

**2017**

**HSBC Bank Canada**  
Regulatory Capital and  
Risk Management  
Pillar 3 Supplemental Disclosures  
as at September 30, 2017



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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 2016 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 2016 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 2017	2Q 2017	1Q 2017	4Q 2016	3Q 2016	2Q 2016	1Q 2016	4Q 2015
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	3,650	3,533	3,445	3,313	3,310	3,263	3,246	3,209
3	Accumulated other comprehensive income (and other reserves)	(65)	5	61	27	167	146	90	92
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	4,810	4,763	4,731	4,565	4,702	4,634	4,561	4,526
Common Equity Tier 1 capital: regulatory adjustments									
28	Total regulatory adjustments to Common Equity Tier 1	(100)	(134)	(179)	(173)	(221)	(220)	(233)	(198)
29	Common Equity Tier 1 capital (CET1)	4,710	4,629	4,552	4,391	4,481	4,414	4,328	4,328
Additional Tier 1 capital: instruments									
30	Directly issued qualifying Additional Tier 1 instruments plus related stock surplus	500	500	500	500	500	500	500	500
31	of which: classified as equity under applicable accounting standards	500	500	500	500	500	500	500	500
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	350	350
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)	-	-	-	-	-	-	-	-
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	850	850
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	850	850	850	850
45	Tier 1 capital (T1 = CET1 + AT1)	5,560	5,479	5,402	5,241	5,331	5,264	5,178	5,178
Tier 2 capital: instruments and allowances									
46	Directly issued qualifying Tier 2 instruments plus related stock surplus	1,000	1,000	na	na	na	na	na	na
47	Directly issued capital instruments subject to phase out from Tier 2	39	39	380	442	445	447	450	532
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	2	3	2	3	7	9	49	53
51	Tier 2 capital before regulatory adjustments	1,042	1,042	382	445	452	456	499	585
Tier 2 capital: regulatory adjustments									
57	Total regulatory adjustments to Tier 2 capital	na	na	na	na	na	na	na	na
58	Tier 2 capital (T2)	1,042	1,042	382	445	452	456	499	585
59	Total capital (TC = T1 + T2)	6,602	6,521	5,784	5,686	5,783	5,720	5,677	5,763
60	Total risk-weighted assets	na	na	na	na	na	na	na	na
60a	Common Equity Tier 1 (CET1) Capital RWA <sup>2</sup>	43,624	44,281	42,921	41,790	41,915	42,442	43,069	42,846
60b	Tier 1 Capital RWA <sup>2</sup>	43,624	44,281	42,921	41,790	41,915	42,442	43,069	42,846
60c	Total Capital RWA <sup>2</sup>	43,624	44,281	42,921	41,790	41,915	42,442	43,069	42,846

(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) Since Q1 2017, CVA risk-weighted assets were calculated using the scalars of 0.72, 0.77 and 0.81 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 2017	2Q 2017	1Q 2017	4Q 2016	3Q 2016	2Q 2016	1Q 2016	4Q 2015
61	Common Equity Tier 1 (as percentage of risk-weighted assets)	10.8%	10.5%	10.6%	10.5%	10.7%	10.4%	10.0%	10.1%
62	Tier 1 (as percentage of risk-weighted assets)	12.7%	12.4%	12.6%	12.5%	12.7%	12.4%	12.0%	12.1%
63	Total capital (as percentage of risk-weighted assets)	15.1%	14.7%	13.5%	13.6%	13.8%	13.5%	13.2%	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	50%	50%	50%	60%	60%	60%	60%	70%
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	50%	50%	50%	60%	60%	60%	60%	70%
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	50%	50%	50%	60%	60%	60%	60%	70%
85	Amounts excluded from T2 due to cap (excess over cap after redemptions and maturities)	-	-	60	-	-	-	-	121

		Transitional Basis <sup>2</sup>							
Capital		3Q 2017	2Q 2017	1Q 2017	4Q 2016	3Q 2016	2Q 2016	1Q 2016	4Q 2015
29	Common Equity Tier 1 capital (CET1)	4,743	4,655	4,600	4,450	4,526	4,444	4,385	4,391
45	Tier 1 capital (T1 = CET1 + AT1)	5,581	5,494	5,428	5,277	5,351	5,274	5,216	5,227
59	Total capital (TC = T1 + T2)	6,619	6,534	5,806	5,719	5,802	5,730	5,715	5,812
60	Total risk-weighted assets	43,774	44,415	43,181	42,030	42,131	42,659	43,267	43,141
Capital ratios									
61	Common Equity Tier 1 (as percentage of risk-weighted assets)	10.8%	10.5%	10.7%	10.6%	10.7%	10.4%	10.1%	10.2%
62	Tier 1 (as percentage of risk-weighted assets)	12.7%	12.4%	12.6%	12.6%	12.7%	12.4%	12.1%	12.1%
63	Total capital (as percentage of risk-weighted assets)	15.1%	14.7%	13.5%	13.6%	13.8%	13.4%	13.2%	13.5%
	Leverage Ratio	5.1%	4.9%	4.8%	4.7%	4.8%	4.8%	4.8%	4.7%

(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.

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

(\$ millions except as noted)

Risk-Weighted Assets (RWA) (\$ millions except as noted)	September 30, 2017				June 30, 2017				March 31, 2017				December 31, 2016			
	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	47,329	26	23,981	24,007	47,780	75	24,618	24,692	48,002	24	24,993	25,017	48,272	17	25,072	25,089
Sovereign	20,999		502	502	20,624		500	500	21,255		568	568	23,208		631	631
Bank	11,780		525	525	11,544		528	528	12,309		549	549	10,093		533	533
Residential Mortgages	21,892		1,822	1,822	20,821		1,777	1,777	19,940		1,754	1,754	19,837		1,745	1,745
HELOC's	2,781		564	564	2,795		568	568	2,807		567	567	2,836		575	575
Other Retail (excluding QRR and SME)	1,857	331	297	627	1,915	346	308	654	1,990	344	663	2,079	380	299	679	
Qualifying Revolving Retail	435		171	171	431		172	172	438		174	174	450		173	173
Retail SME	447		261	261	462		273	273	402		247	247	423		265	265
<b>Exposures subject to standardized or IRB approaches (6)</b>	<b>107,519</b>	<b>357</b>	<b>28,123</b>	<b>28,480</b>	<b>106,373</b>	<b>421</b>	<b>28,743</b>	<b>29,164</b>	<b>107,143</b>	<b>367</b>	<b>29,172</b>	<b>29,539</b>	<b>107,199</b>	<b>397</b>	<b>29,293</b>	<b>29,690</b>
Equity (3)	50		409	409	81		397	397	65		351	351	38		38	38
Securitization (4)																
Other assets not included in standardized or IRB approaches (5)	4,989			2,244	9,249			2,199	8,541			2,143	7,446			1,758
Adjustment to IRB risk-weighted assets for scaling factor				1,712				1,748				1,771				1,760
<b>Total Credit Risk</b>	<b>112,558</b>			<b>32,846</b>	<b>115,703</b>			<b>33,509</b>	<b>115,749</b>			<b>33,805</b>	<b>114,683</b>			<b>33,247</b>
Market Risk (6)				1,045				1,298				1,268				956
Operational Risk - Standardized Approach				3,678				3,669				3,662				3,697
<b>Total Risk-Weighted Assets before adjustments</b>				<b>37,569</b>				<b>38,476</b>				<b>38,735</b>				<b>37,900</b>
<b>Total RWA after adjustment for CVA phase-in (5)</b>																
Common Equity Tier 1 (CET1) Capital RWA				37,388				38,275				38,512				37,595
Tier 1 Capital RWA				37,420				38,311				38,552				37,654
Total Capital RWA				37,446				38,339				38,584				37,705
<b>Adjustment for Regulatory Floor (7)</b>																
CET1 Capital RWA Floor				6,236				6,006				4,409				4,195
Tier 1 Capital RWA Floor				6,204				5,970				4,370				4,136
Total Capital RWA Floor				6,178				5,941				4,338				4,085
<b>Adjusted Total Risk-Weighted Assets</b>																
Adjusted Common Equity Tier 1 (CET1) Capital RWA				43,624				44,281				42,921				41,790
Adjusted Tier 1 Capital RWA				43,624				44,281				42,921				41,790
Adjusted Total Capital RWA				43,624				44,281				42,921				41,790

Risk-Weighted Assets (RWA) (\$ millions except as noted)	September 30, 2016				June 30, 2016				March 31, 2016				December 31, 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	48,470	-	26,314	26,314	49,261	-	27,758	27,758	49,747	-	27,040	27,040	53,899	-	27,896	27,896
Sovereign	22,805	-	653	653	21,107	-	624	624	21,533	-	676	676	25,740	-	850	850
Bank	11,992	-	551	551	11,083	-	612	612	13,636	-	640	640	11,953	-	679	679
Residential Mortgages	20,299	-	1,823	1,823	20,244	-	1,869	1,869	19,665	-	1,818	1,818	19,243	-	1,781	1,781
HELOC's	2,898	-	587	587	2,931	-	603	603	2,900	-	606	606	2,902	-	611	611
Other Retail (excluding QRR and SME)	2,181	395	319	714	2,261	407	318	725	2,350	434	331	765	2,506	482	365	847
Qualifying Revolving Retail	460	-	175	175	469	-	180	180	483	-	196	196	491	-	195	195
Retail SME	435	-	275	275	467	-	293	293	487	-	304	304	508	-	311	311
<b>Exposures subject to standardized or IRB approaches</b>	<b>109,540</b>	<b>395</b>	<b>30,696</b>	<b>31,091</b>	<b>107,822</b>	<b>407</b>	<b>32,256</b>	<b>32,663</b>	<b>110,802</b>	<b>434</b>	<b>31,613</b>	<b>32,046</b>	<b>117,241</b>	<b>482</b>	<b>32,688</b>	<b>33,170</b>
Equity (3)	43		43	43	65		65	65	117		117	117	23		23	23
Securitization (4)																
Trading Book	5,507			1,971	3,931			2,042	3,332			2,324	2,678			2,077
Other assets not included in standardized or IRB approaches (5)				1,844				1,939				1,904				1,963
Adjustment to IRB risk-weighted assets for scaling factor	115,090			34,949	111,818			36,709	114,251			36,391	119,942			37,232
<b>Total Credit Risk</b>				<b>790</b>				<b>967</b>				<b>1,489</b>				<b>3,710</b>
Market Risk (6)				3,692				3,708				3,702				3,710
Operational Risk - Standardized Approach				39,432				41,384				41,581				40,942
<b>Total Risk-Weighted Assets before adjustments</b>																
<b>Total RWA after adjustment for CVA phase-in (5)</b>				<b>39,046</b>				<b>40,970</b>				<b>41,112</b>				<b>40,519</b>
Common Equity Tier 1 (CET1) Capital RWA				39,121				41,050				41,203				40,602
Tier 1 Capital RWA				39,185				41,119				41,282				40,672
Total Capital RWA																
<b>Adjustment for Regulatory Floor (7)</b>				<b>2,870</b>				<b>1,473</b>				<b>1,957</b>				<b>2,327</b>
CET1 Capital RWA Floor				2,795				1,392				1,865				2,244
Tier 1 Capital RWA Floor				2,730				1,323				1,787				2,174
Total Capital RWA Floor																
<b>Adjusted Total Risk-Weighted Assets</b>				<b>41,915</b>				<b>42,442</b>				<b>43,069</b>				<b>42,846</b>
Adjusted Common Equity Tier 1 (CET1) Capital RWA				41,915				42,442				43,069				42,846
Adjusted Tier 1 Capital RWA				41,915				42,442				43,069				42,846
Adjusted Total Capital RWA				41,642				41,642				41,642				41,642

(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 2017 the CVA risk-weighted assets were calculated using the scalars of 0.72, 0.77 and 0.81 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.

## 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, 2017</b>						<b>June 30, 2017</b>						
Corporate	28,231	11,776	3,537	969	2,816	47,329	28,626	11,989	3,010	1,069	3,087	47,780
Sovereign	19,366	635	867	129	2	20,999	18,588	644	1,242	149	2	20,624
Bank	3,594	37	6,258	902	988	11,780	3,721	28	5,957	921	918	11,544
<b>Total Corporate, Sovereign and Bank (1)</b>	<b>51,192</b>	<b>12,447</b>	<b>10,663</b>	<b>2,000</b>	<b>3,806</b>	<b>80,107</b>	<b>50,934</b>	<b>12,661</b>	<b>10,208</b>	<b>2,139</b>	<b>4,006</b>	<b>79,948</b>
Residential Mortgages	21,890	2				21,892	20,817	4				20,821
HELOC's	1,747	1,033				2,781	1,769	1,026				2,795
Other Retail (excluding QRR and SME)	1,674	182			1	1,857	1,736	177			1	1,915
Qualifying Revolving Retail	225	211				435	224	207				431
Retail SME	170	263			14	447	178	270			14	462
<b>Total Retail</b>	<b>25,707</b>	<b>1,690</b>			<b>15</b>	<b>27,412</b>	<b>24,725</b>	<b>1,684</b>			<b>16</b>	<b>26,425</b>
<b>Total Gross Credit Exposure</b>	<b>76,898</b>	<b>14,137</b>	<b>10,663</b>	<b>2,000</b>	<b>3,821</b>	<b>107,519</b>	<b>75,659</b>	<b>14,345</b>	<b>10,208</b>	<b>2,139</b>	<b>4,022</b>	<b>106,373</b>
<b>March 31, 2017</b>						<b>December 31, 2016</b>						
Corporate	27,674	12,050	3,993	1,148	3,137	48,002	27,549	12,373	3,849	1,176	3,324	48,272
Sovereign	20,068	638	374	173	1	21,255	22,652	240	81	162	73	23,208
Bank	3,937		6,783	666	922	12,309	3,716	11	4,669	878	819	10,093
<b>Total Corporate, Sovereign and Bank</b>	<b>51,679</b>	<b>12,688</b>	<b>11,150</b>	<b>1,987</b>	<b>4,061</b>	<b>81,566</b>	<b>53,917</b>	<b>12,624</b>	<b>8,600</b>	<b>2,217</b>	<b>4,215</b>	<b>81,573</b>
Residential Mortgages	19,938	3				19,940	19,835	3				19,837
HELOC's	1,780	1,027				2,807	1,807	1,029				2,836
Other Retail (excluding QRR and SME)	1,810	179			2	1,990	1,909	168			1	2,079
Qualifying Revolving Retail	227	210				438	237	213				450
Retail SME	178	209			15	402	188	219			16	423
<b>Total Retail</b>	<b>23,933</b>	<b>1,628</b>			<b>17</b>	<b>25,577</b>	<b>23,976</b>	<b>1,632</b>			<b>17</b>	<b>25,625</b>
<b>Total Gross Credit Exposure</b>	<b>75,612</b>	<b>14,317</b>	<b>11,150</b>	<b>1,987</b>	<b>4,077</b>	<b>107,143</b>	<b>77,894</b>	<b>14,256</b>	<b>8,600</b>	<b>2,217</b>	<b>4,233</b>	<b>107,199</b>
<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</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>

(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, 2017						June 30, 2017					
	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	23,053	3,522	655	65	469	27,763	22,535	3,646	258	99	473	27,011
Western Canada, excluding British Columbia	8,281	3,582		408	607	12,879	8,388	3,753		534	810	13,485
Ontario	38,745	4,463	8,664	1,304	2,062	55,238	37,344	4,690	8,446	1,283	2,000	53,763
Quebec & Atlantic provinces	6,820	2,570	1,343	223	683	11,639	7,392	2,257	1,504	222	739	12,114
<b>Total Gross Credit Exposure (1)</b>	<b>76,898</b>	<b>14,137</b>	<b>10,663</b>	<b>2,000</b>	<b>3,821</b>	<b>107,519</b>	<b>75,659</b>	<b>14,345</b>	<b>10,208</b>	<b>2,139</b>	<b>4,022</b>	<b>106,373</b>

	March 31, 2017						December 31, 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	22,207	3,453	1,024	98	480	27,262	22,413	3,535	903	84	545	27,479
Western Canada, excluding British Columbia	8,655	3,869		634	819	13,977	8,775	4,144		711	947	14,578
Ontario	38,051	4,638	9,180	1,088	2,019	54,975	40,033	4,331	6,827	1,265	1,957	54,412
Quebec & Atlantic provinces	6,699	2,357	946	168	759	10,929	6,673	2,246	871	157	784	10,731
<b>Total Gross Credit Exposure</b>	<b>75,612</b>	<b>14,317</b>	<b>11,150</b>	<b>1,987</b>	<b>4,077</b>	<b>107,143</b>	<b>77,894</b>	<b>14,256</b>	<b>8,600</b>	<b>2,217</b>	<b>4,233</b>	<b>107,199</b>

	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</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>

(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, 2017						June 30, 2017					
	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	23,226	8,371	10,663	915	2,781	45,955	22,498	8,579	10,208	992	3,193	45,470
1-5 years	46,692	5,622		717	978	54,009	46,117	5,463		682	766	53,028
Greater than 5 years	6,980	144		368	62	7,554	7,044	304		465	63	7,875
<b>Total Gross Credit Exposure (1)</b>	<b>76,898</b>	<b>14,137</b>	<b>10,663</b>	<b>2,000</b>	<b>3,821</b>	<b>107,519</b>	<b>75,659</b>	<b>14,345</b>	<b>10,208</b>	<b>2,139</b>	<b>4,022</b>	<b>106,373</b>

	March 31, 2017						December 31, 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	20,804	8,462	11,150	841	3,001	44,258	20,267	8,689	8,600	1,018	3,128	41,701
1-5 years	47,434	5,546		738	1,016	54,733	48,700	5,291		717	1,059	55,768
Greater than 5 years	7,374	309		408	61	8,152	8,926	276		482	46	9,730
<b>Total Gross Credit Exposure</b>	<b>75,612</b>	<b>14,317</b>	<b>11,150</b>	<b>1,987</b>	<b>4,077</b>	<b>107,143</b>	<b>77,894</b>	<b>14,256</b>	<b>8,600</b>	<b>2,217</b>	<b>4,233</b>	<b>107,199</b>

	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</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>

(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, 2017				June 30, 2017				March 31, 2017				December 31, 2016			
	Standardized		AIRB		Standardized		AIRB		Standardized		AIRB		Standardized		AIRB	
	Loans (Drawn)	Credit Equivalent Amount on Undrawn	Loans (Drawn)	Credit Equivalent Amount on Undrawn	Loans (Drawn)	Credit Equivalent Amount on Undrawn	Loans (Drawn)	Credit Equivalent Amount on Undrawn	Loans (Drawn)	Credit Equivalent Amount on Undrawn	Loans (Drawn)	Credit Equivalent Amount on Undrawn	Loans (Drawn)	Credit Equivalent Amount on Undrawn	Loans (Drawn)	Credit Equivalent Amount on Undrawn
Corporate	26		28,205	11,776	75		28,551	11,989	24		27,650	12,050	17		27,532	12,373
Sovereign			19,366	635			18,588	644			20,068	638			22,652	240
Bank			3,594	37			3,721	28			3,937				3,716	11
<b>Total Corporate, Sovereign and Bank (1)</b>	<b>26</b>		<b>51,165</b>	<b>12,447</b>	<b>75</b>		<b>50,860</b>	<b>12,661</b>	<b>24</b>		<b>51,656</b>	<b>12,688</b>	<b>17</b>		<b>53,901</b>	<b>12,624</b>
Residential Mortgages			21,890	2			20,817	4			19,938	3			19,835	3
HELOC's			1,747	1,033			1,769	1,026			1,780	1,027			1,807	1,029
Other Retail (excluding QRR and SME)	439		1,235	182	459		1,277	177	455		1,355	179	503		1,406	168
Qualifying Revolving Retail			225	211			224	207			227	210			237	213
Retail SME			170	263			178	270			178	209			188	219
<b>Total Retail</b>	<b>439</b>		<b>25,268</b>	<b>1,690</b>	<b>459</b>		<b>24,266</b>	<b>1,684</b>	<b>455</b>		<b>23,478</b>	<b>1,628</b>	<b>503</b>		<b>23,473</b>	<b>1,632</b>
<b>Total Gross Credit Exposure</b>	<b>465</b>		<b>76,434</b>	<b>14,137</b>	<b>534</b>		<b>75,125</b>	<b>14,345</b>	<b>479</b>		<b>75,133</b>	<b>14,317</b>	<b>520</b>		<b>77,374</b>	<b>14,256</b>

	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</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>

(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, 2017								June 30, 2017							
	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						26		26						75		75
Total Corporate, Sovereign and Bank						26		26						75		75
Residential Mortgages (1) Heloc's Other Retail Retail SME					431	8		439					451	8		459
Total Retail					431	8		439					451	8		459
<b>Total Exposure at Default</b>					431	34		465					451	83		534

	March 31, 2017								December 31, 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						24		24						17		17
Total Corporate, Sovereign and Bank						24		24						17		17
Residential Mortgages Heloc's Other Retail Retail SME					446	9		455					492	12		503
Total Retail					446	9		455					492	12		503
<b>Total Exposure at Default</b>					446	33		479					492	28		520

	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 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

**Risk Assessment - IRB Retail Credit Portfolio**

(\$ millions except as noted)

	September 30, 2017						June 30, 2017					
	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	21,607	2,669	1,386	327	214	26,202	20,526	2,714	1,416	319	225	25,200
Medium	247	108	27	103	227	712	254	76	34	106	232	701
Sub-Standard			1	4	1	5			1	4		5
Impaired/Default	38	4	4	2	5	54	41	6	4	3	6	59
<b>Total Exposure at Default</b>	<b>21,892</b>	<b>2,781</b>	<b>1,418</b>	<b>435</b>	<b>447</b>	<b>26,973</b>	<b>20,821</b>	<b>2,795</b>	<b>1,456</b>	<b>431</b>	<b>462</b>	<b>25,966</b>

	March 31, 2017						December 31, 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	19,633	2,724	1,475	322	185	24,339	19,521	2,749	1,529	331	195	24,325
Medium	269	77	54	109	213	722	279	80	42	112	222	735
Sub-Standard			1	4		5			1	4		6
Impaired/Default	38	7	4	2	5	56	37	7	5	3	6	57
<b>Total Exposure at Default</b>	<b>19,940</b>	<b>2,807</b>	<b>1,535</b>	<b>438</b>	<b>402</b>	<b>25,122</b>	<b>19,837</b>	<b>2,836</b>	<b>1,576</b>	<b>450</b>	<b>423</b>	<b>25,122</b>

	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>

**Risk Assessment - AIRB Non-Retail Credit Portfolio <sup>(1)</sup>**

(\$ millions except as noted)

Internal Rating	September 30, 2017				June 30, 2017				March 31, 2017				December 31, 2016			
	EAD	PD (%)	LGD (%)	Risk Weight (%)	EAD	PD (%)	LGD (%)	Risk Weight (%)	EAD	PD (%)	LGD (%)	Risk Weight (%)	EAD	PD (%)	LGD (%)	Risk Weight (%)
<b>Corporate</b>																
Minimal Risk	1,256	0.04	47	14	1,247	0.04	46	13	1,222	0.04	45	14	1,406	0.04	47	12
Low Risk	3,689	0.12	43	27	4,183	0.12	45	28	3,897	0.11	44	28	3,891	0.11	43	28
Satisfactory Risk	22,164	0.41	37	44	22,109	0.42	37	45	20,941	0.41	36	45	21,034	0.41	36	45
Fair Default Risk	11,012	1.13	34	63	11,684	1.14	34	63	11,911	1.17	34	65	11,766	1.16	34	65
Moderate Default Risk	3,199	3.00	32	82	3,153	2.93	33	83	3,391	2.85	33	82	3,391	2.82	33	80
Significant Default Risk	950	6.33	33	107	686	6.82	34	112	734	6.97	33	109	862	7.03	33	112
High Default Risk	823	10.83	36	145	961	10.71	34	138	982	10.78	34	136	979	10.46	35	140
Special Management	266	29.19	37	176	253	29.61	31	142	342	29.92	32	148	385	30.87	33	154
Default	427	100.00	41	170	485	100.00	44	180	576	100.00	45	193	718	100.00	45	157
<b>Total Corporate (2)</b>	<b>43,786</b>	<b>2.22</b>	<b>36</b>	<b>55</b>	<b>44,761</b>	<b>2.31</b>	<b>37</b>	<b>55</b>	<b>43,996</b>	<b>2.64</b>	<b>36</b>	<b>57</b>	<b>44,432</b>	<b>2.98</b>	<b>36</b>	<b>57</b>
<b>Sovereign</b>																
Minimal Risk	20,073	0.02	7	2	19,317	0.03	17	3	20,624	0.02	7	3	23,021	0.02	7	3
Low Risk	67	0.07	14	15	72	0.07	14	15	255	0.07	35	14	105	0.07	13	13
Satisfactory Risk	3	0.38	45	46	2	0.34	46	43	2	0.34	47	43	2	0.34	45	43
Fair Default Risk																
Default																
<b>Total Sovereign (2)</b>	<b>20,143</b>	<b>0.02</b>	<b>7</b>	<b>2</b>	<b>19,391</b>	<b>0.03</b>	<b>17</b>	<b>3</b>	<b>20,881</b>	<b>0.02</b>	<b>8</b>	<b>3</b>	<b>23,128</b>	<b>0.02</b>	<b>7</b>	<b>3</b>
<b>Bank</b>																
Minimal Risk	4,700	0.03	18	7	4,878	0.03	20	7	4,806	0.03	19	8	4,489	0.04	20	8
Low Risk	832	0.12	28	20	849	0.12	28	20	729	0.13	29	22	931	0.11	28	18
Satisfactory Risk	35	0.30	36	28	23	0.34	36	29	29	0.35	34	33	60	0.34	32	30
Fair Default Risk	16	1.48	51	76	6	1.58	57	67	16	1.25	46	72	6	1.28	30	56
Moderate Default Risk	4	3.05	51	111	1	3.05	51	113								
Significant Default Risk																
High Default Risk	1	10.00	59	215	1	10.00	59	216	1	10.00	62	227	1	10.00	59	215
Special Management																
Default																
<b>Total Bank (2)</b>	<b>5,588</b>	<b>0.06</b>	<b>20</b>	<b>9</b>	<b>5,758</b>	<b>0.05</b>	<b>21</b>	<b>9</b>	<b>5,581</b>	<b>0.05</b>	<b>20</b>	<b>10</b>	<b>5,487</b>	<b>0.05</b>	<b>21</b>	<b>10</b>

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</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</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																
High Default Risk	1	10.00	59	216	1	5.75	51	149	1	5.75	47	139	1	5.75	37	108
Special Management																
Default																
<b>Total Bank</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>

(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, 2017			June 30, 2017			March 31, 2017			December 31, 2016		
	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			711			675			1,072			1,108
Sovereign												
Bank												
Total Corporate, Sovereign and Bank			711			675			1,072			1,108
Residential Mortgages			2,057			1,539			1,701			1,888
HELOC's												
Other Retail (excluding QRR and SME)												
Qualifying Revolving Retail												
Retail SME												
Total Retail			2,057			1,539			1,701			1,888
<b>Total</b>			<b>2,768</b>			<b>2,214</b>			<b>2,773</b>			<b>2,996</b>

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>

## AIRB Credit Risk Exposures - Credit Commitments

(\$ millions except as noted)

Counterparty Type	September 30, 2017		June 30, 2017		March 31, 2017		December 31, 2016	
	Notional Undrawn	EAD on Undrawn	Notional Undrawn	EAD on Undrawn	Notional Undrawn	EAD on Undrawn	Notional Undrawn	EAD on Undrawn
Corporate	29,400	11,776	29,904	11,989	30,038	12,050	30,778	12,373
Sovereign	1,548	635	1,571	644	1,557	638	585	240
Bank	94	37	71	28	61		166	11
Total Corporate, Sovereign and Bank	31,043	12,447	31,545	12,661	31,656	12,688	31,529	12,624
Residential Mortgages	3	2	8	4	8	3	9	3
HELOC's	3,354	1,033	3,320	1,026	3,298	1,027	3,310	1,029
Other Retail (excluding QRR and SME)	596	182	596	177	596	179	595	168
Qualifying Revolving Retail	878	211	876	207	888	210	895	213
Retail SME	264	263	271	270	210	209	220	219
Total Retail	5,095	1,690	5,070	1,684	5,000	1,628	5,029	1,632
<b>Total</b>	<b>36,138</b>	<b>14,137</b>	<b>36,615</b>	<b>14,345</b>	<b>36,656</b>	<b>14,317</b>	<b>36,558</b>	<b>14,256</b>

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>

## 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 2016.

## 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 2016.

### *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 2017. Further details may be found in the notes on significant account policies and fair value of financial instruments, Annual Report and Accounts 2016.

### *Securitization activities during 2017*

No activity during 2017.

### *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 2016.





## Securitization Exposures

(\$ millions except as noted)

### Securitization exposures by risk weighting

	Exposure value at September 30, 2017			Exposure value at June 30, 2017			Exposure value at March 31, 2017			Exposure value at December 31, 2016		
	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%	-	-	-	-	-	-	-	-	-	-	-	-
> 20% ≤ 50%												
> 50% ≤ 100%												
> 100% ≤ 650%												
> 650% < 1250%												
1250%												
<b>Total</b>	-	-	-	-	-	-	-	-	-	-	-	-

	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>	-	51	51	-	230	230	-	230	230	-	230	230

### Capital required by risk weighting

	Capital required at September 30, 2017			Capital required at June 30, 2017			Capital required at March 31, 2017			Capital required at December 31, 2016		
	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%	-	-	-	-	-	-	-	-	-	-	-	-
> 20% ≤ 50%												
> 50% ≤ 100%												
> 100% ≤ 650%												
> 650% < 1250%												
1250%												
<b>Total</b>	-	-	-	-	-	-	-	-	-	-	-	-

	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>	-	1	1	-	1	1	-	1	1	-	1	1

## 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**

(a) 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.

HSBC Bank Canada computes various measures to monitor market risk and compute capital charges, including sensitivity (daily) to changes in risk factor values, VaR (daily), stressed VaR (weekly), and stress testing (monthly). The risk measures are compared to limits and breaches are escalated to senior management.

Calculations are performed using global models and systems for measuring market risk. Information from the Primary Trading Systems is sent to the global systems, where the calculations are performed and made available for review.

(b) 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 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.

(c) HSBC Bank Canada uses HSBC global models and systems for measuring market risk. Sensitivity to risk factor shocks are computed by the primary trading systems. These sensitivities are sent to the Group systems, which compute VaR and stressed VaR and perform stress testing. Backtesting by comparing VaR to the daily profit and loss is also performed. Market Risk calculations are reported daily via email to Market Risk teams and senior management. A local system has been set up to collect market risk results and prepare monthly and quarterly regulatory reports.

## Market Risk

### *Internal Model Approach (IMA)*

- (a) At HSBC Bank Canada the IMA covers VaR, stressed VaR, and stress testing calculations for the Trading Book. A historical simulation approach is used to measure general market risk for interest rate and foreign exchange risk factors. All risks are included in the historical simulation approach for general market risk. A standard charge approach is used to estimate the interest rate specific risk.
- (b) At HSBC Bank Canada the IMA is used to measure the general market risk for the Trading Book. HSBC Bank Canada uses the global models and systems to compute general market risk. Information from the primary trading systems is passed to the global market risk systems and the results are made available to HSBC Bank Canada. A local system is used to compute the standard charge.
- (c) A historical simulation approach is used to compute VaR and stressed VaR.
- (d) For management purposes 1-day VaR and 10-day Stressed VaR are computed. For regulatory purposes, 10-day VaR and 10-day Stressed VaR are computed.
- (e) For VaR, the historical scenarios are updated twice each month. 500 days of historical scenarios are used without weighting. The 10-day VaR is computed using 1-day VaR scaled by square root of 10 and an additional multiplicative factor to provide a conservative estimate. For specific risk, the standard charge calculation is separate from the historical simulation approach for the general market risk. The standard charge is aggregated with the VaR and Stressed VaR contributions when computing the market risk capital charge. A sensitivity-based approach is used to compute the profit and loss for the VaR calculation. Relative returns are used for credit spreads and exchange rates and absolute returns are used for interest rates.
- (f) For the Stressed VaR calculation, 10-day VaR is computed directly and 250 scenarios are used. Each quarter the stressed VaR period is determined by computing VaR for overlapping 250 day windows going back to 2008 to determine the period yielding the largest VaR value. This 250 day period is then used for the remainder of the quarter for the weekly Stressed VaR calculation. Both global and HSBC Bank Canada stressed VaR period are computed. A multiplier (greater than or equal to 1) is computed as the ratio of the VaR using the HSBC Bank Canada period and the global period. When the Stressed VaR is computed on a weekly basis, the global period is used for Group aggregation purposes. For local regulatory purposes the Stressed VaR determined using the global period is scaled by the multiplier. As in the case of VaR, the sensitivity approach is used to compute profit and loss used in the Stressed VaR calculation.
- (g) Stress Testing is performed on monthly basis using both globally-defined and locally-defined scenarios. The locally-defined scenarios are chosen based on the HSBC Bank Canada portfolio and relevant risk factors. Stressed profit and loss figures are compared against limits and breaches are reported to senior management.
- (h) Backtesting is performed on a daily basis. The historical simulation general market risk 1-day VaR is compared against the hypothetical 1 day profit and loss (assuming portfolio remains constant over the 1 day). This is done at various levels, including Total Trading Book, lines of business, and at the risk factor level. Breaches of 99%-ile 1-day VaR are investigated and reported to the regulator within 2 business days.

## Market Risk RWA

(\$ millions except as noted)

RWA flow statement of market risk exposures	September 30, 2017			June 30, 2017			March 31, 2017			December 31, 2016		
	VaR	Stressed VaR	Total RWA	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	212	704	916	200	668	868	247	504	751	229	331	560
Movement in risk levels (1)	17	(424)	(407)	12	36	48	(47)	164	117	18	174	191
Methodology and policy (2)												
<b>RWA at end of reporting period</b>	<b>229</b>	<b>280</b>	<b>509</b>	<b>212</b>	<b>704</b>	<b>916</b>	<b>200</b>	<b>668</b>	<b>868</b>	<b>247</b>	<b>504</b>	<b>751</b>
<b>Standardised method:</b>												
Interest rate position risk (specific)			536			382			400			205
<b>RWA at end of reporting period</b>			<b>1,045</b>			<b>1,298</b>			<b>1,268</b>			<b>956</b>

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)

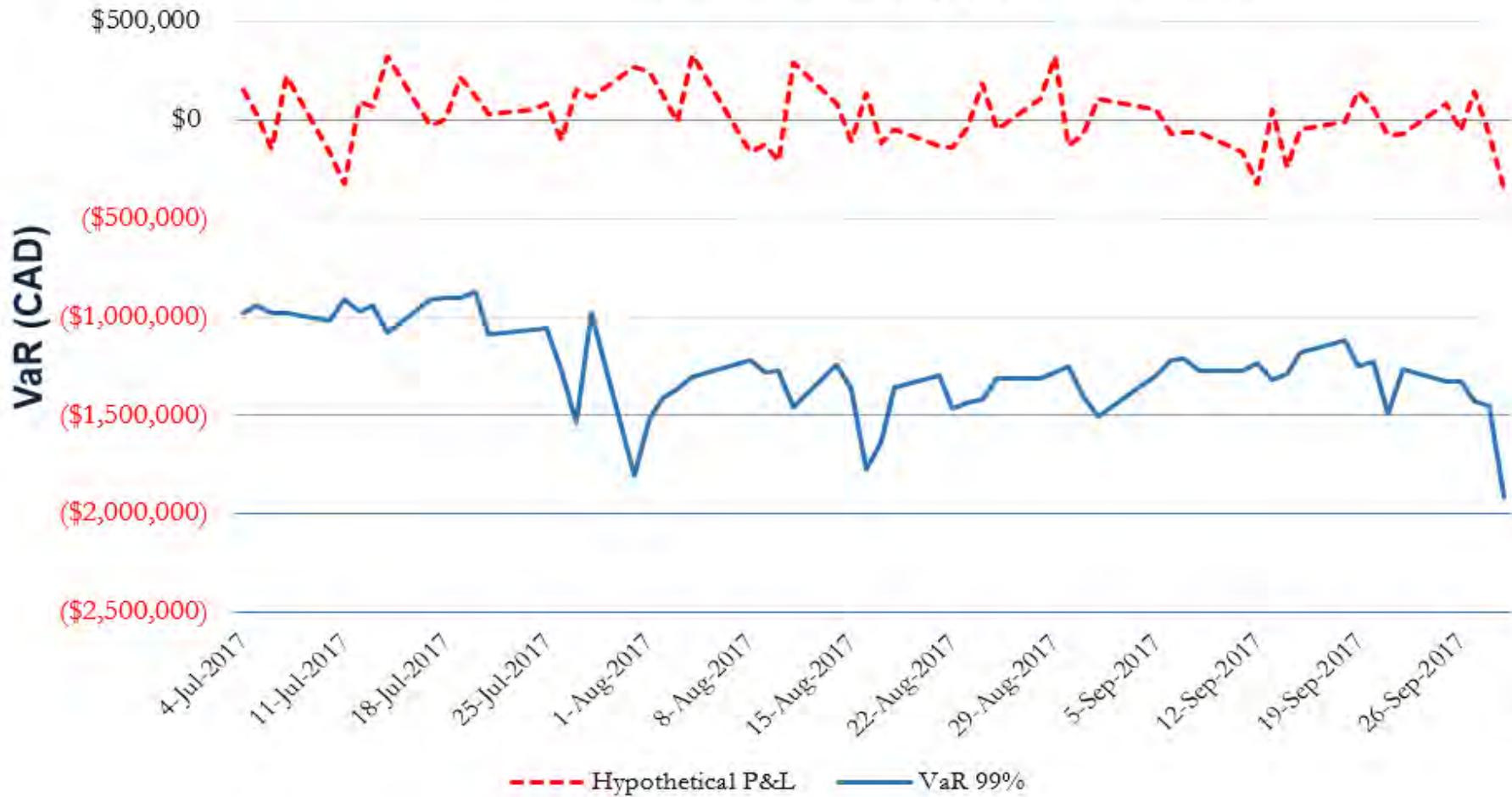
	September 30, 2017		June 30, 2017		March 31, 2017		December 30, 2016		September 30, 2016		June 30, 2016		March 31, 2016	
	VaR	Stressed VaR	VaR	Stressed VaR	VaR	Stressed VaR	VaR	Stressed VaR	VaR	Stressed VaR	VaR	Stressed VaR	VaR	Stressed VaR
1 Maximum value	7,101	7,650	8,490	23,307	6,068	19,260	8,445	17,486	7,011	8,853	7,029	10,029	8,095	10,897
2 Average value	4,533	5,653	4,273	13,969	3,959	12,851	4,936	10,113	4,551	6,602	4,430	6,232	5,427	8,035
3 Minimum value	2,785	4,342	2,895	6,462	2,635	6,681	3,183	4,900	2,949	5,136	2,427	3,493	3,752	6,085
4 Period end	6,805	7,577	3,573	6,462	6,016	14,541	3,259	5,006	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 third quarter ended September 30, 2017

### VaR Back Testing (without ICVaR)



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.