

2012

**HSBC Bank Canada
Capital and Risk Management
Pillar 3 Supplemental Disclosures
as at December 31, 2012**



Index	Page
Basel II Regulatory Capital	2
Basel II Regulatory Risk-Weighted Assets	3
Credit Exposure by Counterparty Type	4
Credit Exposure by Geography	5
Residual Contract Maturity Breakdown	6
Portfolio Breakdown by Basel II Approaches	7
Standardized Exposures by Risk Weight Category	8
Risk Assessment - IRB Retail Credit Portfolio	9
Risk Assessment - AIRB Non-Retail Credit Portfolio	10
Exposures Covered by Credit Risk Mitigation	11
AIRB Credit Risk Exposures - Credit Commitments	12
Securitization Disclosure	13-14
Securitization Exposures	15-16
Remuneration Disclosure	17-20
Basel II Glossary	21

Notes to Users

Capital and Risk Management Pillar 3 Disclosures

The Pillar 3 Supplemental Disclosures are additional summary descriptions and quantitative financial information which supplement those already made in the Annual Report and Accounts 2012 for the disclosure requirements under OSFI's Pillar 3 Disclosure Requirements Advisory issued September 29, 2006 consistent with the "International Convergence of Capital Measurement and Capital Standards" ('Basel II') issued by the Basel Committee on Banking Supervision in June 2006.

The supervisory objectives of Basel II, which replaces the 1988 Basel Capital Accord, are to promote safety and soundness in the financial system and maintain an appropriate level of capital in the system, enhance competitive equality, constitute a more comprehensive approach to addressing risks, and focus on internationally active banks. Basel II is structured around three "pillars": pillar 1, minimum capital requirements, pillar 2, supervisory review and pillar 3, market discipline.

Pillar 3 complements the minimum capital requirements and the supervisory review process. Its aim is to encourage market discipline by developing a set of disclosure requirements which will allow market participants to assess certain specified information on the scope of application of Basel II, capital, particular risk exposures, risk assessment processes, and hence the capital adequacy of the institution.

The Office of the Superintendent of Financial Institutions ("OSFI") supervises HSBC Bank Canada (the "Bank") on a consolidated basis. Effective November 1, 2007, OSFI implemented a new regulatory capital management framework, which gives effect to Basel II. OSFI has approved the Bank's application to apply the Advanced Internal Ratings Based ("AIRB") approach to credit risk on our portfolio and the Standardized Approach for measuring Operational Risk. Please refer to the Annual Report and Accounts 2012 for further information on the Bank's risk and capital management framework.

Further information regarding HSBC Group Risk Management Processes can be found in HSBC Holdings plc Capital and Risk Management Pillar 3 Disclosures available on HSBC Group's investor relations web site.

Enhanced Basel II Pillar 3 disclosures have been included in this document from the first quarter 2012, as per the implementation requirements of OSFI's letter dated July 13 2011.

Basel II Pillar 3 remuneration disclosures have been included in this document starting with the 2012 December year-end, as per the implementation requirements of OSFI's letter dated December 1, 2011 and will be provided on an annual basis.

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

Basel II Regulatory Capital ¹

(\$ millions except as noted)



Qualifying Regulatory Capital	December 31	September 30	June 30	March 31	December 31	September 30	June 30	March 31
	2012	2012	2012	2012	2011	2011	2011	2011
Common shares	1,225	1,225	1,225	1,225	1,225	1,225	1,225	1,225
Retained earnings	2,680	2,601	2,545	2,455	2,363	2,306	2,241	2,133
Non-cumulative preferred shares	946	946	946	946	946	946	946	946
Non-controlling interests in trust and subsidiary	230	230	230	230	230	230	230	230
Securitization-related deductions and other	(5)	(5)	(10)	(9)	(9)	(9)	(12)	(11)
Goodwill	(23)	(23)	(23)	(23)	(23)	(26)	(26)	(26)
Total Tier 1 capital	5,053	4,974	4,913	4,823	4,731	4,672	4,605	4,497
Subordinated debentures	760	759	757	751	752	753	742	735
Other	64	100	79	95	155	157	178	186
Total Tier 2 capital	823	859	836	846	906	910	920	920
Total capital available for regulatory purposes	5,876	5,833	5,749	5,669	5,637	5,582	5,524	5,418

Capital Ratios ²	December 31	September 30	June 30	March 31	December 31	September 30	June 30	March 31
	2012	2012	2012	2012	2011	2011	2011	2011
Tier 1 capital ratio	13.78%	13.51%	13.79%	13.23%	13.39%	13.43%	13.30%	13.41%
Total capital ratio	16.03%	15.84%	16.13%	15.55%	15.96%	16.05%	15.95%	16.16%
Assets to capital multiple	13.08	13.60	13.33	13.20	13.13	13.48	13.76	13.51

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

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

Basel II Risk-Weighted Assets¹

(\$ millions except as noted)



Risk-Weighted Assets (RWA)	December 31, 2012				September 30, 2012				June 30, 2012				March 31, 2012						
	Exposure (2)	RWA			Exposure (2)	RWA			Exposure (2)	RWA			Exposure (2)	RWA					
		Standardized Approach	Advanced Approach	Total		Standardized Approach	Advanced Approach	Total		Standardized Approach	Advanced Approach	Total		Standardized Approach	Advanced Approach	Total			
(\$ millions except as noted)																			
Corporate	44,898		20,285	20,285	46,041		20,340	20,340	44,599		20,087	20,087	42,796		19,932	19,932	19,932	19,932	
Sovereign	20,191		446	446	22,159		474	474	20,530		450	450	20,139		492	492	492	492	
Bank	9,332	2	642	643	9,438	8	680	688	7,720	6	581	587	8,187	5	666	671	666	671	
Residential Mortgages	18,378	282	1,741	2,023	18,707	314	1,728	2,042	18,939	349	1,753	2,103	19,019	385	1,728	2,113	1,728	2,113	
HELOC's	5,543		781	781	5,650		786	786	5,782		808	808	5,955		832	832	832	832	
Other Retail (excluding QRR and SME)	5,631	2,130	777	2,906	5,940	2,302	825	3,126	6,154	2,376	904	3,280	6,310	2,475	856	3,332	856	3,332	
Qualifying Revolving Retail	1,127		364	364	1,141		369	369	1,140		367	367	1,154		326	326	326	326	
Retail SME	746		409	409	827		460	460	755		414	414	805		370	370	370	370	
Exposures subject to standardized or IRB approaches	105,845	2,413	25,443	27,856	109,904	2,623	25,663	28,286	105,618	2,731	25,364	28,095	104,365	2,864	25,203	28,067	28,067	28,067	
Equity (3)	73		73	73	56		56	56	234		234	234	207		207	207	207	207	
Securitization (4)	9	32		32	10	34		34	19	67		67	19	66		66	66	66	
Other assets not included in standardized or IRB approaches	1,004			853	997			813	994			787	1,139		873	873	873	873	
Adjustment to IRB risk-weighted assets for scaling factor				1,531				1,543				1,536			1,525	1,525	1,525	1,525	
Total Credit Risk	106,932			30,346	110,967			30,732	106,866			30,719	105,730			30,738	30,738	30,738	
Market Risk (5)																			
Operational Risk - Standardized Approach				4,154				4,186				4,216			4,207	4,207	4,207	4,207	
Total Risk-Weighted Assets				34,500				34,919				34,935			34,945	34,945	34,945	34,945	
Adjustment for Regulatory Floor (6)				2,168				1,899				702			1,515	1,515	1,515	1,515	
Total Transitional Risk-Weighted Assets				36,668				36,818				35,637			36,460	36,460	36,460	36,460	

Risk-Weighted Assets (RWA)	December 31, 2011				September 30, 2011				June 30, 2011				March 31, 2011						
	Exposure (2)	RWA			Exposure (2)	RWA			Exposure (2)	RWA			Exposure (2)	RWA					
		Standardized Approach	Advanced Approach	Total		Standardized Approach	Advanced Approach	Total		Standardized Approach	Advanced Approach	Total		Standardized Approach	Advanced Approach	Total			
(\$ millions except as noted)																			
Corporate	40,128		19,408	19,408	40,737		18,740	18,740	42,334		18,466	18,466	41,452		18,295	18,295	18,295	18,295	
Sovereign	19,290		433	433	20,252		455	455	19,488		383	383	17,292		336	336	336	336	
Bank	10,289		681	681	11,400		728	728	11,481		572	572	11,461	6	497	502	497	502	
Residential Mortgages	18,859	394	1,702	2,096	18,685	407	1,665	2,071	18,494	419	1,625	2,043	18,515	437	1,619	2,056	1,619	2,056	
HELOC's	6,032		848	848	6,117		852	852	6,195		869	869	6,303		894	894	894	894	
Other Retail (excluding QRR and SME)	6,321	2,503	865	3,368	6,340	2,489	896	3,385	6,232	2,402	928	3,330	6,357	2,447	1,374	3,821	1,374	3,821	
Qualifying Revolving Retail	1,158		326	326	1,167		328	328	1,163		317	317	1,171		318	318	318	318	
Retail SME	815		356	356	853		378	378	875		394	394	890		395	395	395	395	
Exposures subject to standardized or IRB approaches	102,893	2,898	24,620	27,517	105,552	2,896	24,041	26,936	106,262	2,821	23,553	26,374	103,439	2,889	23,729	26,617	26,617	26,617	
Equity (3)	191		191	191	161		161	161	265		265	265	181		181	181	181	181	
Securitization (4)	19	66		66	18	65		65	23	81		81	22	78		78	78	78	
Other assets not included in standardized or IRB approaches	944			760	1,045			856	1,253			1,011	1,223		1,052	1,052	1,052	1,052	
Adjustment to IRB risk-weighted assets for scaling factor				1,489				1,452				1,429			1,435	1,435	1,435	1,435	
Total Credit Risk	104,046			30,023	106,777			29,470	107,803			29,161	104,865			29,363	29,363	29,363	
Market Risk (5)																			
Operational Risk - Standardized Approach				4,212				4,222				4,173			4,168	4,168	4,168	4,168	
Total Risk-Weighted Assets				34,236				33,692				33,333			33,531	33,531	33,531	33,531	
Adjustment for Regulatory Floor (6)				1,086				1,094				1,300			-	-	-	-	
Total Transitional Risk-Weighted Assets				35,322				34,786				34,633			35,331	35,331	35,331	35,331	

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

(2) Exposure represents gross exposure at default before allowances and credit risk mitigation.

(3) Under OSFI guidelines the Bank is exempt from using the AIRB approach based on materiality.

Accordingly equity investments are risk weighted at 100%.

(4) Securitization exposures are currently treated as on balance sheet exposures and included in the Basel II counterparty category to which the exposures relate.

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

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

Credit Exposure by Counterparty Type

(\$ millions except as noted)



	Loans (Drawn)	Commitments (Undrawn)	Repo Style Transactions	OTC	Other Off Balance Sheet Items	Total	Loans (Drawn)	Commitments (Undrawn)	Repo Style Transactions	OTC	Other Off Balance Sheet Items	Total
December 31, 2012						September 30, 2012						
Corporate	26,330	11,124	4,097	1,070	2,277	44,898	27,147	10,759	4,878	1,096	2,162	46,041
Sovereign	20,083	29		79		20,191	22,062	29		68		22,159
Bank	3,598		3,259	2,127	348	9,332	3,703		3,106	2,281	349	9,438
Total Corporate, Sovereign and Bank	50,011	11,153	7,356	3,276	2,625	74,420	52,912	10,788	7,984	3,444	2,511	77,639
Residential Mortgages	18,377	1				18,378	18,707					18,707
HELOC's	2,598	2,945				5,543	2,656	2,994				5,650
Other Retail (excluding QRR and SME)	3,651	1,974			6	5,631	3,806	2,126			8	5,940
Qualifying Revolving Retail	350	776				1,127	354	786				1,141
Retail SME	421	263			61	746	447	319			61	827
Total Retail	25,398	5,960			67	31,425	25,970	6,227			69	32,266
Total Gross Credit Exposure	75,409	17,113	7,356	3,276	2,692	105,845	78,882	17,015	7,984	3,444	2,580	109,904
June 30, 2012						March 31, 2012						
Corporate	26,562	10,577	3,906	1,197	2,357	44,599	26,420	10,361	2,210	991	2,814	42,796
Sovereign	20,423	21		85		20,530	20,073	25		41		20,139
Bank	2,829	47	2,360	2,330	154	7,720	3,690	795	1,323	2,178	200	8,187
Total Corporate, Sovereign and Bank	49,814	10,646	6,266	3,612	2,511	72,849	50,183	11,182	3,533	3,209	3,015	71,122
Residential Mortgages	18,936	3				18,939	19,013	5				19,019
HELOC's	2,716	3,066				5,782	2,832	3,123				5,955
Other Retail (excluding QRR and SME)	3,958	2,177			19	6,154	4,033	2,270			7	6,310
Qualifying Revolving Retail	353	787				1,140	359	795				1,154
Retail SME	440	273			42	755	455	315			36	805
Total Retail	26,403	6,305			61	32,770	26,693	6,508			43	33,243
Total Gross Credit Exposure	76,218	16,951	6,266	3,612	2,572	105,618	76,875	17,690	3,533	3,209	3,058	104,365
December 31, 2011						September 30, 2011						
Corporate	24,762	10,179	1,402	1,017	2,769	40,128	23,242	9,902	2,068	1,469	4,056	40,737
Sovereign	19,235	25		30		19,290	20,212	15		24		20,252
Bank	3,395	785	3,656	2,295	158	10,289	3,367	786	4,735	2,385	127	11,400
Total Corporate, Sovereign and Bank	47,392	10,990	5,058	3,342	2,927	69,708	46,822	10,703	6,803	3,878	4,182	72,388
Residential Mortgages	18,853	7				18,859	18,680	6				18,685
HELOC's	2,889	3,143				6,032	2,989	3,129				6,117
Other Retail (excluding QRR and SME)	4,052	2,262			8	6,321	4,008	2,324			8	6,340
Qualifying Revolving Retail	367	791				1,158	375	792				1,167
Retail SME	507	270			37	815	505	310			39	853
Total Retail	26,668	6,473			44	33,185	26,557	6,560			47	33,164
Total Gross Credit Exposure	74,060	17,462	5,058	3,342	2,971	102,893	73,379	17,263	6,803	3,878	4,229	105,552
June 30, 2011						March 31, 2011						
Corporate	23,232	9,749	4,680	806	3,868	42,334	23,032	9,408	4,987	686	3,340	41,452
Sovereign	19,441	16		32		19,488	17,244	15		33		17,292
Bank	2,823	795	6,052	1,780	31	11,481	2,445	800	6,511	1,654	51	11,461
Total Corporate, Sovereign and Bank	45,496	10,560	10,732	2,617	3,899	73,304	42,720	10,222	11,497	2,373	3,391	70,204
Residential Mortgages	18,486	8				18,494	18,512	3				18,515
HELOC's	3,050	3,145				6,195	3,134	3,169				6,303
Other Retail (excluding QRR and SME)	3,986	2,238			8	6,232	4,055	2,274			28	6,357
Qualifying Revolving Retail	371	792				1,163	379	792				1,171
Retail SME	529	311			35	875	547	305			37	890
Total Retail	26,423	6,494			42	32,959	26,627	6,543			65	33,235
Total Gross Credit Exposure	71,919	17,053	10,732	2,617	3,942	106,262	69,347	16,765	11,497	2,373	3,456	103,439

Credit Exposure by Geography

(\$ millions except as noted)



	December 31, 2012						September 30, 2012					
	Loans (Drawn)	Commitments (Undrawn)	Repo Style Transactions	OTC	Other Off Balance Sheet Items	Total	Loans (Drawn)	Commitments (Undrawn)	Repo Style Transactions	OTC	Other Off Balance Sheet Items	Total
British Columbia	20,519	4,938	51	55	578	26,141	21,187	4,985	53	61	605	26,891
Western Canada, excluding British Columbia	10,237	4,784		359	588	15,968	10,655	4,533		349	574	16,112
Ontario	37,373	5,225	7,305	2,624	1,007	53,533	39,529	5,360	7,931	2,827	757	56,405
Quebec & Atlantic provinces	7,280	2,166		238	519	10,203	7,511	2,136		207	643	10,497
Total Gross Credit Exposure	75,409	17,113	7,356	3,276	2,692	105,845	78,882	17,015	7,984	3,444	2,580	109,904

	June 30, 2012						March 31, 2012					
	Loans (Drawn)	Commitments (Undrawn)	Repo Style Transactions	OTC	Other Off Balance Sheet Items	Total	Loans (Drawn)	Commitments (Undrawn)	Repo Style Transactions	OTC	Other Off Balance Sheet Items	Total
British Columbia	21,421	5,105	120	68	622	27,336	21,697	5,801		57	660	28,215
Western Canada, excluding British Columbia	10,419	4,456		408	530	15,813	10,609	4,483		307	749	16,148
Ontario	37,089	5,175	6,146	2,882	782	52,074	37,584	5,197	3,533	2,645	918	49,878
Quebec & Atlantic provinces	7,289	2,215		254	637	10,395	6,985	2,208		200	730	10,124
Total Gross Credit Exposure	76,218	16,951	6,266	3,612	2,572	105,618	76,875	17,690	3,533	3,209	3,058	104,365

	December 31, 2011						September 30, 2011					
	Loans (Drawn)	Commitments (Undrawn)	Repo Style Transactions	OTC	Other Off Balance Sheet Items	Total	Loans (Drawn)	Commitments (Undrawn)	Repo Style Transactions	OTC	Other Off Balance Sheet Items	Total
British Columbia	21,714	5,933		72	701	28,420	21,347	5,868		108	1,060	28,383
Western Canada, excluding British Columbia	10,607	4,324		274	756	15,961	10,087	4,435		349	1,016	15,887
Ontario	35,137	5,071	5,058	2,783	915	48,965	35,417	4,952	6,803	2,976	1,434	51,582
Quebec & Atlantic provinces	6,602	2,133		212	599	9,547	6,529	2,009		445	718	9,700
Total Gross Credit Exposure	74,060	17,462	5,058	3,342	2,971	102,893	73,379	17,263	6,803	3,878	4,229	105,552

	June 30, 2011						March 31, 2011					
	Loans (Drawn)	Commitments (Undrawn)	Repo Style Transactions	OTC	Other Off Balance Sheet Items	Total	Loans (Drawn)	Commitments (Undrawn)	Repo Style Transactions	OTC	Other Off Balance Sheet Items	Total
British Columbia	21,739	5,709		58	999	28,504	21,598	5,831		55	933	28,417
Western Canada, excluding British Columbia	9,607	4,560		236	1,022	15,425	9,904	4,460		196	917	15,477
Ontario	33,863	4,861	10,732	2,125	1,318	52,898	31,567	4,607	11,497	1,903	1,035	50,610
Quebec & Atlantic provinces	6,710	1,924		197	603	9,435	6,278	1,867		219	571	8,935
Total Gross Credit Exposure	71,919	17,053	10,732	2,617	3,942	106,262	69,347	16,765	11,497	2,373	3,456	103,439

Residual Contract Maturity Breakdown

(\$ millions except as noted)



	December 31, 2012						September 30, 2012					
	Loans (Drawn)	Commitments (Undrawn)	Repo Style Transactions	OTC	Other Off Balance Sheet Items	Total	Loans (Drawn)	Commitments (Undrawn)	Repo Style Transactions	OTC	Other Off Balance Sheet Items	Total
Within 1 year	31,961	15,399	6,994	1,133	2,524	58,011	37,496	15,413	7,984	1,241	2,258	64,392
1-5 years	36,378	1,521		1,438	167	39,505	37,125	1,413		1,422	321	40,281
Greater than 5 years	7,070	192	362	704	1	8,329	4,261	189		782	0	5,232
Total Gross Credit Exposure	75,409	17,113	7,356	3,276	2,692	105,845	78,882	17,015	7,984	3,444	2,580	109,904

	June 30, 2012						March 31, 2012					
	Loans (Drawn)	Commitments (Undrawn)	Repo Style Transactions	OTC	Other Off Balance Sheet Items	Total	Loans (Drawn)	Commitments (Undrawn)	Repo Style Transactions	OTC	Other Off Balance Sheet Items	Total
Within 1 year	33,544	15,297	6,266	1,250	2,413	58,771	33,912	16,148	3,241	1,159	2,873	57,334
1-5 years	39,091	1,459		1,584	158	42,293	38,913	1,297	292	1,420	185	42,105
Greater than 5 years	3,582	195		777	0	4,554	4,051	245		630	0	4,926
Total Gross Credit Exposure	76,218	16,951	6,266	3,612	2,572	105,618	76,875	17,690	3,533	3,209	3,058	104,365

	December 31, 2011						September 30, 2011					
	Loans (Drawn)	Commitments (Undrawn)	Repo Style Transactions	OTC	Other Off Balance Sheet Items	Total	Loans (Drawn)	Commitments (Undrawn)	Repo Style Transactions	OTC	Other Off Balance Sheet Items	Total
Within 1 year	34,158	15,931	4,449	1,160	2,801	58,499	32,386	16,777	5,004	1,588	4,081	59,836
1-5 years	36,424	1,280	610	1,477	170	39,961	37,038	375	1,799	1,613	148	40,973
Greater than 5 years	3,477	251		704	0	4,432	3,954	111		676	0	4,742
Total Gross Credit Exposure	74,060	17,462	5,058	3,342	2,971	102,893	73,379	17,263	6,803	3,878	4,229	105,552

	June 30, 2011						March 31, 2011					
	Loans (Drawn)	Commitments (Undrawn)	Repo Style Transactions	OTC	Other Off Balance Sheet Items	Total	Loans (Drawn)	Commitments (Undrawn)	Repo Style Transactions	OTC	Other Off Balance Sheet Items	Total
Within 1 year	33,629	15,805	8,953	1,070	3,775	63,232	34,437	16,404	9,618	1,177	3,368	65,004
1-5 years	34,686	1,139	1,779	1,194	166	38,963	31,418	250	1,879	956	87	34,591
Greater than 5 years	3,603	110		354	1	4,068	3,492	112		240	1	3,845
Total Gross Credit Exposure	71,919	17,053	10,732	2,617	3,942	106,262	69,347	16,765	11,497	2,373	3,456	103,439

Portfolio Breakdown by Basel II Approaches

(\$ millions except as noted)



	December 31, 2012				September 30, 2012				June 30, 2012				March 31, 2012			
	Standardized		AIRB		Standardized		AIRB		Standardized		AIRB		Standardized		AIRB	
	Loans (Drawn)	Credit Equivalent Amount on Undrawn	Loans (Drawn)	Credit Equivalent Amount on Undrawn	Loans (Drawn)	Credit Equivalent Amount on Undrawn	Loans (Drawn)	Credit Equivalent Amount on Undrawn	Loans (Drawn)	Credit Equivalent Amount on Undrawn	Loans (Drawn)	Credit Equivalent Amount on Undrawn	Loans (Drawn)	Credit Equivalent Amount on Undrawn	Loans (Drawn)	Credit Equivalent Amount on Undrawn
Corporate			26,330	11,124			27,147	10,759			26,562	10,577			26,420	10,361
Sovereign			20,083	29			22,062	29			20,423	21			20,073	25
Bank	8		3,591		39		3,664		30		2,799	47	23		3,668	795
Total Corporate, Sovereign and Bank	8		50,003	11,153	39		52,873	10,788	30		49,784	10,646	23		50,160	11,182
Residential Mortgages	528		17,849	1	586		18,122		657		18,279	3	725	4	18,289	2
HELOC's			2,598	2,945			2,656	2,994			2,716	3,066			2,832	3,123
Other Retail (excluding QRR and SME)	1,445	1,358	2,206	615	1,535	1,496	2,271	630	1,615	1,518	2,343	659	1,670	1,595	2,362	676
Qualifying Revolving Retail			350	776			354	786			353	787			359	795
Retail SME			421	263			447	319			440	273			455	315
Total Retail	1,973	1,358	23,425	4,601	2,120	1,496	23,850	4,731	2,272	1,518	24,132	4,787	2,395	1,598	24,298	4,909
Total Gross Credit Exposure	1,981	1,358	73,428	15,754	2,160	1,496	76,723	15,519	2,302	1,518	73,916	15,433	2,418	1,598	74,458	16,091

	December 31, 2011				September 30, 2011				June 30, 2011				March 31, 2011			
	Standardized		AIRB		Standardized		AIRB		Standardized		AIRB		Standardized		AIRB	
	Loans (Drawn)	Credit Equivalent Amount on Undrawn	Loans (Drawn)	Credit Equivalent Amount on Undrawn	Loans (Drawn)	Credit Equivalent Amount on Undrawn	Loans (Drawn)	Credit Equivalent Amount on Undrawn	Loans (Drawn)	Credit Equivalent Amount on Undrawn	Loans (Drawn)	Credit Equivalent Amount on Undrawn	Loans (Drawn)	Credit Equivalent Amount on Undrawn	Loans (Drawn)	Credit Equivalent Amount on Undrawn
Corporate			24,762	10,179			23,242	9,902			23,232	9,749			23,032	9,408
Sovereign			19,235	25			20,212	15			19,441	16			17,244	15
Bank			3,395	785			3,367	786	1		2,823	795	28		2,416	800
Total Corporate, Sovereign and Bank			47,392	10,990			46,822	10,703	1		45,495	10,560	28		42,692	10,222
Residential Mortgages	749	4	18,103	3	773	3	17,907	3	805	3	17,681	5	844	3	17,668	
HELOC's			2,889	3,143			2,989	3,129			3,050	3,145			3,134	3,169
Other Retail (excluding QRR and SME)	1,723	1,580	2,329	682	1,673	1,610	2,336	714	1,632	1,537	2,354	701	1,630	1,551	2,425	723
Qualifying Revolving Retail			367	791			375	792			371	792			379	792
Retail SME			507	270			505	310			529	311			547	305
Total Retail	2,472	1,583	24,196	4,889	2,446	1,613	24,111	4,948	2,437	1,540	23,985	4,954	2,474	1,553	24,153	4,989
Total Gross Credit Exposure	2,472	1,583	71,588	15,879	2,446	1,613	70,933	15,650	2,438	1,540	69,481	15,513	2,502	1,553	66,845	15,212

Standardized Exposures by Risk Weight Category

(\$ millions except as noted)



	December 31, 2012							September 30, 2012								
	Risk Weight Category							Risk Weight Category								
	0%	20%	35%	50%	75%	100%	150%	Total	0%	20%	35%	50%	75%	100%	150%	Total
Corporate Sovereign Bank		8						8			39					39
Total Corporate, Sovereign and Bank		8						8		39						39
Residential Mortgages			301		201	26		528			333		221	32		586
Heloc's													2,992		38	3,031
Other Retail					2,768			2,804								
Retail SME																
Total Retail			301		2,968	26	36	3,332			333		3,214	32	38	3,616
Total Exposure at Default		8	301		2,968	26	36	3,340		39	333		3,214	32	38	3,656

	June 30, 2012							March 31, 2012								
	Risk Weight Category							Risk Weight Category								
	0%	20%	35%	50%	75%	100%	150%	Total	0%	20%	35%	50%	75%	100%	150%	Total
Corporate Sovereign Bank		30						30			23					23
Total Corporate, Sovereign and Bank		30						30		23						23
Residential Mortgages			378		249	31		657			422		277	29		728
Heloc's													3,230		35	3,265
Other Retail					3,098			3,133								
Retail SME																
Total Retail			378		3,347	31	35	3,790			422		3,507	29	35	3,993
Total Exposure at Default		30	378		3,347	31	35	3,820		23	422		3,507	29	35	4,016

	December 31, 2011							September 30, 2011								
	Risk Weight Category							Risk Weight Category								
	0%	20%	35%	50%	75%	100%	150%	Total	0%	20%	35%	50%	75%	100%	150%	Total
Corporate Sovereign Bank																
Total Corporate, Sovereign and Bank																
Residential Mortgages			445		278	30		753			460		279	36		776
Heloc's													3,247		36	3,283
Other Retail					3,267			3,302								
Retail SME																
Total Retail			445		3,545	30	36	4,055			460		3,526	36	36	4,058
Total Exposure at Default			445		3,545	30	36	4,055			460		3,526	36	36	4,058

	June 30, 2011							March 31, 2011								
	Risk Weight Category							Risk Weight Category								
	0%	20%	35%	50%	75%	100%	150%	Total	0%	20%	35%	50%	75%	100%	150%	Total
Corporate Sovereign Bank		1						1			28					28
Total Corporate, Sovereign and Bank		1						1		28						28
Residential Mortgages			489		289	31		809			516		298	33		846
Heloc's													3,099		81	3,181
Other Retail					3,134			3,168								
Retail SME																
Total Retail			489		3,423	31	34	3,977			516		3,397	33	81	4,027
Total Exposure at Default		1	489		3,423	31	34	3,978		28	516		3,397	33	81	4,055

Risk Assessment - IRB Retail Credit Portfolio

(\$ millions except as noted)



	December 31, 2012						September 30, 2012					
	Residential Mortgages	Heloc's	Other Retail (excl. QRR and SME)	Qualifying Revolving Retail	Retail SME	Total	Residential Mortgages	Heloc's	Other Retail (excl. QRR and SME)	Qualifying Revolving Retail	Retail SME	Total
Strong	17,506	5,430	2,700	780	539	26,956	17,750	5,526	2,783	787	594	27,440
Medium	249	91	116	335	193	985	286	103	112	342	209	1,053
Sub-Standard			3	7	2	12			3	7	12	22
Impaired/Default	95	22	8	4	11	140	86	21	11	4	12	135
Total Exposure at Default	17,850	5,543	2,827	1,127	746	28,093	18,122	5,650	2,910	1,141	827	28,650

	June 30, 2012						March 31, 2012					
	Residential Mortgages	Heloc's	Other Retail (excl. QRR and SME)	Qualifying Revolving Retail	Retail SME	Total	Residential Mortgages	Heloc's	Other Retail (excl. QRR and SME)	Qualifying Revolving Retail	Retail SME	Total
Strong	17,904	5,652	2,876	791	563	27,786	17,914	5,819	2,889	797	603	28,022
Medium	274	106	128	339	177	1,024	258	111	142	346	187	1,043
Sub-Standard			3	6	2	11			2	7	1	10
Impaired/Default	104	23	14	4	12	158	119	25	13	4	14	175
Total Exposure at Default	18,282	5,782	3,021	1,140	755	28,980	18,290	5,955	3,045	1,154	805	29,250

	December 31, 2011						September 30, 2011					
	Residential Mortgages	Heloc's	Other Retail (excl. QRR and SME)	Qualifying Revolving Retail	Retail SME	Total	Residential Mortgages	Heloc's	Other Retail (excl. QRR and SME)	Qualifying Revolving Retail	Retail SME	Total
Strong	17,720	5,887	2,865	802	614	27,888	17,534	5,999	2,912	807	642	27,894
Medium	275	122	137	344	187	1,065	258	94	125	350	195	1,022
Sub-Standard			2	8	2	12			2	7	2	10
Impaired/Default	112	23	14	4	12	165	118	25	19	4	14	180
Total Exposure at Default	18,106	6,032	3,019	1,158	815	29,130	17,910	6,117	3,058	1,167	853	29,106

	June 30, 2011						March 31, 2011					
	Residential Mortgages	Heloc's	Other Retail (excl. QRR and SME)	Qualifying Revolving Retail	Retail SME	Total	Residential Mortgages	Heloc's	Other Retail (excl. QRR and SME)	Qualifying Revolving Retail	Retail SME	Total
Strong	17,269	6,061	2,910	809	660	27,709	17,229	6,165	2,939	811	670	27,814
Medium	305	108	130	343	198	1,085	318	109	170	349	202	1,148
Sub-Standard			2	6	1	10			2	8	3	13
Impaired/Default	112	26	21	4	15	178	121	28	65	3	15	232
Total Exposure at Default	17,686	6,195	3,063	1,163	875	28,981	17,668	6,303	3,176	1,171	890	29,208

	December 31, 2012				September 30, 2012				June 30, 2012				March 31, 2012			
	Exposure at Default	Exposure-Weighted Average PD (%)	Exposure-Weighted Average LGD (%)	Exposure-Weighted Average Risk Weight (%)	Exposure at Default	Exposure-Weighted Average PD (%)	Exposure-Weighted Average LGD (%)	Exposure-Weighted Average Risk Weight (%)	Exposure at Default	Exposure-Weighted Average PD (%)	Exposure-Weighted Average LGD (%)	Exposure-Weighted Average Risk Weight (%)	Exposure at Default	Exposure-Weighted Average PD (%)	Exposure-Weighted Average LGD (%)	Exposure-Weighted Average Risk Weight (%)
Internal Rating																
Corporate																
Minimal Risk	1,787	0.04	49	13	1,721	0.04	50	13	1,908	0.04	49	14	2,172	0.04	49	11
Low Risk	4,384	0.11	45	25	4,815	0.10	46	24	4,380	0.10	45	24	4,469	0.11	44	23
Satisfactory Risk	19,529	0.43	34	41	19,396	0.43	34	40	19,267	0.44	34	41	18,539	0.44	33	40
Fair Default Risk	12,340	1.12	33	62	12,541	1.13	33	61	12,359	1.13	33	62	12,611	1.15	32	62
Moderate Default Risk	1,367	2.92	29	77	1,295	2.86	29	76	1,308	2.82	29	77	1,286	2.94	28	75
Significant Default Risk	169	6.19	31	105	178	6.16	30	106	199	6.17	30	104	232	6.10	29	102
High Default Risk	596	10.09	30	121	504	10.15	31	128	463	10.06	31	126	441	10.11	31	129
Special Management	246	38.74	33	143	298	49.01	29	115	283	50.05	32	125	278	43.01	31	132
Default	514	100.00	45	208	562	100.00	47	225	542	100.00	43	210	579	100.00	47	237
Total Corporate	40,932	2.31	35	50	41,310	2.51	36	49	40,709	2.48	35	50	40,607	2.53	35	49
Sovereign																
Minimal Risk	18,965	0.01	10	2	20,645	0.01	10	2	18,863	0.01	10	2	18,480	0.01	10	2
Low Risk	1,223	0.07	11	6	1,512	0.07	10	6	1,664	0.07	10	6	1,656	0.07	11	6
Satisfactory Risk	2	0.33	56	54	2	0.33	55	53	2	0.34	55	53	2	0.34	55	54
Fair Default Risk													1	1.20	37	65
Moderate Default Risk																
Significant Default Risk																
High Default Risk																
Special Management																
Default																
Total Sovereign	20,190	0.02	10	2	22,159	0.02	10	2	20,529	0.02	10	2	20,139	0.02	10	2
Bank																
Minimal Risk	4,966	0.04	24	9	5,245	0.04	24	9	4,634	0.03	25	9	5,928	0.04	25	8
Low Risk	1,057	0.10	30	14	1,001	0.10	30	14	657	0.11	28	13	836	0.11	31	15
Satisfactory Risk	56	0.25	31	31	55	0.25	35	33	49	0.24	33	32	55	0.25	37	31
Fair Default Risk	14	1.38	36	67	15	1.08	37	65	45	0.88	39	61	36	0.91	39	61
Moderate Default Risk	4	2.89	56	139	4	2.88	51	128	6	3.92	39	116	6	3.87	38	113
Significant Default Risk	4	6.02	55	175	14	5.95	72	251	5	6.23	78	268	2	6.74	72	244
High Default Risk	1	10.41	69	289	2	10.00	69	292	3	10.33	64	272	1	11.68	71	320
Special Management																
Default																
Total Bank	6,102	0.06	25	10	6,336	0.07	26	11	5,399	0.07	25	11	6,864	0.06	26	10

	December 31, 2011				September 30, 2011				June 30, 2011				March 31, 2011			
	Exposure at Default	Exposure-Weighted Average PD (%)	Exposure-Weighted Average LGD (%)	Exposure-Weighted Average Risk Weight (%)	Exposure at Default	Exposure-Weighted Average PD (%)	Exposure-Weighted Average LGD (%)	Exposure-Weighted Average Risk Weight (%)	Exposure at Default	Exposure-Weighted Average PD (%)	Exposure-Weighted Average LGD (%)	Exposure-Weighted Average Risk Weight (%)	Exposure at Default	Exposure-Weighted Average PD (%)	Exposure-Weighted Average LGD (%)	Exposure-Weighted Average Risk Weight (%)
Internal Rating																
Corporate																
Minimal Risk	1,460	0.04	48	13	1,722	0.04	48	13	1,398	0.04	48	14	1,125	0.04	46	14
Low Risk	4,500	0.11	44	24	4,857	0.11	46	23	4,307	0.10	44	21	4,053	0.11	44	21
Satisfactory Risk	17,383	0.44	33	39	16,928	0.44	33	38	16,384	0.44	32	38	15,645	0.44	33	38
Fair Default Risk	12,497	1.16	32	62	12,284	1.15	32	61	12,612	1.17	31	60	12,363	1.17	31	59
Moderate Default Risk	1,379	2.98	28	76	1,332	2.99	28	75	1,470	2.76	28	72	1,710	2.89	28	75
Significant Default Risk	191	6.20	31	109	171	6.06	32	110	236	6.15	28	100	237	6.21	29	102
High Default Risk	488	10.39	31	128	430	10.09	31	126	473	10.23	30	125	488	10.12	31	130
Special Management	324	42.23	29	129	456	42.25	28	125	292	34.07	31	154	324	28.19	31	160
Default	533	100.00	51	240	549	100.00	45	196	559	100.00	45	210	602	100.00	45	210
Total Corporate	38,755	2.58	35	50	38,729	2.73	35	48	37,731	2.62	34	49	36,547	2.81	34	50
Sovereign																
Minimal Risk	17,969	0.01	10	2	19,221	0.01	10	2	19,425	0.01	10	2	17,227	0.01	10	2
Low Risk	1,318	0.07	11	6	1,028	0.07	11	4	61	0.08	24	15	62	0.08	24	16
Satisfactory Risk	2	0.33	54	56	2	0.34	55	55	2	0.22	51	37	2	0.22	48	35
Fair Default Risk																
Moderate Default Risk																
Significant Default Risk																
High Default Risk																
Special Management																
Default																
Total Sovereign	19,289	0.02	10	2	20,251	0.02	10	2	19,488	0.01	10	2	17,291	0.01	10	2
Bank																
Minimal Risk	5,702	0.04	27	9	5,713	0.04	27	9	4,680	0.04	27	9	4,076	0.04	27	8
Low Risk	965	0.11	30	15	1,108	0.11	27	13	958	0.12	27	14	1,100	0.11	27	13
Satisfactory Risk	61	0.32	41	38	63	0.32	40	37	52	0.23	36	27	39	0.37	40	36
Fair Default Risk	18	0.92	34	60	12	0.97	33	53	7	0.98	26	46	15	1.44	28	55
Moderate Default Risk					3	3.58	50	142	2	2.97	39	96	1	3.09	48	123
Significant Default Risk	1	6.06	43	141	2	7.29	69	265								
High Default Risk	2	12.49	78	333	1	11.61	81	335	1	12.66	79	339	1	13.00	80	348
Special Management																
Default																
Total Bank	6,749	0.06	27	10	6,902	0.06	27	10	5,700	0.06	27	10	5,232	0.06	27	9

Exposures Covered By Credit Risk Mitigation

(\$ millions except as noted)



Counterparty Type	December 31, 2012			September 30, 2012			June 30, 2012			March 31, 2012		
	Standardized		AIRB	Standardized		AIRB	Standardized		AIRB	Standardized		AIRB
	Eligible Financial Collateral	Credit Derivatives/ Guarantees	Credit Derivatives/ Guarantees	Eligible Financial Collateral	Credit Derivatives/ Guarantees	Credit Derivatives/ Guarantees	Eligible Financial Collateral	Credit Derivatives/ Guarantees	Credit Derivatives/ Guarantees	Eligible Financial Collateral	Credit Derivatives/ Guarantees	Credit Derivatives/ Guarantees
Corporate			1,359			1,264			1,238			1,131
Sovereign												
Bank												
Total Corporate, Sovereign and Bank			1,359			1,264			1,238			1,131
Residential Mortgages			5,152			5,897			6,657			7,139
HELOC's												
Other Retail (excluding QRR and SME)												
Qualifying Revolving Retail												
Retail SME												
Total Retail			5,152			5,897			6,657			7,139
Total			6,512			7,162			7,895			8,270

Counterparty Type	December 31, 2011			September 30, 2011			June 30, 2011			March 31, 2011		
	Standardized		AIRB	Standardized		AIRB	Standardized		AIRB	Standardized		AIRB
	Eligible Financial Collateral	Credit Derivatives/ Guarantees	Credit Derivatives/ Guarantees	Eligible Financial Collateral	Credit Derivatives/ Guarantees	Credit Derivatives/ Guarantees	Eligible Financial Collateral	Credit Derivatives/ Guarantees	Credit Derivatives/ Guarantees	Eligible Financial Collateral	Credit Derivatives/ Guarantees	Credit Derivatives/ Guarantees
Corporate			1,100			1,259			1,234			1,461
Sovereign												
Bank												
Total Corporate, Sovereign and Bank			1,100			1,259			1,234			1,461
Residential Mortgages			7,673			7,675			7,934			8,866
HELOC's												
Other Retail (excluding QRR and SME)												
Qualifying Revolving Retail												
Retail SME												
Total Retail			7,673			7,675			7,934			8,866
Total			8,773			8,934			9,168			10,327

AIRB Credit Risk Exposures - Credit Commitments

(\$ millions except as noted)



Counterparty Type	December 31, 2012		September 30, 2012		June 30, 2012		March 31, 2012	
	Notional Undrawn	EAD on Undrawn	Notional Undrawn	EAD on Undrawn	Notional Undrawn	EAD on Undrawn	Notional Undrawn	EAD on Undrawn
Corporate	26,874	11,124	26,429	10,759	25,797	10,577	25,271	10,361
Sovereign	71	29	71	29	52	21	61	25
Bank	450		2,284		116	47	1,940	795
Total Corporate, Sovereign and Bank	27,395	11,153	28,784	10,788	25,965	10,646	27,273	11,182
Residential Mortgages	23	1	23		30	3	27	2
HELOC's	3,310	2,945	3,299	2,994	3,363	3,066	3,385	3,123
Other Retail (excluding QRR and SME)	1,208	615	1,146	630	1,274	659	1,293	676
Qualifying Revolving Retail	1,015	776	1,020	786	1,020	787	1,024	795
Retail SME	627	263	459	319	562	273	487	315
Total Retail	6,183	4,601	5,948	4,731	6,250	4,787	6,216	4,909
Total	33,578	15,754	34,732	15,519	32,214	15,433	33,489	16,091

Counterparty Type	December 31, 2011		September 30, 2011		June 30, 2011		March 31, 2011	
	Notional Undrawn	EAD on Undrawn	Notional Undrawn	EAD on Undrawn	Notional Undrawn	EAD on Undrawn	Notional Undrawn	EAD on Undrawn
Corporate	24,828	10,179	24,150	9,902	23,778	9,749	22,946	9,408
Sovereign	61	25	36	15	38	16	37	15
Bank	1,915	785	1,917	786	1,940	795	1,950	800
Total Corporate, Sovereign and Bank	26,804	10,990	26,104	10,703	25,755	10,560	24,933	10,222
Residential Mortgages	33	3	94	3	35	5	33	
HELOC's	3,397	3,143	3,336	3,129	3,312	3,145	3,320	3,169
Other Retail (excluding QRR and SME)	1,458	682	1,481	714	1,521	701	1,564	723
Qualifying Revolving Retail	1,017	791	1,013	792	1,014	792	1,012	792
Retail SME	1,545	270	646	310	505	311	701	305
Total Retail	7,451	4,889	6,570	4,948	6,387	4,954	6,630	4,989
Total	34,255	15,879	32,674	15,650	32,143	15,513	31,562	15,212

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 a program-wide credit enhancement facility, swap facilities 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 and program-wide credit enhancement facility outlined above, refer to the note on contingent liabilities, contractual commitments and guarantees, Annual Report and Accounts 2012.

HSBC as investor

We have exposure to third party securitizations in the form of NHA MBS, Canada Housing Trust bullet bonds, non-NHA residential mortgage securitizations and asset backed commercial paper.

These securitization positions are managed by a dedicated team that uses a combination of market standard systems and third party data providers to monitor performance data and manage market and credit risks.

For a description of the bank's credit and market risk policies please refer to the credit risk and market risk sections in Management's Discussion and Analysis, Annual Report and Accounts 2012.

Valuation of securitization positions

The valuation process of our investments in securitization exposures primarily focuses on quotations from third parties, observed trade levels and calibrated valuations from market standard models. This process did not change during 2012. Further details may be found in the notes on significant account policies and fair value of financial instruments, Annual Report and Accounts 2012.

Securitization activities during 2012

During 2012 the bank ceased performing the function of lead dealer for the sponsored multi-seller conduit and at December 2012, no longer holds asset-backed commercial paper issued by the conduit. Other activities during the year consisted of increases in the liquidity facilities provided to the conduit.

Calculation of risk-weighted assets for securitization exposures

Securitization exposures are currently treated as on balance sheet and included in the Basel II category to which the exposures relate. The bank uses the Advanced Internal Ratings Based approach (AIRB). This approach uses the bank's own historical experience of probability of default (PD), loss given default (LGD) and exposure at default (EAD) and other key risk assumptions to calculate credit risk capital requirements.

Securitization accounting treatment

For information on the bank's securitization accounting treatment, please refer to the note on significant account policies, Annual Report and Accounts 2012.

Securitization Exposures

(\$ millions except as noted)



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

	At December 31, 2012			At September 30, 2012			At June 30, 2012			At 31 March 2012		
	Trading	Banking	Total	Trading	Banking	Total	Trading	Banking	Total	Trading	Banking	Total
As Sponsor³												
Trade receivables	-	1,007	1,007	-	965	965	-	712	712	-	695	695
As Investor	5	9	14	282	10	292	226	19	245	46	19	65
Residential mortgages		9	9		10	10		19	19		19	19
Trade receivables	5	-	5	282	-	282	226	-	226	46	-	46
	5	1,016	1,021	282	975	1,257	226	731	957	46	714	760
	At 31 December 2011											
	Trading	Banking	Total									
As Sponsor³												
Trade receivables	-	721	721									
As Investor	20	19	39									
Residential mortgages	-	19	19									
Trade receivables	20	-	20									
	20	740	760									

¹ All securitizations exposures result from traditional securitizations. National Housing Association MBS and bonds issued by Canada Housing Trust are not considered securitization exposures and are excluded.

² All securitization exposures in role of Investor are recorded on-Balance Sheet; exposures in role of Sponsor are off-Balance Sheet with the exception of \$11 million (\$12 million at 30 September 2012)

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 1 January	Year to date movement		Total at 31 December
		As sponsor	As investor	
2012				
Aggregate amount of securitization exposures (retained or purchased)	19	-	(10)	9
Residential mortgages	741	286	(15)	1,012
Trade receivables	760	286	(25)	1,021

Securitization exposure - asset values and impairment charges

	At December 31, 2012			At September 30, 2012			At June 30, 2012			At 31 March 2012		
	Underlying assets ¹		Securitization exposures Impairment charge	Underlying assets ¹		Securitization exposures Impairment charge	Underlying assets ¹		Securitization exposures Impairment charge	Underlying assets ¹		Securitization exposures Impairment charge
	Total	Impaired & past due		Total	Impaired & past due		Total	Impaired & past due		Total	Impaired & past due	
As Sponsor												
Trade receivables	1,076	-	-	1,270	-	-	1,267	-	-	914	-	
As Investor²												
Residential mortgages			-			-			-		1	
Trade receivables			-			-			-		1	
			-			-			-		1	
	At 31 December 2011											
	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	933	-	-									
As Investor²												
Residential mortgages			-			-			-			
Trade receivables			-			-			-			

¹ Securitization exposures may exceed the underlying asset values when HSBC provides liquidity facilities while also acting as a derivative counterparty and a note holder in the SPE.

² For securitisations where HSBC acts as investor, information on third-party underlying assets is not available.

Securitization Exposures

(\$ millions except as noted)



Securitization exposures by risk weighting

	Exposure value at December 31, 2012			Exposure value at September 30, 2012			Exposure value at June 30, 2012			Exposure value at March 31, 2012		
	Trading book	Banking book	Total	Trading book	Banking book	Total	Trading book	Banking book	Total	Trading book	Banking book	Total
Category risk weights												
≤ 10%	-	996	996	-	810	810	-	555	555	-	543	543
> 10% ≤ 20%	5	-	5	282	-	282	226	-	226	35	-	35
> 20% ≤ 50%	-	11	11	-	155	155	-	157	157	11	152	163
> 50% ≤ 100%	-	-	-	-	-	-	-	-	-	-	-	-
> 100% ≤ 650%	-	-	-	-	-	-	-	-	-	-	-	-
> 650% < 1250%	-	-	-	-	-	-	-	-	-	-	-	-
Deductions from capital / 1250%	-	9	9	-	10	10	-	19	19	-	19	19
Total	5	1,016	1,021	282	975	1,257	226	731	957	46	714	760

	Exposure value at December 31, 2011		
	Trading book	Banking book	Total
Category risk weights			
≤ 10%	-	564	564
> 10% ≤ 20%	7	-	7
> 20% ≤ 50%	13	157	170
> 50% ≤ 100%	-	-	-
> 100% ≤ 650%	-	-	-
> 650% < 1250%	-	-	-
Deductions from capital / 1250%	-	19	19
Total	20	740	760

Capital required by risk weighting

	Capital required at December 31, 2012			Capital required at September 30, 2012			Capital required at June 30, 2012			Capital required at March 31, 2012		
	Trading book	Banking book	Total	Trading book	Banking book	Total	Trading book	Banking book	Total	Trading book	Banking book	Total
Category risk weights												
≤ 10%	-	4	4	-	3	3	-	2	2	-	2	2
> 10% ≤ 20%	-	-	-	4	-	4	3	-	3	1	-	1
> 20% ≤ 50%	-	-	-	-	5	5	-	5	5	-	5	5
> 50% ≤ 100%	-	-	-	-	-	-	-	-	-	-	-	-
> 100% ≤ 650%	-	-	-	-	-	-	-	-	-	-	-	-
> 650% < 1250%	-	-	-	-	-	-	-	-	-	-	-	-
Deductions from capital / 1250%	-	9	9	-	10	10	-	19	19	-	19	19
Total	0	13	13	4	18	22	3	26	29	1	26	27

	Capital required at 31 December 2011		
	Trading book	Banking book	Total
Category risk weights			
≤ 10%	-	2	2
> 10% ≤ 20%	-	-	-
> 20% ≤ 50%	1	5	6
> 50% ≤ 100%	-	-	-
> 100% ≤ 650%	-	-	-
> 650% < 1250%	-	-	-
Deductions from capital / 1250%	-	19	19
Total	1	26	27

Remuneration Governance Structure

HSBC Bank Canada ("the Bank") is a subsidiary of HSBC Holdings plc and is a member of the HSBC Group. The Board of Directors of the Bank (the "Board") has responsibility for overseeing the Bank's remuneration program. The Board has not delegated this responsibility to any board committee, and has not relied on any external consultants to assist with the remuneration process. The Board of Directors of HSBC Holdings plc has delegated to its Group Remuneration Committee (the "Group Committee") responsibility for approving the HSBC Group's remuneration policy (the "Group Policy"). The Board is satisfied that the Group Policy is suitable for the Bank's purposes and applicable across all business lines and functions of the Bank and its subsidiaries. The Board reviews and approves the compensation levels for the Bank's most senior level officers, including an assessment of their performance and compensation relative to the marketplace. In addition, the Board has final approval over the discretionary bonus pool payable annually. The Board also determines the remuneration of senior employees and employees whose activities have or could have an impact on the risk profile and in doing so takes into account the pay and conditions in the Canadian marketplace. The Bank's approach is to define "Senior Management" as consisting of members of the Executive Committee (EXCO), which is consistent with the Bank's approach to identifying senior management for other disclosure purposes. EXCO is the highest level of committee responsible for day to day management of the Bank, comprised of the most senior officers of the Bank including the heads of lines of business. In 2012, this included 10 employees. The Bank's approach is to define "Other Material Risk Takers" as consisting of: those persons responsible for revenue producing activities who report to the President and CEO and are not a member of EXCO; and employees who have authority to execute transactions which could immediately and materially affect the Profit and Loss Statement of the Bank. In 2012, this included 4 employees.

Remuneration Design and Structure

The quality and commitment of our human capital is deemed fundamental to our success and the Bank aims to attract, retain and motivate the very best people. As trust and relationships are vital in our business our broad policy is to recruit those who are committed to making a long-term career with the organization. As set out in the Group Policy, the Bank's reward strategy supports this objective through focusing on both short-term and sustainable performance over the long-term. It aims to reward success, not failure, and be properly aligned with risk. Further, a portion of variable pay for Senior Management and Other Material Risk Takers is deferred which enables the Bank to confirm that pay decisions were made on the basis of accurate performance and risk data. To the extent that the Bank discovers any issues with either an individual's compliance with policies and risk profile or any material issues with overall results (such as restatement), the clawback policy enables the Bank to recover all or a portion of deferred pay during the subsequent years.

There are three elements of the Bank's remuneration:

- Fixed pay
- Benefits
- Annual incentive

The performance and hence remuneration of control function staff is assessed according to a performance scorecard of objectives specific to the functional role they undertake which is independent of the businesses they oversee. Remuneration is carefully benchmarked against the market and internally to ensure that it is set at an appropriate level.

Remuneration and Risk

The Board is advised by the Group Committee of the Bank's allocation of the HSBC Group's variable pay pool funding (the "Allocated Amount"). The Group Committee considers many factors in determining the HSBC Group's variable pay pool funding, taking into account performance of the HSBC Group within the context of its risk appetite statement. The Bank's Audit and Risk Committee has approved the Bank's risk appetite statement which is specific to the Bank but based on, and consistent with, the HSBC Group's risk appetite statement. The Bank's risk appetite statement describes and measures the amount and types of risk that the Bank is prepared to take in executing the Bank's strategy. The risk appetite statement shapes the integrated approach to business, risk and capital management and supports achievement of the Bank's objectives. The Bank's Chief Risk Officer regularly updates the Bank's Audit and Risk Committee on the Bank's performance against the risk appetite statement. The Board's attention to the Bank's performance in the context of its risk appetite statement helps ensure that the variable pay pool is shaped by risk considerations, with return, risk and remuneration aligned. Finally, the Board considers risks associated with overall affordability and the commercial requirement to remain competitive in the market. In all of these circumstances, the Board confirmed the Allocated Amount as the amount of the Bank's variable pay pool funding.

Remuneration and Performance

Individual awards are based on the achievement of both financial and non-financial objectives. These objectives, which are aligned with the Bank's strategy, are detailed in participants' annual performance scorecards. Performance is then measured and reviewed against the objectives on a regular basis. Performance on risk and compliance measures is a critical part of the assessment process in determining the performance of Senior Management and Other Material Risk Takers, ensuring that their individual remuneration has been appropriately assessed with regard to risk. HSBC Values are key to the running of a sound, sustainable bank. Overall performance under the scorecard is judged on performance outcomes and, importantly, adherence to the HSBC Values. In other words adherence with the values acts as a gating item.

The Finance function validates the achievement of relevant financial metrics (e.g. the definition of profitability from which bonus funding is derived). Finally, in considering individual awards, a comparison of the pay and employment conditions of employees, including Senior Management and Other Material Risk Takers, is considered by the Board.

In order to reward genuine performance and not failure, individual awards are made on the basis of a risk-adjusted view of both financial and non-financial performance. However, if the assessment of performance subsequently proves to be inaccurate or incorrect, then previously unvested deferred awards made since 2010 can be clawed back. Based on 2012 performance, there were no individual clawbacks.

Remuneration and Longer-Term Performance

The Bank's reward strategy balances both short-term and sustainable performance. The reward strategy aims to reward success, not failure, and is aligned with the risk framework and risk outcomes. Further, a portion of variable pay for a prescribed group of employees, including Senior Management and Other Material Risk Takers, is deferred which enables the Bank to confirm that pay decisions were made on the basis of accurate performance and risk data. To the extent that the Bank discovers any issues with either an individual's compliance with our policies and risk profile or any material issues with overall results (such as restatement), the clawback policy enables the Bank to recover all or a portion of deferred pay during the subsequent years.

Variable Remuneration

Variable remuneration consists of a bonus plan which is determined on a discretionary basis and awarded on an annual basis. Business performance, funding levels, individual performance, advancement potential, retention considerations, year-over-year changes, internal equity and external competitiveness are representative of the factors considered when determining variable pay award levels. The variable pay pool is primarily funded based on the Bank's performance and allocated based on business lines/functions of the Bank and its subsidiaries and on individual results, which includes accountability for risk and compliance management.

Variable pay awards for Senior Management and Other Material Risk Takers are subject to minimum deferral requirements and may be delivered in cash and/or shares. Vesting restrictions and retention requirements may also apply. Deferral rates range from 20-60% based consistently on the absolute value of the variable pay award, with deferred amounts largely being awarded in the form of restricted shares. Vesting restrictions that accompany deferred awards are three-year graded vesting. Deferred share awards are credited with notional dividends and deferred cash awards are credited with a notional rate of interest consistent with the dividend yield on HSBC ordinary shares. During the vesting period, the Bank has the power to clawback part or all of the award.

Number of Meetings

The Board considers remuneration twice annually. The shareholder determines remuneration for non-executive directors who serve on the Board.

Remuneration

(\$ thousands except as noted)



Remuneration - fixed and variable amounts	December 31, 2012		
	Senior management (10 people)	Material risk takers (4 people)	Total (14 people)
Fixed			
Cash based	3,148	1,270	4,418
Variable (1)			
Cash	2,633	1,338	3,971
Non-deferred shares (2)	872		872
Deferred cash	1,289		1,289
Deferred shares	1,863	653	2,516
Total variable pay	6,657	1,991	8,648

Deferred remuneration	2012		
	Senior management	Material risk takers	Total
Deferred remuneration at 31 December 2012			
Outstanding, unvested (3)	7,137	2,292	9,429
Outstanding, cash	1,750		1,750
Outstanding, share based	5,387	2,292	7,679
Awarded during the financial year (4)	3,092	635	3,727
Paid out (5)	2,709	1,483	4,192
Reduced through performance adjustments (6)	-	-	-

Sign-on and severance payments	2012		
	Senior management	Material risk takers	Total
Sign-on payments			
Made during the year	-	-	-
Number of beneficiaries			
Severance payments			
Made during the year	801	-	801
Number of beneficiaries	1	-	1

(1) Variable pay in respect of performance year 2012.

(2) Vested shares, subject to a 6-month retention period.

(3) Outstanding, unvested, deferred remuneration is exposed to ex post explicit adjustments. There is no retained remuneration exposed to ex post explicit adjustment as at 31 December 2012.

(4) Value of deferred cash and shares awarded during 2012. Share price taken at 31 December 2012.

(5) Value of vested shares and cash during 2012. Share price taken at day of vesting.

(6) There is no reduction of deferred remuneration and retained remuneration due to ex post explicit adjustment during 2012.

Advanced Internal Ratings Based (AIRB) approach for credit risk - Under this approach, banks use their own internal historical experience of PD, LGD, EAD and other key risk assumptions to calculate credit risk capital requirements.

Bank - Includes exposures to deposit taking institutions, securities firms and certain public sector entities.

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

Corporate - Includes exposures to corporations, partnerships and proprietorships.

Drawn - The amount of credit risk exposure resulting from loans advanced to a borrower.

Exposure At Default (EAD) - An estimate of the amount of exposure to a customer at the time of default.

Home Equity Lines of Credit (HELOC's) - Revolving personal lines of credit secured by home equity.

Loss Given Default (LGD) - An estimate of the economic loss, expressed as a percentage (0%-100%) of the exposure at default, that the Bank will incur in the event a borrower defaults

OTC Derivatives - Includes over-the-counter derivatives contracts.

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

Other Retail - Includes all other personal loans.

Probability of Default (PD) - An estimate of the likelihood of a customer defaulting on any credit related obligation within a 1 year time horizon, expressed as a percentage.

Qualifying Revolving Retail (QRR) - Includes credit cards and unsecured lines of credit extended to individuals.

Repo-Style Transactions - Includes repurchase and reverse repurchase agreements and securities borrowing and lending.

Retail SME - Includes small business loans.

Sovereign - Includes exposures to central governments, central banks, multilateral development banks and certain public sector entities.

Standardized Approach for credit risk - Under this approach, banks use a standardized set of risk-weights as prescribed by OSFI to calculate credit risk capital requirements. The standardized risk-weights are based on external credit assessments, where available, and other risk-related factors, including exposure asset class, collateral, etc.