | 1,597 | 178 | 638 | | 1,678 | 186 | 670 | | 1,741 | 196 | 708 | | 1,912 | 196 |
| Qualifying Revolving Retail | | | 261 | 223 | | | 267 | 224 | | | 277 | 226 | | | 280 | 226 |
| Retail SME | | | 216 | 253 | | | 228 | 262 | | | 237 | 252 | | | 271 | 271 |
| Total Retail | 573 | | 23,593 | 1,699 | 638 | | 23,273 | 1,716 | 670 | | 23,264 | 1,709 | 708 | | 23,111 | 1,696 |
| Total Gross Credit Exposure | 573 | | 75,621 | 14,071 | 638 | | 81,159 | 14,906 | 670 | | 82,557 | 15,072 | 708 | | 78,189 | 14,983 |

| | March 31, 2015 | | | | December 31, 2014 | | | | September 30, 2014 | | | | June 30, 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 | | | 30,122 | 12,356 | | | 28,088 | 12,137 | | | 28,236 | 11,175 | | | 28,115 | 10,878 |
| Sovereign | | | 20,917 | 38 | | | 21,186 | 34 | | | 20,530 | 25 | | | 20,530 | 47 |
| Bank | | | 3,162 | | | | 3,269 | | | | 2,685 | | | | 1,961 | |
| Total Corporate, Sovereign and Bank | | | 54,201 | 12,394 | | | 52,542 | 12,172 | | | 51,451 | 11,199 | | | 50,605 | 10,926 |
| Residential Mortgages | | | 18,266 | | 238 | | 18,088 | 1 | 258 | | 17,992 | | 284 | | 17,587 | 1 |
| HELOC's | | | 1,970 | 1,001 | | | 2,006 | 1,040 | | | 2,041 | 1,006 | | | 2,118 | 1,033 |
| Other Retail (excluding QRR and SME) | 726 | | 1,847 | 196 | 560 | | 1,891 | 197 | 592 | 974 | 1,949 | 191 | 619 | 864 | 1,993 | 198 |
| Qualifying Revolving Retail | | | 285 | 229 | | | 293 | 234 | | | 302 | 235 | | | 305 | 240 |
| Retail SME | | | 268 | 266 | | | 279 | 293 | | | 294 | 287 | | | 314 | 312 |
| Total Retail | 726 | | 22,636 | 1,691 | 798 | | 22,557 | 1,765 | 850 | 974 | 22,578 | 1,719 | 903 | 864 | 22,317 | 1,784 |
| Total Gross Credit Exposure | 726 | | 76,837 | 14,085 | 798 | | 75,100 | 13,937 | 850 | 974 | 74,029 | 12,918 | 903 | 864 | 72,922 | 12,710 |

(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)

| | 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 (1) Heloc's Other Retail Retail SME | | | | | 558 | 15 | | 573 | | | | | 621 | 16 | | 638 |
| Total Retail | | | | | 558 | 15 | | 573 | | | | | 621 | 16 | | 638 |
| Total Exposure at Default | | | | | 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 |
| Total Exposure at Default | | | | | 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 | | | | | | | | | | | 192 | | 34 | 12 | | 238 |
| Total Retail | | | | | 705 | 22 | | 726 | | | | | 551 | 8 | 1 | 560 |
| Total Exposure at Default | | | | | 705 | 22 | | 726 | | | 192 | | 586 | 20 | 1 | 798 |

| | September 30, 2014 | | | | | | | | June 30, 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 | | | 154 | | 95 | 10 | | 258 | | | 166 | | 105 | 13 | | 284 |
| Total Retail | | | | | 1,560 | | 6 | 1,566 | | | | | 1,478 | | 5 | 1,483 |
| Total Exposure at Default | | | 154 | | 1,655 | 10 | 6 | 1,824 | | | 166 | | 1,583 | 13 | 5 | 1,767 |

Risk Assessment - IRB Retail Credit Portfolio

(\$ millions except as noted)

| | 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 |
| Total Exposure at Default | 19,665 | 2,900 | 1,777 | 483 | 487 | 25,313 | 19,243 | 2,902 | 1,868 | 491 | 508 | 25,011 |

| | 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 |
| Total Exposure at Default | 19,099 | 2,945 | 1,950 | 502 | 508 | 25,005 | 18,699 | 2,951 | 2,121 | 506 | 561 | 24,839 |

| | 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 |
| Total Exposure at Default | 18,266 | 2,971 | 2,047 | 514 | 554 | 24,351 | 18,090 | 3,046 | 2,118 | 527 | 593 | 24,373 |

| | September 30, 2014 | | | | | | June 30, 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 | 17,685 | 2,966 | 2,095 | 396 | 368 | 23,510 | 17,257 | 3,072 | 2,126 | 400 | 375 | 23,230 |
| Medium | 259 | 63 | 64 | 133 | 224 | 743 | 289 | 58 | 67 | 136 | 265 | 815 |
| Sub-Standard | | | 1 | 4 | | 6 | | | 2 | 4 | 1 | 7 |
| Impaired/Default | 49 | 18 | 4 | 4 | 10 | 85 | 42 | 22 | 5 | 4 | 9 | 81 |
| Total Exposure at Default | 17,992 | 3,047 | 2,165 | 537 | 602 | 24,343 | 17,588 | 3,152 | 2,199 | 544 | 649 | 24,133 |

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

(\$ millions except as noted)

| Internal Rating | March 31, 2016 | | | | December 31, 2015 | | | | September 30, 2015 | | | | June 30, 2015 | | | |
|----------------------------|----------------|-------------|-----------|-----------------|-------------------|-------------|-----------|-----------------|--------------------|-------------|-----------|-----------------|---------------|-------------|-----------|-----------------|
| | EAD | PD (%) | LGD (%) | Risk Weight (%) | EAD | PD (%) | LGD (%) | Risk Weight (%) | EAD | PD (%) | LGD (%) | Risk Weight (%) | EAD | PD (%) | LGD (%) | Risk Weight (%) |
| Corporate | | | | | | | | | | | | | | | | |
| Minimal Risk | 1,160 | 0.04 | 43 | 12 | 2,070 | 0.04 | 47 | 16 | 2,349 | 0.04 | 45 | 15 | 2,105 | 0.04 | 47 | 17 |
| Low Risk | 4,447 | 0.11 | 39 | 23 | 5,408 | 0.11 | 41 | 24 | 5,358 | 0.11 | 41 | 24 | 5,063 | 0.11 | 40 | 23 |
| Satisfactory Risk | 21,515 | 0.43 | 37 | 48 | 21,600 | 0.43 | 37 | 49 | 22,542 | 0.41 | 37 | 50 | 22,683 | 0.41 | 37 | 48 |
| Fair Default Risk | 11,224 | 1.14 | 34 | 68 | 12,119 | 1.13 | 34 | 67 | 12,628 | 1.15 | 34 | 69 | 12,547 | 1.13 | 34 | 69 |
| Moderate Default Risk | 3,226 | 2.86 | 33 | 86 | 3,637 | 2.94 | 34 | 90 | 3,467 | 3.00 | 32 | 86 | 3,441 | 2.73 | 33 | 83 |
| Significant Default Risk | 1,214 | 6.54 | 33 | 116 | 982 | 6.84 | 34 | 122 | 1,241 | 6.95 | 30 | 107 | 1,444 | 6.83 | 30 | 105 |
| High Default Risk | 1,256 | 10.03 | 32 | 134 | 1,154 | 10.07 | 26 | 109 | 743 | 10.12 | 28 | 116 | 889 | 10.08 | 32 | 132 |
| Special Management | 550 | 33.22 | 31 | 150 | 427 | 38.98 | 32 | 143 | 425 | 41.42 | 36 | 162 | 343 | 46.78 | 31 | 117 |
| Default | 656 | 100.00 | 51 | 172 | 609 | 100.00 | 49 | 176 | 455 | 100.00 | 50 | 191 | 354 | 100.00 | 53 | 156 |
| Total Corporate (2) | 45,248 | 3.01 | 36 | 60 | 48,006 | 2.71 | 37 | 58 | 49,208 | 2.32 | 37 | 58 | 48,869 | 2.12 | 37 | 56 |
| Sovereign | | | | | | | | | | | | | | | | |
| Minimal Risk | 20,994 | 0.02 | 8 | 3 | 25,245 | 0.02 | 10 | 3 | 25,668 | 0.02 | 10 | 3 | 21,700 | 0.02 | 10 | 3 |
| Low Risk | 182 | 0.07 | 12 | 8 | 225 | 0.07 | 11 | 8 | 201 | 0.07 | 12 | 9 | 170 | 0.07 | 13 | 9 |
| Satisfactory Risk | 5 | 0.40 | 48 | 68 | 5 | 0.39 | 48 | 66 | 3 | 0.33 | 40 | 40 | 3 | 0.34 | 40 | 35 |
| Fair Default Risk | 2 | 0.98 | 42 | 88 | 2 | 0.91 | 45 | 97 | 1 | 1.05 | 37 | 83 | | | | |
| Default | | | | | | | | | | | | | | | | |
| Total Sovereign (2) | 21,184 | 0.02 | 8 | 3 | 25,478 | 0.02 | 10 | 3 | 25,873 | 0.02 | 10 | 3 | 21,873 | 0.02 | 10 | 3 |
| Bank | | | | | | | | | | | | | | | | |
| Minimal Risk | 4,482 | 0.03 | 23 | 9 | 3,773 | 0.03 | 22 | 9 | 3,614 | 0.03 | 21 | 8 | 3,567 | 0.03 | 22 | 8 |
| Low Risk | 844 | 0.11 | 32 | 24 | 1,311 | 0.10 | 26 | 16 | 1,547 | 0.11 | 27 | 19 | 1,329 | 0.12 | 27 | 20 |
| Satisfactory Risk | 65 | 0.40 | 34 | 34 | 107 | 0.41 | 34 | 37 | 126 | 0.37 | 33 | 32 | 193 | 0.34 | 32 | 32 |
| Fair Default Risk | 3 | 1.30 | 36 | 65 | 65 | 1.59 | 45 | 132 | 11 | 1.54 | 38 | 79 | 57 | 1.62 | 29 | 60 |
| Moderate Default Risk | 1 | 3.99 | 35 | 104 | 1 | 3.79 | 61 | 153 | 1 | 4.11 | 50 | 134 | 1 | 3.97 | 57 | 140 |
| Significant Default Risk | 1 | 5.75 | 47 | 139 | 1 | 5.75 | 37 | 108 | 6 | 5.75 | 38 | 109 | | | | |
| High Default Risk | 1 | 10.00 | 59 | 215 | 1 | 10.00 | 59 | 215 | 1 | 10.00 | 59 | 217 | 1 | 10.00 | 59 | 217 |
| Special Management | | | | | | | | | | | | | | | | |
| Default | | | | | | | | | | | | | | | | |
| Total Bank (2) | 5,397 | 0.06 | 24 | 12 | 5,259 | 0.08 | 24 | 13 | 5,306 | 0.08 | 23 | 12 | 5,148 | 0.09 | 24 | 13 |

| Internal Rating | March 31, 2015 | | | | December 31, 2014 | | | | September 30, 2014 | | | | June 30, 2014 | | | |
|--------------------------|----------------|-------------|-----------|-----------------|-------------------|-------------|-----------|-----------------|--------------------|-------------|-----------|-----------------|---------------|-------------|-----------|-----------------|
| | EAD | PD (%) | LGD (%) | Risk Weight (%) | EAD | PD (%) | LGD (%) | Risk Weight (%) | EAD | PD (%) | LGD (%) | Risk Weight (%) | EAD | PD (%) | LGD (%) | Risk Weight (%) |
| Corporate | | | | | | | | | | | | | | | | |
| Minimal Risk | 1,772 | 0.04 | 45 | 15 | 1,692 | 0.04 | 45 | 15 | 1,781 | 0.04 | 45 | 13 | 1,298 | 0.04 | 43 | 14 |
| Low Risk | 5,418 | 0.11 | 42 | 29 | 5,528 | 0.11 | 42 | 28 | 5,051 | 0.11 | 44 | 29 | 4,899 | 0.11 | 44 | 28 |
| Satisfactory Risk | 22,949 | 0.41 | 36 | 46 | 21,674 | 0.41 | 35 | 44 | 21,983 | 0.40 | 35 | 44 | 22,027 | 0.41 | 35 | 44 |
| Fair Default Risk | 11,731 | 1.12 | 34 | 68 | 11,516 | 1.13 | 34 | 67 | 11,121 | 1.11 | 34 | 67 | 11,035 | 1.10 | 33 | 65 |
| Moderate Default Risk | 3,186 | 2.93 | 32 | 85 | 2,644 | 2.85 | 31 | 83 | 2,549 | 2.90 | 31 | 83 | 2,134 | 2.87 | 31 | 85 |
| Significant Default Risk | 1,316 | 6.49 | 35 | 124 | 843 | 6.63 | 31 | 109 | 752 | 6.55 | 30 | 104 | 503 | 6.90 | 30 | 107 |
| High Default Risk | 719 | 10.30 | 28 | 119 | 613 | 10.39 | 30 | 124 | 766 | 10.34 | 30 | 125 | 841 | 10.19 | 32 | 132 |
| Special Management | 344 | 42.61 | 33 | 132 | 261 | 30.46 | 32 | 148 | 250 | 29.26 | 33 | 155 | 223 | 30.80 | 31 | 143 |
| Default | 360 | 100.00 | 47 | 152 | 354 | 100.00 | 45 | 141 | 329 | 100.00 | 46 | 173 | 351 | 100.00 | 45 | 182 |
| Total Corporate | 47,795 | 2.07 | 36 | 56 | 45,125 | 1.89 | 36 | 53 | 44,582 | 1.84 | 36 | 53 | 43,311 | 1.89 | 35 | 53 |
| Sovereign | | | | | | | | | | | | | | | | |
| Minimal Risk | 18,897 | 0.02 | 10 | 3 | 19,911 | 0.02 | 10 | 3 | 19,381 | 0.02 | 10 | 3 | 19,629 | 0.02 | 10 | 3 |
| Low Risk | 2,189 | 0.07 | 14 | 6 | 1,430 | 0.07 | 12 | 6 | 1,456 | 0.08 | 15 | 8 | 1,221 | 0.08 | 18 | 9 |
| Satisfactory Risk | 5 | 0.32 | 57 | 51 | 6 | 0.30 | 46 | 41 | 7 | 0.24 | 27 | 21 | 9 | 0.23 | 30 | 24 |
| Fair Default Risk | | | | | | | | | 5 | 1.30 | 34 | 54 | 5 | 1.30 | 34 | 54 |
| Default | | | | | | | | | | | | | | | | |
| Total Sovereign | 21,091 | 0.03 | 11 | 3 | 21,347 | 0.02 | 10 | 3 | 20,849 | 0.03 | 11 | 3 | 20,864 | 0.02 | 11 | 3 |
| Bank | | | | | | | | | | | | | | | | |
| Minimal Risk | 3,790 | 0.03 | 22 | 9 | 4,951 | 0.03 | 23 | 10 | 5,292 | 0.04 | 23 | 10 | 4,129 | 0.04 | 24 | 11 |
| Low Risk | 1,426 | 0.11 | 28 | 18 | 1,051 | 0.11 | 28 | 19 | 1,132 | 0.10 | 27 | 15 | 890 | 0.11 | 28 | 21 |
| Satisfactory Risk | 195 | 0.33 | 34 | 33 | 123 | 0.31 | 33 | 29 | 120 | 0.32 | 31 | 30 | 151 | 0.32 | 31 | 35 |
| Fair Default Risk | 43 | 1.28 | 29 | 62 | 4 | 1.31 | 47 | 84 | 11 | 1.15 | 39 | 74 | 10 | 1.07 | 37 | 77 |
| Moderate Default Risk | 26 | 3.09 | 28 | 82 | 5 | 3.07 | 27 | 82 | 2 | 3.12 | 49 | 120 | 9 | 2.91 | 40 | 124 |
| Significant Default Risk | | | | | | | | | 1 | 7.14 | 73 | 229 | 1 | 7.85 | 67 | 255 |
| High Default Risk | 7 | 10.02 | 47 | 173 | 6 | 10.02 | 49 | 183 | 6 | 10.32 | 39 | 172 | 1 | 12.03 | 79 | 331 |
| Special Management | | | | | | | | | | | | | | | | |
| Default | | | | | | | | | | | | | | | | |
| Total Bank | 5,487 | 0.10 | 24 | 13 | 6,140 | 0.07 | 24 | 12 | 6,564 | 0.07 | 24 | 12 | 5,191 | 0.07 | 25 | 14 |

(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 | March 31, 2016 | | | December 31, 2015 | | | September 30, 2015 | | | June 30, 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 | | | 1,016 | | | 1,032 | | | 1,274 | | | 1,294 |
| Sovereign | | | | | | | | | | | | |
| Bank | | | | | | | | | | | | |
| Total Corporate, Sovereign and Bank | | | 1,016 | | | 1,032 | | | 1,274 | | | 1,294 |
| Residential Mortgages | | | 2,007 | | | 2,030 | | | 2,213 | | | 2,483 |
| HELOC's | | | | | | | | | | | | |
| Other Retail (excluding QRR and SME) | | | | | | | | | | | | |
| Qualifying Revolving Retail | | | | | | | | | | | | |
| Retail SME | | | | | | | | | | | | |
| Total Retail | | | 2,007 | | | 2,030 | | | 2,213 | | | 2,483 |
| Total | | | 3,023 | | | 3,062 | | | 3,487 | | | 3,777 |

| Counterparty Type | March 31, 2015 | | | December 31, 2014 | | | September 30, 2014 | | | June 30, 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 | | | 1,283 | | | 1,294 | | | 1,207 | | | 1,207 |
| Sovereign | | | | | | | | | | | | |
| Bank | | | | | | | | | | | | |
| Total Corporate, Sovereign and Bank | | | 1,283 | | | 1,294 | | | 1,207 | | | 1,207 |
| Residential Mortgages | | | 2,448 | | | 2,437 | | | 2,636 | | | 3,123 |
| HELOC's | | | | | | | | | | | | |
| Other Retail (excluding QRR and SME) | | | | | | | | | | | | |
| Qualifying Revolving Retail | | | | | | | | | | | | |
| Retail SME | | | | | | | | | | | | |
| Total Retail | | | 2,448 | | | 2,437 | | | 2,636 | | | 3,123 |
| Total | | | 3,730 | | | 3,731 | | | 3,843 | | | 4,330 |

AIRB Credit Risk Exposures - Credit Commitments

(\$ millions except as noted)

| Counterparty Type | March 31, 2016 | | December 31, 2015 | | September 30, 2015 | | June 30, 2015 | |
|--|------------------|----------------|-------------------|----------------|--------------------|----------------|------------------|----------------|
| | Notional Undrawn | EAD on Undrawn | Notional Undrawn | EAD on Undrawn | Notional Undrawn | EAD on Undrawn | Notional Undrawn | EAD on Undrawn |
| Corporate | 29,966 | 12,143 | 32,094 | 12,995 | 32,775 | 13,324 | 32,619 | 13,253 |
| Sovereign | 588 | 229 | 511 | 195 | 137 | 40 | 124 | 34 |
| Bank | 327 | | 156 | | 79 | | 89 | |
| Total Corporate, Sovereign and Bank | 30,882 | 12,372 | 32,761 | 13,190 | 32,992 | 13,363 | 32,832 | 13,287 |
| Residential Mortgages | 18 | | 26 | 4 | 25 | | 24 | 1 |
| HELOC's | 3,319 | 1,045 | 3,281 | 1,040 | 3,260 | 1,035 | 3,176 | 1,001 |
| Other Retail (excluding QRR and SME) | 632 | 178 | 655 | 186 | 675 | 196 | 679 | 196 |
| Qualifying Revolving Retail | 915 | 223 | 922 | 224 | 920 | 226 | 926 | 226 |
| Retail SME | 254 | 253 | 263 | 262 | 257 | 252 | 283 | 271 |
| Total Retail | 5,138 | 1,699 | 5,147 | 1,716 | 5,137 | 1,709 | 5,089 | 1,696 |
| Total | 36,020 | 14,071 | 37,908 | 14,906 | 38,129 | 15,072 | 37,921 | 14,983 |

| Counterparty Type | March 31, 2015 | | December 31, 2014 | | September 30, 2014 | | June 30, 2014 | |
|--|------------------|----------------|-------------------|----------------|--------------------|----------------|------------------|----------------|
| | Notional Undrawn | EAD on Undrawn | Notional Undrawn | EAD on Undrawn | Notional Undrawn | EAD on Undrawn | Notional Undrawn | EAD on Undrawn |
| Corporate | 30,479 | 12,356 | 29,974 | 12,137 | 27,512 | 11,175 | 26,623 | 10,878 |
| Sovereign | 123 | 38 | 116 | 34 | 91 | 25 | 122 | 47 |
| Bank | 58 | | 88 | | 56 | | 55 | |
| Total Corporate, Sovereign and Bank | 30,660 | 12,394 | 30,178 | 12,172 | 27,658 | 11,199 | 26,801 | 10,926 |
| Residential Mortgages | 27 | | 30 | 1 | 36 | | 34 | 1 |
| HELOC's | 3,165 | 1,001 | 3,144 | 1,040 | 3,155 | 1,006 | 3,185 | 1,033 |
| Other Retail (excluding QRR and SME) | 694 | 196 | 691 | 197 | 703 | 191 | 720 | 198 |
| Qualifying Revolving Retail | 936 | 229 | 941 | 234 | 947 | 235 | 960 | 240 |
| Retail SME | 269 | 266 | 294 | 293 | 292 | 287 | 317 | 312 |
| Total Retail | 5,090 | 1,691 | 5,101 | 1,765 | 5,133 | 1,719 | 5,217 | 1,784 |
| Total | 35,751 | 14,085 | 35,279 | 13,937 | 32,791 | 12,918 | 32,017 | 12,710 |

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^{1 2}

| | At March 31, 2016 | | | At December 31, 2015 | | | At September 30, 2015 | | | At June 30, 2015 | | |
|-------------------------------|-------------------|------------|------------|----------------------|------------|------------|-----------------------|------------|------------|------------------|------------|------------|
| | Trading | Banking | Total | Trading | Banking | Total | Trading | Banking | Total | Trading | Banking | Total |
| As Sponsor³ | | | | | | | | | | | | |
| Trade receivables | | 230 | 230 | | 230 | 230 | | 245 | 245 | | 245 | 245 |
| As Investor | | | | | | | | | | | | |
| Residential mortgages | | | | | | | | | | | | |
| Trade receivables | | | | | | | | | | | | |
| | | 230 | 230 | | 230 | 230 | | 245 | 245 | | 245 | 245 |

| | At March 31, 2015 | | | At December 31, 2014 | | | At September 30, 2014 | | | At June 30, 2014 | | |
|-------------------------------|-------------------|------------|------------|----------------------|------------|------------|-----------------------|------------|------------|------------------|------------|------------|
| | Trading | Banking | Total | Trading | Banking | Total | Trading | Banking | Total | Trading | Banking | Total |
| As Sponsor³ | | | | | | | | | | | | |
| Trade receivables | | 245 | 245 | | 245 | 245 | | 245 | 245 | | 245 | 245 |
| As Investor | | | | | | | | | | | | |
| Residential mortgages | | | | | | | | | | | | |
| Trade receivables | | | | | | | | | | | | |
| | | 245 | 245 | | 245 | 245 | | 245 | 245 | | 245 | 245 |

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 for periods thereafter) 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 March 31 |
|--|--------------------|-----------------------|-------------|-------------------|
| | | As sponsor | As investor | |
| 2016 | | | | |
| Aggregate amount of securitization exposures (retained or purchased) | | | | |
| Residential mortgages | | | | |
| Trade receivables | 230 | - | - | 230 |
| | 230 | - | - | 230 |

Securitization exposure - asset values and impairment charges

| | At March 31, 2016 | | | At December 31, 2015 | | | At September 30, 2015 | | | At June 30, 2015 | | |
|-----------------------|--------------------------------|---------------------|--|--------------------------------|---------------------|--|--------------------------------|---------------------|--|--------------------------------|---------------------|--|
| | 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 | 306 | | | 290 | | | 343 | | | 334 | | |
| As Investor | | | | | | | | | | | | |
| Residential mortgages | | | | | | | | | | | | |
| Trade receivables | | | | | | | | | | | | |

| | At March 31, 2015 | | | At December 31, 2014 | | | At September 30, 2014 | | | At June 30, 2014 | | |
|--------------------------------|--------------------------------|---------------------|--|--------------------------------|---------------------|--|--------------------------------|---------------------|--|--------------------------------|---------------------|--|
| | 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 | 350 | | | 355 | | | 364 | | | 375 | | |
| 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

| | Exposure value at March 31, 2016 | | | Exposure value at December 31, 2015 | | | Exposure value at September 30, 2015 | | | Exposure value at June 30, 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% | | 230 | 230 | | 230 | 230 | | 245 | 245 | | 245 | 245 |
| > 20% ≤ 50% | | | | | | | | | | | | |
| > 50% ≤ 100% | | | | | | | | | | | | |
| > 100% ≤ 650% | | | | | | | | | | | | |
| > 650% < 1250% | | | | | | | | | | | | |
| 1250% | | | | | | | | | | | | |
| Total | | 230 | 230 | | 230 | 230 | | 245 | 245 | | 245 | 245 |

| | Exposure value at March 31, 2015 | | | Exposure value at December 31, 2014 | | | Exposure value at September 30, 2014 | | | Exposure value at June 30, 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% | | | | | | | | | | | | |
| Total | | 245 | 245 | | 245 | 245 | | 245 | 245 | | 245 | 245 |

Capital required by risk weighting

| | Capital required at March 31, 2016 | | | Capital required at December 31, 2015 | | | Capital required at September 30, 2015 | | | Capital required at June 30, 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% | | | | | | | | | | | | |
| Total | | 1 | 1 | | 1 | 1 | | 1 | 1 | | 1 | 1 |

| | Capital required at March 31, 2015 | | | Capital required at December 31, 2014 | | | Capital required at September 30, 2014 | | | Capital required at June 30, 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% | | 2 | 2 | | 2 | 2 | | 2 | 2 | | 2 | 2 |
| > 20% ≤ 50% | | | | | | | | | | | | |
| > 50% ≤ 100% | | | | | | | | | | | | |
| > 100% ≤ 650% | | | | | | | | | | | | |
| > 650% < 1250% | | | | | | | | | | | | |
| 1250% | | | | | | | | | | | | |
| Total | | 2 | 2 | | 2 | 2 | | 2 | 2 | | 2 | 2 |

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

(\$ 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.

| Market Risk RWA ⁽¹⁾ | March 31, 2016 |
|--------------------------------|----------------|
| Internal Model Approach | |
| Value at Risk | 274 |
| Stressed Value at Risk | 536 |
| Standardized Approach | 678 |
| Total Market Risk RWA | 1,489 |

(1) Effective with public disclosures beginning in Q1, 2016, OSFI has authorized HSBC Bank Canada's Market Risk model. No comparatives or movement details are provided since this is a first-time disclosure.

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.