

2021
HSBC Bank Canada
Regulatory Capital & Risk Management

Pillar 3 Supplementary Disclosures
As at June 30, 2021



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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 2020 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 2020 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 in May 2018

The Basel rules are structured around three “pillars”:

- Pillar 1 - defines the Minimum capital requirements,
- Pillar 2 - requires banks to have robust Internal Capital Adequacy Assessment Processes (ICAAP) which will be part of regulators’ Supervisory review
- Pillar 3 - defines the Market discipline/ disclosures required by Banks which should be consistent and comparable across Banks.

Pillar 3 complements the other two pillars of Basel framework i.e. 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 2/2.5 (‘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.

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.

On 12 January 2018, OSFI announced its decision to update the existing capital floor for institutions using advanced approaches for credit risk and operational risk. The capital floor of 90%, based on the Basel I capital accord was replaced by a more risk-sensitive capital floor based on the standardized approach under Basel II framework, with floor factor set at 75%.

From Q1 2019, disclosure is based on OSFI’s Pillar 3 disclosure requirements (April 2017), including Capital disclosure requirement and Leverage ratio disclosure requirement.

This report is unaudited and all amounts are in rounded millions of Canadian dollars, unless otherwise indicated. Balances reported in this Pillar 3 document reflect the OSFI Capital Adequacy Requirements (CAR) guidelines.

Starting 1 January 2019, counterparty credit risk exposures arising from derivatives are calculated under Standardized Approach for Counterparty Credit Risk (SA-CCR), a new BCBS approach adopted by OSFI. Capital requirements for exposures to Central Counterparties (CCPs) have also been revised. The impact of these changes on credit risk RWA, Credit Valuation Adjustment (CVA) RWA and Leverage Ratio is immaterial.

In response to challenges posed by COVID-19 and current market conditions, OSFI announced a number of measures to support the Canadian banks in supplying credit to the economy, maintain stability and public confidence during an expected period of disruption. OSFI lowered the capital floor factor from 75% to 70% effective Q1 2020, which is expected to stay in place until the domestic implementation of the capital floor as part of Basel III reforms in Q1 2023. In addition, transitional arrangement for expected credit loss provisioning have been introduced for a portion of allowances that would otherwise be included in Tier 2 capital to instead be included in Common Equity Tier 1 (CET1) capital. The adjustment is dynamically measured as the increase in Stage 1 and Stage 2 allowances relative to the baseline level as at 31 December 2019, after tax effects and subject to a scaling factor of 70% in 2020, 50% in 2021 and 25% in 2022.

For leverage ratio, central bank reserves and sovereign-issued securities that qualify as High Quality Liquid assets (HQLA) under the Liquidity Adequacy Requirements Guideline can be temporarily excluded from the leverage ratio exposure measure, until 31 December 2021. In Pillar 3 disclosures, banks are expected to separately make available each of the CET1, Tier 1, Total Capital, and Leverage ratios had the transitional arrangement not been applied.

Road map to Pillar 3 disclosure requirement

Section	Identifier	Table and templates	Frequency	2020 Annual Report
Capital disclosure	CC1	Composition of Regulatory Capital	Quarterly	
Overview of risk management	OVA	Bank risk management approach	Annually	34-38
	OV1	Overview of RWA	Quarterly	
Linkages between financial statements and regulatory exposures	LI1	Differences between accounting and regulatory scopes of consolidation and mapping of financial statements with regulatory risk categories		
	LI2	Main sources of differences between regulatory exposure amounts and carrying values in financial statements		
	LIA	Explanations of differences between accounting and regulatory exposure amounts	na ¹	
Credit risk	CRA	General information about credit risk	Annually	38-39
	CR1	Credit quality of assets	Semi-annually	41
	CR2	Changes in stock of defaulted loans and debt securities	na ¹	
	CRB	Additional disclosure related to the credit quality of assets	Annually	
	CRC	CRC – Qualitative disclosure requirements related to credit risk mitigation techniques	Annually	54
	CR3	Credit risk mitigation techniques – overview	Semi-annually	
	CRD	Qualitative disclosures on banks' use of external credit ratings under the standardized approach for credit risk	na ¹	
	CR4	Standardized approach – credit risk exposure and Credit Risk Mitigation (CRM) effects	Semi-annually	
	CR5	Standardized approach – exposures by asset classes and risk weights	Semi-annually	
	CRE	Qualitative disclosures related to IRB models	na ¹	
	CR6	IRB Credit risk exposures by portfolio and PD range	Semi-annually	
	CR7	IRB – Effect on RWA of credit derivatives used as CRM techniques	na ²	
	CR8	RWA flow statements of credit risk exposures under IRB	Quarterly	
	CR9	IRB – Backtesting of probability of default (PD) per portfolio	na ¹	
CR10	IRB (specialized lending and equities under the simple risk weight method)	Semi-annually		
Counterparty credit risk	CCRA	Qualitative disclosure related to counterparty credit risk	Annually	79-80
	CCR1	Analysis of counterparty credit risk (CCR) exposure by approach	Semi-annually	
	CCR2	Credit valuation adjustment (CVA) capital charge	Semi-annually	
	CCR3	Standardized approach of CCR exposures by regulatory portfolio and risk weights	na ²	
	CCR4	IRB – CCR exposures by portfolio and PD scale	Semi-annually	
	CCR5	Composition of collateral for CCR exposure	Semi-annually	
	CCR6	Credit derivatives exposures	na ¹	
	CCR7	RWA flow statements of CCR exposures under the Internal Model Method (IMM)	na ²	
CCR8	Exposures to central counterparties	Semi-annually		
Securitization	SECA	Qualitative disclosure requirements related to securitization exposures		
	SEC1	Securitization exposures in the banking book		
	SEC2	Securitization exposures in the trading book		
	SEC3	Securitization exposures in the banking book and associated regulatory capital requirements – bank acting as originator or as sponsor		
	SEC4	Securitization exposures in the banking book and associated capital requirements – bank acting as investor	na ²	
Market risk	MRA	Qualitative disclosure requirements related to market risk	Annually	
	MRB	Qualitative disclosures for banks using the Internal Models Approach (IMA)	Annually	
	MR1	Market risk under standardised approach	Semi-annually	
	MR2	RWA flow statements of market risk exposures under an IMA	Quarterly	
	MR3	IMA values for trading portfolios	Semi-annually	
	MR4	Comparison of VaR estimates with gains/losses	Semi-annually	
Leverage Ratio	LR1	Summary comparison of accounting assets vs. leverage ratio exposure measure	Quarterly	
	LR2	Leverage Ratio Common Disclosure Template	Quarterly	

1. Non D-SIBs are permitted to adopt and disclose any of the above listed tables that are relevant in reflecting the risks and activities of the institution. We assessed accordingly and decided not to adopt this particular table

2. Table does not have any reportable values as at 30th June 2021

Table 1 : Composition of Regulatory Capital (CC1)

		All-in Basis ¹	
		At	
		30 Jun 2021	31 Mar 2021
Common Equity Tier 1 capital: instruments and reserves (\$m)			
1	Directly issued qualifying common share capital (and equivalent for non-joint stock companies) plus related stock surplus	1,725	1,725
2	Retained earnings	3,901	3,788
3	Accumulated other comprehensive income (and other reserves)	126	145
4	Directly issued capital subject to phase out from CET1 (only applicable to non-joint stock companies)	–	–
5	Common share capital issued by subsidiaries and held by third parties (amount allowed in group CET1)	–	–
6	Common Equity Tier 1 capital before regulatory adjustments	5,752	5,658
Common Equity Tier 1 capital: regulatory adjustments (\$m)			
28	Total regulatory adjustments to Common Equity Tier 1	(237)	(292)
29	Common Equity Tier 1 capital (CET1)	5,515	5,366
29a	Common Equity Tier 1 capital (CET1) with transitional arrangements for ECL provisioning not applied	5,495	5,366
Additional Tier 1 capital: instruments			
30	Directly issued qualifying Additional Tier 1 instruments plus related stock surplus	1,100	1,100
31	– of which: classified as equity under applicable accounting standards	1,100	1,100
32	– of which: classified as liabilities under applicable accounting standards	–	–
33	Directly issued capital instruments subject to phase out from Additional Tier 1	–	–
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	<i>of which: instruments issued by subsidiaries subject to phase out</i>	–	–
36	Additional Tier 1 capital before regulatory adjustments	1,100	1,100
Additional Tier 1 capital: regulatory adjustments (\$m)			
43	Total regulatory adjustments to Additional Tier 1 capital	–	–
44	Additional Tier 1 capital (AT1)	1,100	1,100
45	Tier 1 capital (T1 = CET1 + AT1)	6,615	6,466
45a	Tier 1 capital with transitional arrangements for ECL provisioning not applied	6,595	6,466
Tier 2 capital: instruments and allowances (\$m)			
46	Directly issued qualifying Tier 2 instruments plus related stock surplus	1,000	1,000
47	Directly issued capital instruments subject to phase out from Tier 2	11	11
48	(amount allowed in group Tier 2)	–	–
49	– of which: instruments issued by subsidiaries subject to phase out	–	–
50	Impairment allowances	3	3
51	Tier 2 capital before regulatory adjustments	1,014	1,014
Tier 2 capital: regulatory adjustments (\$m)			
57	Total regulatory adjustments to Tier 2 capital	–	–
58	Tier 2 capital (T2)	1,014	1,014
59	Total capital (TC = T1 + T2)	7,629	7,480
59a	Total capital with transitional arrangements for ECL provisioning not applied	7,629	7,480
60	Total risk-weighted assets (RWVA)	39,265	39,522
61	Common Equity Tier 1 (as percentage of risk-weighted assets)	14.0	13.6
61a	Common Equity Tier 1 with transitional arrangements for ECL provisioning not applied	14.0	13.6
62	Tier 1 (as percentage of risk-weighted assets)	16.8	16.4
62a	Tier 1 with transitional arrangements for ECL provisioning not applied	16.8	16.4
63	Total capital (as percentage of risk-weighted assets)	19.4	18.9
63a	Total capital with transitional arrangements for ECL provisioning not applied	19.4	18.9
OSFI all-in target (%)			
69	Common Equity Tier 1 capital all-in target ratio	7.0	7.0
70	Tier 1 capital all-in target ratio	8.5	8.5
71	Total capital all-in target ratio	10.5	10.5
(only applicable between 1 Jan 2013 and 1 Jan 2022)			
80	Current cap on CET1 instruments subject to phase out arrangements	10	10
81	Amounts excluded from CET1 due to cap (excess over cap after redemptions and maturities)	na	na
82	Current cap on AT1 instruments subject to phase out arrangements	10	10
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	10	10
85	Amounts excluded from T2 due to cap (excess over cap after redemptions and maturities)	–	–

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

Table 2 : Overview of Risk Weighted Assets (OV1)

	At		
	30 Jun 2021	31 Mar 2021	30 Jun 2021
	RWA ¹ \$m	RWA \$m	Capital requirements ² \$m
1 Credit risk (excluding counterparty credit risk)	33,592	33,702	2,687
2 – of which Standardized approach (SA) ³	1,984	1,975	159
3 – of which internal rating based (IRB) approach	31,608	31,727	2,528
4 Counterparty credit risk	1,400	1,342	112
4a – of which credit valuation adjustment (CVA) ⁴	422	354	34
5 – of which Standardized approach for counterparty credit risk (SA-CCR)	978	988	78
6 – of which internal model method (IMM)	–	–	–
7 Equity positions in banking book ⁵	1	1	–
8 Equity investments in funds – look-through approach	21	19	2
9 Equity investments in funds – mandate-based approach	–	–	–
10 Equity investments in funds – fall-back approach	–	–	–
11 Settlement risk	–	–	–
12 Securitisation exposures in banking book	–	–	–
13 – of which IRB ratings based approach (RBA)	–	–	–
14 – of which IRB supervisory formula approach (SFA)	–	–	–
15 – of which SA/ simplified supervisory formula approach (SSFA)	–	–	–
16 Market risk	480	670	38
17 – of which Standardized approach (SA)	59	83	4
18 – of which internal model method (IMM)	421	587	34
19 Operational risk	3,771	3,788	302
20 – of which Basic indicator approach	–	–	–
21 – of which Standardized approach	3,771	3,788	302
22 – of which Advanced measurement approach	–	–	–
23 Amounts below the thresholds for deduction (subject to 250% risk weight)	–	–	–
24 Floor adjustment ⁶	–	–	–
25 Total RWA (1+4+7+8+9+10+11+12+16+19+23+24)	39,265	39,522	3,141

1. RWA includes 6% adjustment to IRB risk-weighted assets for scaling factor

2. "Capital requirement" represents the minimum total capital charge set at 8% of RWAs by the OSFI Capital Adequacy Requirements (CAR) guidelines

3. Amount includes Other assets not included in standardized or IRB approaches

4. Starting Q1 2019, OSFI has allowed a 0.7 scalar to be applied to the exposure amount determined under SA-CCR for the purpose of calculating CVA

5. Amount includes banking book equity exposure which are not material and risk weighted @100% in accordance with OSFI CAR guidelines

6. The Bank is subject to a regulatory capital floor prescribed by OSFI

Credit Risk

Credit risk is the risk of financial loss if a customer or counterparty fails to meet an obligation under contract. Credit risk arises principally from direct lending, trade finance and the leasing business, but also from other products such as guarantees and credit derivatives.

Table 3 : Credit quality of assets (CR1)

	a		b		c	d
	Gross carrying values of					
	Defaulted exposures	Non - defaulted exposures	Allowances/ impairments	Net values (a+b-c)		
	\$m	\$m	\$m	\$m		
1 Debt securities	–	13,867	–	13,867		
2 Loans	343	82,856	384	82,815		
3 Off-balance sheet exposures	85	50,416	37	50,464		
4 Total at 30 Jun 2021	428	147,139	421	147,146		
1 Debt securities	–	19,920	1	19,919		
2 Loans	467	81,840	449	81,858		
3 Off-balance sheet exposures	103	50,102	55	50,150		
4 Total at 31 Dec 2020	570	151,862	505	151,927		

Table 7 : Credit risk mitigation techniques – overview (CR3)

	Exposures unsecured: carrying amount	Exposures secured: carrying amount ²	Exposures secured by collateral	Exposures secured by guarantees / credit derivatives
	\$m	\$m	\$m	\$m
1 Loans	21,598	61,601	59,946	1,655
2 Debt securities	6,284	7,583	7,583	–
3 Total at 30 Jun 2021	27,882	69,184	67,529	1,655
4 Of which defaulted	29	313	313	–
1 Loans	23,659	58,648	57,589	1,059
2 Debt securities	8,471	11,449	11,449	–
3 Total at 31 Dec 2020	32,130	70,097	69,038	1,059
4 Of which defaulted	65	402	400	2

1. Amount equals to the carrying value gross of allowances.

2. Amount represents the gross carrying value of the exposure secured (fully or partially by either collateral or guarantees)

Table 8 : Standardized approach – credit conversion factor ('CCF') and credit risk mitigation ('CRM') effects (CR4)

	Exposures before CCF and CRM		Exposures post-CCF and CRM		RWA and RWA density	
	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWAs	RWA density
	\$m	\$m	\$m	\$m	\$m	%
Asset classes						
1 Sovereigns and their central banks	–	–	–	–	–	–
6 Corporates	441	583	441	–	144	33
7 Regulatory Retail Portfolios	344	2,446	342	–	257	75
10 Equity	–	–	–	–	–	–
13 Other assets ²	2,822	–	2,822	–	1,582	56
14 Total at 30 Jun 2021	3,607	3,029	3,605	–	1,983	55
1 Sovereigns and their central banks	–	–	–	–	–	–
6 Corporates	461	502	461	–	200	43
7 Regulatory Retail Portfolios	349	2,454	347	–	261	75
10 Equity	–	–	–	–	–	–
13 Other assets ²	1,761	–	1,761	–	1,088	62
14 Total at 31 Dec 2020	2,571	2,956	2,569	–	1,549	60

1. CCF - Credit Conversion Factor, CRM - Credit Risk Mitigation.

2. Comprises exposures subject to credit risk framework but are not included in standardized or IRB approaches including settlement risk and other balance sheet assets that are risk-weighted at 100%.

Table 9: Standardized approach – exposures by asset class and risk weight (CR5)

Risk weight ('RW') %	0	20	50	75	100	150	250	Total credit exposure amount (post-CCF and post-CRM)
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Asset classes								
1 Sovereigns and their central banks	–	–	–	–	–	–	–	–
6 Corporates	130	208	–	–	103	–	–	441
7 Regulatory Retail Portfolios	–	–	–	340	2	–	–	342
10 Equity	–	–	–	–	–	–	–	–
13 Other assets	1,209	266	–	–	1,225	–	122	2,822
14 Total at 30 Jun 2021	1,339	474	–	340	1,330	–	122	3,605
1 Sovereigns and their central banks	–	–	–	–	–	–	–	–
6 Corporates	138	153	–	–	170	–	–	461
7 Regulatory Retail Portfolios	–	–	–	346	1	–	–	347
10 Equity	–	–	–	–	–	–	–	–
13 Other assets	660	242	–	–	738	–	121	1,761
14 Total at 31 Dec 2020	798	395	–	346	909	–	121	2,569

Table 10: IRB – Credit risk exposures by portfolio and PD range (CR6)

PD scale	Original on-balance sheet gross exposure	Off-balance sheet exposure pre-CCF	Average CCF	EAD post-CRM and post-CCF	Average PD	Number of obligors	Average LGD	Average maturity	RWA	RWA density	Expected loss	Provisions
	\$m	\$m	%	\$m	%		%	years	\$m	%	\$m	\$m
Sovereign												
0.00 to <0.15	25,206	1,276	41	25,729	0.01	96	8.8	1.45	209	0.8	0.2	0.3
0.15 to <0.25	–	3	41	1	0.22	1	52.0	1.00	1	39.1	–	–
0.25 to <0.50	–	1	41	–	0.37	2	10.0	1.00	–	10.4	–	–
0.50 to <0.75	–	–	–	–	–	–	–	–	–	–	–	–
0.75 to <2.50	1	4	41	3	0.87	2	12.5	1.00	1	19.6	–	–
2.50 to <10.00	–	–	–	–	–	–	–	–	–	–	–	–
10.00 to <100.00	–	–	–	–	–	–	–	–	–	–	–	–
100.00 (Default)	–	–	–	–	–	–	–	–	–	–	–	–
Sub-total	25,207	1,284	41	25,733	0.01	101	8.8	1.45	211	0.8	0.2	0.3
Banks												
0.00 to <0.15	3,176	1,151	59	3,851	0.06	170	19.9	1.18	305	7.9	0.6	0.1
0.15 to <0.25	4	3	32	5	0.22	15	34.3	0.27	1	23.6	–	–
0.25 to <0.50	–	–	–	–	0.37	2	30.0	0.02	–	23.6	–	–
0.50 to <0.75	4	27	20	10	0.63	5	34.0	0.29	5	53.3	–	–
0.75 to <2.50	10	2	20	11	–	1	45.0	0.12	8	78.6	–	–
2.50 to <10.00	1	4	41	3	0.87	3	70.5	0.80	6	226.0	0.1	–
10.00 to <100.00	–	–	–	–	3.75	–	–	–	–	–	–	–
100.00 (Default)	–	–	–	–	–	–	–	–	–	–	–	–
Sub-total	3,195	1,187	58	3,880	0.07	196	20.0	1.17	325	8.4	0.7	0.1
Corporate – SME												
0.00 to <0.15	290	473	43	494	0.10	117	34.4	2.08	85	17.2	0.2	0.1
0.15 to <0.25	1,291	1,039	41	1,714	0.22	661	32.4	1.79	440	25.7	1.2	0.6
0.25 to <0.50	1,118	1,176	41	1,603	0.37	675	32.9	1.79	562	35.1	2.0	1.2
0.50 to <0.75	1,315	1,117	41	1,771	0.63	623	30.5	1.82	754	42.6	3.4	3.4
0.75 to <2.50	4,319	2,581	42	5,400	1.29	1,677	31.4	1.68	3,007	55.7	22.0	17.4
2.50 to <10.00	957	524	42	1,179	5.07	547	30.5	1.61	974	82.6	18.2	11.5
10.00 to <100.00	221	148	41	281	17.59	102	29.3	1.35	303	107.8	14.5	13.3
100.00 (Default)	179	29	56	195	100.00	61	46.0	1.21	257	131.8	82.3	82.3
Sub-total	9,690	7,087	42	12,637	3.13	4,463	31.8	1.72	6,382	50.5	143.8	129.8
Corporate – Other												
0.00 to <0.15	3,016	8,640	44	6,842	0.08	407	45.1	1.63	1,378	20.1	2.3	1.3
0.15 to <0.25	2,638	5,414	43	4,982	0.22	447	39.1	1.66	1,790	35.9	4.3	2.8
0.25 to <0.50	4,086	3,747	42	5,672	0.37	426	34.5	1.65	2,368	41.7	7.2	5.1
0.50 to <0.75	5,919	5,548	42	8,241	0.63	682	34.7	1.78	4,714	57.2	18.0	11.7
0.75 to <2.50	6,700	7,028	42	9,632	1.24	1,198	36.0	1.76	7,303	75.8	42.9	39.9
2.50 to <10.00	1,425	1,254	43	1,970	4.83	264	35.7	1.52	2,240	113.7	33.4	25.1
10.00 to <100.00	436	248	48	555	12.67	71	36.4	1.39	908	163.6	26.2	43.0
100.00 (Default)	102	43	64	130	100.00	27	58.0	1.62	86	66.2	73.0	74.0
Sub-total	24,322	31,922	43	38,024	1.32	3,522	37.6	1.69	20,787	54.7	207.3	202.9
Wholesale AIRB - Total at 30 Jun 2021	62,414	41,480	43	80,274	1.13	8,282	26.6	1.59	27,705	34.5	352.0	333.1

Table 10: IRB – Credit risk exposures by portfolio and PD range (CR6) (continued)

PD scale	Original on-balance sheet gross exposure \$m	Off-balance sheet exposure pre-CCF \$m	Average CCF %	EAD post-CRM and post-CCF \$m	Average PD %	Number of obligors	Average LGD %	Average maturity years	RWA \$m	RWA density %	Expected loss \$m	Provisions \$m
Retail Residential Mortgages												
0.00 to <0.15	18,675	2	–	18,675	0.06	42,855	17.8	–	586	3.1	2.1	5.1
0.15 to <0.25	5,719	–	–	5,719	0.19	11,116	19.3	–	443	7.7	2.0	3.6
0.25 to <0.50	3,661	–	–	3,661	0.32	6,543	17.2	–	378	10.3	2.0	2.6
0.50 to <0.75	1,071	3	–	1,071	0.55	2,013	18.9	–	178	16.6	1.1	2.0
0.75 to <2.50	1,383	–	–	1,383	1.53	2,438	17.6	–	414	29.9	3.7	3.2
2.50 to <10.00	495	–	–	495	4.74	1,046	17.1	–	282	57.0	4.0	9.3
10.00 to <100.00	141	–	–	141	25.85	296	16.7	–	145	102.8	6.1	0.9
100.00 (Default)	43	–	–	43	100.00	86	18.3	–	103	239.5	–	12.9
Sub-total	31,188	5	–	31,188	0.53	66,393	18.0	–	2,529	8.1	21.0	39.6
HELOC												
0.00 to <0.15	3	–	–	3	0.07	19	14.4	–	–	–	–	–
0.15 to <0.25	3	–	–	3	0.21	10	16.5	–	–	–	–	–
0.25 to <0.50	704	2,925	26	1,457	0.38	18,260	18.1	–	182	12.5	1.0	0.7
0.50 to <0.75	115	320	28	205	0.53	1,385	16.2	–	29	14.1	0.2	0.1
0.75 to <2.50	447	652	35	675	1.02	5,614	18.5	–	165	24.4	1.3	1.1
2.50 to <10.00	133	86	34	163	3.86	1,054	18.1	–	88	53.8	1.1	1.0
10.00 to <100.00	23	2	34	23	26.67	120	19.0	–	27	117.4	1.2	0.9
100.00 (Default)	10	8	–	10	100.00	77	18.5	–	25	244.1	–	1.0
Sub-total	1,438	3,993	28	2,539	1.43	26,539	18.1	–	516	20.3	4.8	4.8
Retail Qualifying revolving exposures												
0.00 to <0.15	–	–	–	–	–	–	–	–	–	–	–	–
0.15 to <0.25	–	–	–	–	–	–	–	–	–	–	–	–
0.25 to <0.50	46	699	19	180	0.31	41,420	53.9	–	16	8.8	0.3	0.7
0.50 to <0.75	–	–	–	–	–	–	–	–	–	–	–	–
0.75 to <2.50	61	169	26	104	1.16	15,592	67.6	–	32	30.7	0.8	1.8
2.50 to <10.00	43	50	36	61	4.14	5,780	71.7	–	49	81.0	1.8	5.6
10.00 to <100.00	5	9	28	8	25.13	881	68.9	–	15	197.7	1.3	1.6
100.00 (Default)	1	2	–	1	100.00	238	66.1	–	12	859.9	0.1	1.3
Sub-total	156	929	21	354	2.16	63,911	61.4	–	124	35.2	4.2	11.0
Retail SME												
0.00 to <0.15	–	–	–	–	–	–	–	–	–	–	–	–
0.15 to <0.25	–	–	–	–	–	–	–	–	–	–	–	–
0.25 to <0.50	–	–	–	–	–	–	–	–	–	–	–	–
0.50 to <0.75	136	128	100	263	0.63	1,781	53.3	–	119	45.1	0.9	4.5
0.75 to <2.50	64	27	99	91	2.22	656	54.2	–	69	75.6	1.1	2.8
2.50 to <10.00	12	13	98	25	7.69	464	40.4	–	17	67.4	0.8	0.5
10.00 to <100.00	4	4	100	8	22.90	300	47.3	–	9	115.5	0.8	0.1
100.00 (Default)	2	–	–	2	100.00	197	66.3	–	22	872.3	–	1.8
Sub-total	218	172	100	389	2.52	3,398	52.6	–	236	60.3	3.6	9.7
Retail Other												
0.00 to <0.15	50	–	–	50	0.12	378	61.0	–	9	18.3	–	0.1
0.15 to <0.25	–	–	–	–	–	–	–	–	–	–	–	–
0.25 to <0.50	170	466	25	285	0.26	10,913	27.4	–	41	14.5	0.2	1.1
0.50 to <0.75	458	111	35	497	0.53	8,891	51.3	–	197	39.7	1.3	1.2
0.75 to <2.50	43	48	30	58	1.49	1,209	24.3	–	17	30.2	0.2	0.8
2.50 to <10.00	32	8	42	35	3.38	582	21.6	–	12	32.7	0.3	0.8
10.00 to <100.00	15	6	86	20	18.37	4,984	33.6	–	14	68.5	1.2	2.8
100.00 (Default)	1	–	–	1	100.00	1,700	31.1	–	5	392.5	0.2	0.8
Sub-total	769	639	28	946	1.10	28,657	41.4	–	295	31.2	3.4	7.6
Total Retail at 30 Jun 2021	33,769	5,738	29	35,416	0.64	188,898	19.5	–	3,700	10.4	37.0	72.7

Table 10: IRB – Credit risk exposures by portfolio and PD range (CR6) (continued)

PD scale	Original on-balance sheet gross exposure	Off-balance sheet exposure pre-CCF	Average CCF	EAD post-CRM and post-CCF	Average PD	Number of obligors	Average LGD	Average maturity	RWAs	RWA density	Expected loss	Provisions
	\$m	\$m	%	\$m	%		%	years	\$m	%	\$m	\$m
Sovereign												
0.00 to <0.15	32,925	1,747	41	33,639	0.01	95	8.0	1.65	279	0.8	0.3	0.9
0.15 to <0.25	—	4	41	2	0.22	3	41.1	0.98	1	50.0	—	—
0.25 to <0.50	—	—	—	—	—	—	—	—	—	—	—	—
0.50 to <0.75	—	—	41	—	—	—	—	—	—	—	—	—
0.75 to <2.50	—	5	—	2	1.51	2	13.2	1	1	50.0	—	—
2.50 to <10.00	—	—	—	—	—	—	—	—	—	—	—	—
10.00 to <100.00	—	—	—	—	—	—	—	—	—	—	—	—
100.00 (Default)	—	—	—	—	—	—	—	—	—	—	—	—
Sub-total	32,925	1,756	41	33,643	0.01	100	8.0	1.65	281	0.8	0.3	0.9
Banks												
0.00 to <0.15	3,843	1,264	67	4,695	0.06	167	18.7	1.24	358	7.6	0.6	0.2
0.15 to <0.25	18	16	22	22	0.22	11	31.6	0.15	5	22.7	—	—
0.25 to <0.50	4	1	20	4	0.37	3	35.0	0.23	2	50.0	—	—
0.50 to <0.75	—	5	20	1	0.63	4	55.2	0.66	1	100.0	—	—
0.75 to <2.50	—	—	—	—	—	—	—	—	—	—	—	—
2.50 to <10.00	2	—	—	2	4.16	4	67.4	1.12	4	200.0	—	0.1
10.00 to <100.00	—	—	—	—	—	—	—	—	—	—	—	—
100.00 (Default)	—	—	—	—	—	—	—	—	—	—	—	—
Sub-total	3,867	1,286	67	4,724	0.06	189	18.8	1.23	370	7.8	0.6	0.3
Corporate – SME												
0.00 to <0.15	390	712	48	728	0.10	121	35.5	1.67	114	15.7	0.3	0.2
0.15 to <0.25	737	933	42	1,131	0.22	617	31.2	1.57	265	23.4	0.8	0.5
0.25 to <0.50	998	873	41	1,358	0.37	609	31.2	1.78	446	32.8	1.6	1.4
0.50 to <0.75	1,418	1,261	41	1,935	0.63	661	30.2	1.72	805	41.6	3.7	4.4
0.75 to <2.50	4,381	2,478	42	5,422	1.28	1,705	31.5	1.77	3,063	56.5	22.0	21.0
2.50 to <10.00	1,079	604	42	1,335	5.12	601	30.3	1.67	1,111	83.2	20.6	15.1
10.00 to <100.00	268	187	44	350	21.71	152	29.0	1.42	378	108.0	22.3	12.6
100.00 (Default)	210	26	41	221	100.00	82	46.0	1.45	290	131.2	97.5	98.5
Sub-total	9,481	7,074	42	12,480	3.65	4,548	31.5	1.71	6,472	51.9	168.8	153.7
Corporate – Other												
0.00 to <0.15	2,718	8,830	43	6,564	0.08	382	45.0	1.75	1,415	21.6	2.3	4.5
0.15 to <0.25	2,658	4,217	44	4,483	0.22	388	38.9	1.72	1,629	36.3	3.8	3.8
0.25 to <0.50	3,038	4,050	42	4,791	0.37	365	35.0	1.58	2,023	42.2	6.2	6.7
0.50 to <0.75	5,466	4,208	42	7,236	0.63	694	33.7	1.68	3,932	54.3	15.3	20.7
0.75 to <2.50	7,259	7,684	42	10,500	1.28	1,153	35.3	1.76	7,836	74.6	47.7	57.6
2.50 to <10.00	1,712	1,501	44	2,345	4.65	333	39.3	1.80	2,975	126.9	41.6	40.8
10.00 to <100.00	618	537	44	867	13.58	91	33.2	1.47	1,304	150.4	42.3	58.1
100.00 (Default)	90	57	43	114	100.00	22	50.7	1.36	115	100.9	58.8	59.0
Sub-total	23,559	31,084	43	36,900	1.50	3,428	37.4	1.71	21,229	57.5	218.0	251.2
Wholesale AIRB - Total at 31 Dec 2020	69,832	41,200	43	87,747	1.16	8,265	24.6	1.66	28,352	32.3	387.7	406.1

PD scale	Original on-balance sheet gross exposure \$m	Off-balance sheet exposure pre-CCF \$m	Average CCF %	EAD post-CRM and post-CCF \$m	Average PD %	Number of obligors	Average LGD %	Average maturity years	RWAs \$m	RWA density %	Expected loss \$m	Provisions \$m
Retail Residential Mortgages												
0.00 to <0.15	16,975	2	—	16,975	0.06	40,332	17.3	—	519	3.1	1.8	8.5
0.15 to <0.25	5,247	1	—	5,247	0.19	10,725	18.6	—	392	7.5	1.8	4.4
0.25 to <0.50	3,272	—	—	3,272	0.32	6,039	17.1	—	338	10.3	1.8	2.7
0.50 to <0.75	1,068	—	—	1,068	0.55	2,057	18.3	—	172	16.1	1.1	1.2
0.75 to <2.50	1,350	—	—	1,350	1.59	2,516	17.3	—	409	30.3	3.7	2.6
2.50 to <10.00	478	—	—	478	4.72	1,055	17.0	—	270	56.5	3.8	6.7
10.00 to <100.00	198	—	—	198	25.91	388	17.0	—	206	104.0	8.7	4.0
100.00 (Default)	44	—	—	44	100.00	158	19.5	—	114	259.1	—	13.2
Sub-total	28,632	3	—	28,632	0.62	63,270	17.6	—	2,420	8.5	22.7	43.3
HELOC												
0.00 to <0.15	4	—	—	4	0.06	22	15.1	—	—	—	—	—
0.15 to <0.25	4	—	—	4	0.23	12	23.1	—	—	—	—	—
0.25 to <0.50	741	2,833	26	1,489	0.39	17,987	18.1	—	186	12.5	1.0	0.3
0.50 to <0.75	124	321	30	219	0.53	1,399	16.2	—	31	14.2	0.2	0.1
0.75 to <2.50	480	648	35	703	1.06	5,735	18.3	—	174	24.8	1.3	0.4
2.50 to <10.00	153	86	36	184	4.19	1,153	17.8	—	101	54.9	1.4	2.3
10.00 to <100.00	30	2	60	31	27.34	160	18.8	—	36	116.1	1.6	1.0
100.00 (Default)	17	10	—	17	100.00	110	20.3	—	46	270.6	0.1	1.2
Sub-total	1,553	3,900	28	2,651	1.81	26,578	18.0	—	574	21.7	5.6	5.3
Retail Qualifying revolving												
0.00 to <0.15	—	—	—	—	—	—	—	—	—	—	—	—
0.15 to <0.25	—	—	—	—	—	—	—	—	—	—	—	—
0.25 to <0.50	47	690	19	179	0.31	40,748	54.0	—	16	8.9	0.3	0.8
0.50 to <0.75	—	—	—	—	—	—	—	—	—	—	—	—
0.75 to <2.50	62	172	26	106	1.16	16,414	67.6	—	33	31.1	0.8	1.6
2.50 to <10.00	48	53	37	68	4.17	6,348	71.7	—	55	55.0	2.0	5.8
10.00 to <100.00	8	10	30	11	24.45	1,039	69.5	—	22	200.0	1.8	2.2
100.00 (Default)	2	3	—	2	100.00	266	67.6	—	14	700.0	0.1	1.2
Sub-total	167	928	21	366	2.44	64,815	61.8	—	140	38.3	5.0	11.6
Retail SME												
0.00 to <0.15	—	—	—	—	—	—	—	—	—	—	—	—
0.15 to <0.25	—	—	—	—	—	—	—	—	—	—	—	—
0.25 to <0.50	—	—	—	—	—	—	—	—	—	—	—	—
0.50 to <0.75	128	138	100	266	0.64	1,828	52.1	—	118	44.4	0.9	4.8
0.75 to <2.50	62	28	99	90	2.23	655	53.1	—	67	74.4	1.1	3.0
2.50 to <10.00	10	15	97	24	7.35	618	39.8	—	16	66.7	0.7	0.3
10.00 to <100.00	4	1	99	5	23.20	319	45.6	—	5	100.0	0.5	0.7
100.00 (Default)	3	—	—	3	100.00	292	61.2	—	26	866.7	0.1	2.1
Sub-total	207	182	100	388	2.55	3,712	51.6	—	232	59.8	3.3	10.9
Retail Other												
0.00 to <0.15	71	—	—	71	0.11	390	51.3	—	11	15.5	—	0.2
0.15 to <0.25	—	—	—	—	—	—	—	—	—	—	—	—
0.25 to <0.50	144	467	25	259	0.26	10,594	27.1	—	37	14.3	0.2	0.4
0.50 to <0.75	425	121	34	466	0.53	8,579	48.8	—	176	37.8	1.2	1.1
0.75 to <2.50	52	58	36	73	1.49	1,272	23.2	—	21	28.8	0.2	0.2
2.50 to <10.00	33	9	44	36	3.38	798	22.7	—	13	36.1	0.3	0.5
10.00 to <100.00	21	4	88	25	22.45	5,164	30.7	—	17	68.0	1.9	3.0
100.00 (Default)	1	1	—	1	100.00	2,250	26.9	—	5	500.0	0.3	0.7
Sub-total	747	660	28	931	1.34	29,047	39.4	—	280	30.1	4.1	6.1
Total Retail at 31 Dec 2020	31,306	5,673	29	32,968	0.78	187,422	19.1	—	3,646	11.1	40.7	77.2

Table 3 : RWA flow statements of credit risk exposures under the IRB approach (CR8)

		RWA ² \$m	Capital requirements ³ \$m
1	RWA at the beginning of the period - 1 Apr 2021	31,727	2,538
2	Asset size ¹	970	78
3	Asset quality	(1,089)	(87)
4	Model updates	—	—
5	Methodology and policy	—	—
6	Acquisitions and disposals	—	—
7	Foreign exchange movements	—	—
8	Other	—	—
9	RWA at the end of the period - 30 Jun 2021	31,608	2,529

1. Foreign exchange movements are embedded in the asset size

2. RWA includes 6% adjustment to IRB risk-weighted assets for scaling factor

3. 'Capital requirement' represents the minimum total capital charge set at 8% of RWAs under the OSFI CAR guidelines

Table 12: Specialized lending on slotting approach and Equities under simple risk-weight method (CR10)

		Specialized Lending - Other than HVCRE ²									
Regulatory categories ¹	Regulatory maturity	On-balance sheet amount \$m	Off-balance sheet amount \$m	Risk weight %	Exposure amount					RWA ³ \$m	Expected loss \$m
					PF ²	OF	CF	IPRE	Total		
					\$m	\$m	\$m	\$m	\$m		
Strong	Less than 2.5 years	—	—	50	—	—	—	—	—	—	—
	Equal to or more than 2.5 years	37	123	70	87	—	—	—	87	61	—
Good	Less than 2.5 years	—	—	70	—	—	—	—	—	—	—
	Equal to or more than 2.5 years	1	—	90	—	—	—	1	1	1	—
Satisfactory		60	131	115	110	—	—	5	115	132	3
Weak		—	—	250	—	—	—	—	—	—	—
Default		—	—	0	—	—	—	—	—	—	—
	Total at 30 Jun 2021	98	254		197	—	—	6	203	194	3
Strong	Less than 2.5 years	—	—	50	—	—	—	—	—	—	—
	Equal to or more than 2.5 years	178	303	70	302	—	—	—	302	211	1
Good	Less than 2.5 years	—	—	70	—	—	—	—	—	—	—
	Equal to or more than 2.5 years	1	—	90	—	—	—	1	1	1	—
Satisfactory		5	69	115	28	—	—	5	33	38	1
Weak		—	—	250	—	—	—	—	—	—	—
Default		95	4	0	98	—	—	—	98	—	49
	Total at 31 Dec 2020	279	376		428	—	—	6	434	250	51

1. Regulatory categories are defined under paragraph 88 of OSFI CAR guidelines

2. HVCRE: High-volatility commercial real estate, PF: Project finance, OF: Object finance, CF: Commodities finance & IPRE: Income producing real estate

3. RWAs are pre 6% adjustment to IRB risk-weighted assets for scaling factor

Table 13: Analysis of counterparty credit risk exposure by approach (excluding CVA Charge & centrally cleared exposures)- CCR1

	Replacement cost	Potential future exposure	Effective expected positive exposure (EEPE)	Alpha used for computing regulatory EAD (Multiplier)	EAD post CRM	post-CRM RWAs
	\$m	\$m	\$m		\$m	\$m
1 SA-CCR (for derivatives)	598	1,158	–	1.4	2,458	933
2 Internal Model Method (for derivatives and SFTs)	–	–	–	–	–	–
3 Simple Approach for credit risk mitigation (for SFTs)	–	–	–	–	–	–
4 Comprehensive Approach for credit risk mitigation (for SFTs)	–	–	–	–	225	37
5 VaR for SFTs	–	–	–	–	–	–
6 Total at 30 Jun 2021	598	1,158	–	1.4	2,683	970
1 SA-CCR (for derivatives)	752	1,196	–	1.4	2,727	1,164
2 Internal Model Method (for derivatives and SFTs)	–	–	–	–	–	–
3 Simple Approach for credit risk mitigation (for SFTs)	–	–	–	–	–	–
4 Comprehensive Approach for credit risk mitigation (for SFTs)	–	–	–	–	300	30
5 VaR for SFTs	–	–	–	–	–	–
6 Total at 31 Dec 2020	752	1,196	–	1.4	3,027	1,194

Table 14: Credit valuation adjustment (CVA) capital charge (CCR2)

	At 30 Jun 2021		At 31 Dec 2020	
	EAD post-CRM	RWA	EAD post-CRM	RWA
	\$m	\$m	\$m	\$m
1 Total portfolios subject to the Advanced CVA capital charge	–	–	–	–
2 – VaR component (including the 3 x multiplier)	–	–	–	–
3 – Stressed VaR component (including the 3 x multiplier)	–	–	–	–
4 All portfolios subject to the Standardized CVA capital charge	1,721	422	1,909	496
5 Total subject to the CVA capital charge	1,721	422	1,909	496

1. OSFI has allowed a 0.7 scalar to be applied to the exposure amount determined under SA-CCR for the purpose of calculating CVA.

Table 15: CCR exposures by portfolio and PD scale (CCR4)

PD scale	EAD post-CRM	Average PD	Number of obligors	Average LGD	Average maturity	RWA	RWA density
	\$m	%		%	years	\$m	%
Sovereign							
0.00 to <0.15	193	0.03	60	10.0	0.45	2	1.0
0.15 to <0.25	–	–	–	–	–	–	–
0.25 to <0.50	–	–	–	–	–	–	–
0.50 to <0.75	–	–	–	–	–	–	–
0.75 to <2.50	–	–	–	–	–	–	–
2.50 to <10.00	–	–	–	–	–	–	–
10.00 to <100.00	–	–	–	–	–	–	–
100.00 (Default)	–	–	–	–	–	–	–
Sub-total	193	0.03	60	10.0	0.45	2	1.0
Banks							
0.00 to <0.15	700	0.04	39	27.78	0.56	34	5.0
0.15 to <0.25	–	0.22	1	27.2	1.00	–	20.0
0.25 to <0.50	–	–	–	–	–	–	–
0.50 to <0.75	–	–	–	–	–	–	–
0.75 to <2.50	–	–	–	–	–	–	–
2.50 to <10.00	–	–	–	–	–	–	–
10.00 to <100.00	–	–	–	–	–	–	–
100.00 (Default)	–	–	–	–	–	–	–
Sub-total	700	0.04	40	27.7	0.56	34	5.0
Corporate – SME							
0.00 to <0.15	4	0.13	10	52.0	2.62	2	48.0
0.15 to <0.25	3	0.22	24	52.0	1.57	2	52.0
0.25 to <0.50	9	0.37	34	52.0	3.21	8	87.0
0.50 to <0.75	13	0.63	26	52.0	2.51	13	95.0

0.75 to <2.50	14	1.60	48	52.0	1.58	16	117.0
2.50 to <10.00	6	4.81	14	52.0	2.57	10	183.0
10.00 to <100.00	1	14.99	7	52.0	1.00	2	250.0
100.00 (Default)	1	100.00	3	52.0	1.00	5	689.0
Sub-total	51	3.04	166	52.0	2.28	58	115.0
Corporate – Other							
0.00 to <0.15	846	0.06	222	52.0	1.45	166	19.6
0.15 to <0.25	320	0.22	124	52.0	1.32	142	44.4
0.25 to <0.50	186	0.37	82	52.0	2.17	131	70.4
0.50 to <0.75	116	0.63	49	52.0	1.64	96	82.8
0.75 to <2.50	208	1.34	191	52.0	1.85	239	114.9
2.50 to <10.00	62	4.10	22	52.0	1.35	97	155.0
10.00 to <100.00	1	12.68	1	52.0	2.86	2	262.0
100.00 (Default)	–	100.00	2	52.0	1.01	3	689.0
Sub-total	1,739	0.49	693	52.0	1.56	876	50.4
Grand-total at 30 Jun 2021	2,683	0.38	959	42.6	1.23	970	36.2
Sovereign							
0.00 to <0.15	229	0.02	57	10.0	0.6	2	0.9
0.15 to <0.25	–	–	–	–	–	–	–
0.25 to <0.50	–	–	–	–	–	–	–
0.50 to <0.75	–	–	–	–	–	–	–
0.75 to <2.50	–	–	–	–	–	–	–
2.50 to <10.00	–	–	–	–	–	–	–
10.00 to <100.00	–	–	–	–	–	–	–
100.00 (Default)	–	–	–	–	–	–	–
Sub-total	229	0.02	57	10.0	0.6	2	0.9
Banks							
0.00 to <0.15	842	0.04	35	27.7	0.46	48	5.7
0.15 to <0.25	–	–	–	–	–	–	–
0.25 to <0.50	–	–	–	–	–	–	–
0.50 to <0.75	–	–	–	–	–	–	–
0.75 to <2.50	–	–	–	–	–	–	–
2.50 to <10.00	–	–	–	–	–	–	–
10.00 to <100.00	–	–	–	–	–	–	–
100.00 (Default)	–	–	–	–	–	–	–
Sub-total	842	0.09	35	27.7	0.46	48	5.7
Corporate – SME							
0.00 to <0.15	4	0.13	6	52.0	3.12	2	50.0
0.15 to <0.25	9	0.22	19	52.0	2.93	5	55.6
0.25 to <0.50	7	0.37	31	52.0	2.73	5	71.4
0.50 to <0.75	11	0.63	29	52.0	2.76	11	100.0
0.75 to <2.50	32	1.42	63	52.0	2.71	40	125.0
2.50 to <10.00	9	4.8	20	52.0	2.47	17	188.9
10.00 to <100.00	2	11.86	8	52.0	1.00	4	200.0
100.00 (Default)	1	100	1	52.0	1.00	5	500.0
Sub-total	75	2.92	177.0	52.0	2.69	89	118.7
Corporate – Others							
0.00 to <0.15	930	0.07	222	52.00	1.13	177	19.0
0.15 to <0.25	169	0.22	122	52.00	1.72	85	50.3
0.25 to <0.50	265	0.37	87	52.00	1.85	173	65.3
0.50 to <0.75	151	0.63	48	52.00	3.42	163	107.9
0.75 to <2.50	304	1.41	168	52.00	1.98	355	116.8
2.50 to <10.00	58	3.86	30	52.00	1.80	91	156.9
10.00 to <100.00	3	11.40	5	52.00	3.13	7	233.3
100.00 (Default)	1	100.00	1	52.00	1.51	4	–
Sub-total	1,881	0.55	683	52.00	1.63	1,055	56.1
Grand-total at 31 Dec 2020	3,027	0.43	952	42.10	1.25	1,194	39.4

Table 16: Composition of collateral for CCR exposure (CCR5)

	Collateral used in derivative transactions				Collateral used in SFTs		
	Fair value of collateral received		Fair value of posted collateral		Fair value of collateral received	Fair value of posted collateral	
	Segregated	Unsegregated	Segregated	Unsegregated			
	\$m	\$m	\$m	\$m	\$m	\$m	
1	Cash – domestic currency	–	18	–	273	–	–
2	Cash – other currencies	–	210	–	203	–	–
3	Domestic sovereign debt	–	12	1	71	–	65
4	Other sovereign debt	–	–	–	–	–	–
5	Government agency debt	–	–	–	–	–	–
6	Corporate bonds	–	–	–	–	–	–
7	Equity securities	–	–	–	–	–	–
8	Other collateral	–	–	–	–	–	–
9	Total at 30 Jun 2021	–	240	1	547	–	65
1	Cash – domestic currency	–	34	–	220	–	–
2	Cash – other currencies	–	191	–	250	–	–
3	Domestic sovereign debt	–	47	3	82	–	38
4	Other sovereign debt	–	–	–	–	–	–
5	Government agency debt	–	–	–	–	–	–
6	Corporate bonds	–	–	–	–	–	–
7	Equity securities	–	–	–	–	–	–
8	Other collateral	–	–	–	–	–	–
9	Total at 31 Dec 2020	–	272	3	552	–	38

Table 17: Exposures to central counterparties (CCPs) - CCR8

	At 30 Jun 2021		At 31 Dec 2020		
	EAD post-CRM	RWA	EAD post-CRM	RWA	
	\$m	\$m	\$m	\$m	
1	Exposures to QCCPs (total)	253	8	200	7
2	Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which	177	4	151	3
3	– OTC derivatives	124	3	122	3
4	– exchange-traded derivatives	10	–	11	–
5	– securities financing transactions	43	1	18	–
6	– netting sets where cross-products netting has been approved	–	–	–	–
7	Segregated initial margin	65	1	38	1
8	Non-segregated initial margin	–	–	–	–
9	Pre-funded default fund contributions	11	3	11	3
10	Unfunded default fund contributions	–	–	–	–
11	Exposures to non-QCCPs (total)	–	–	–	–
12	Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which	–	–	–	–
13	– OTC derivatives	–	–	–	–
14	– exchange-traded derivatives	–	–	–	–
15	– securities financing transactions	–	–	–	–
16	– netting sets where cross-products netting has been approved	–	–	–	–
17	Segregated initial margin	–	–	–	–
18	Non-segregated initial margin	–	–	–	–
19	Pre-funded default fund contributions	–	–	–	–
20	Unfunded default fund contributions	–	–	–	–

1. QCCP - Qualifying Central Counterparty

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.

Table 18: Market risk under standardised approach (MR1)

	At		
	30 Jun 2021	31 Dec 2020	30 Jun 2021
	RWA \$m	RWA \$m	Capital requirements \$m
Outright products			
1 Interest rate risk (general and specific)	59	75	5
2 Equity risk (general and specific)	—	—	—
3 Foreign exchange risk	—	—	—
4 Commodity risk	—	—	—
Options			
6 Delta-plus method	—	—	—
7 Scenario approach	—	—	—
8 Securitisation	—	—	—
9 Total	59	75	5

Table 4 : RWA flow statement of market risk exposures under Internal Model Approach (MR2)

	VaR \$m	Stressed VaR \$m	Other \$m	Total RWA \$m
1 RWA at the beginning of the period - 1 Apr 2021	240	313	34	587
2 Movement in risk levels ¹	(95)	(60)	(11)	(166)
3 Model updates/changes	—	—	—	—
4 Methodology and policy ²	—	—	—	—
8 RWA at the end of the period - 30 Jun 2021	145	253	23	421

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

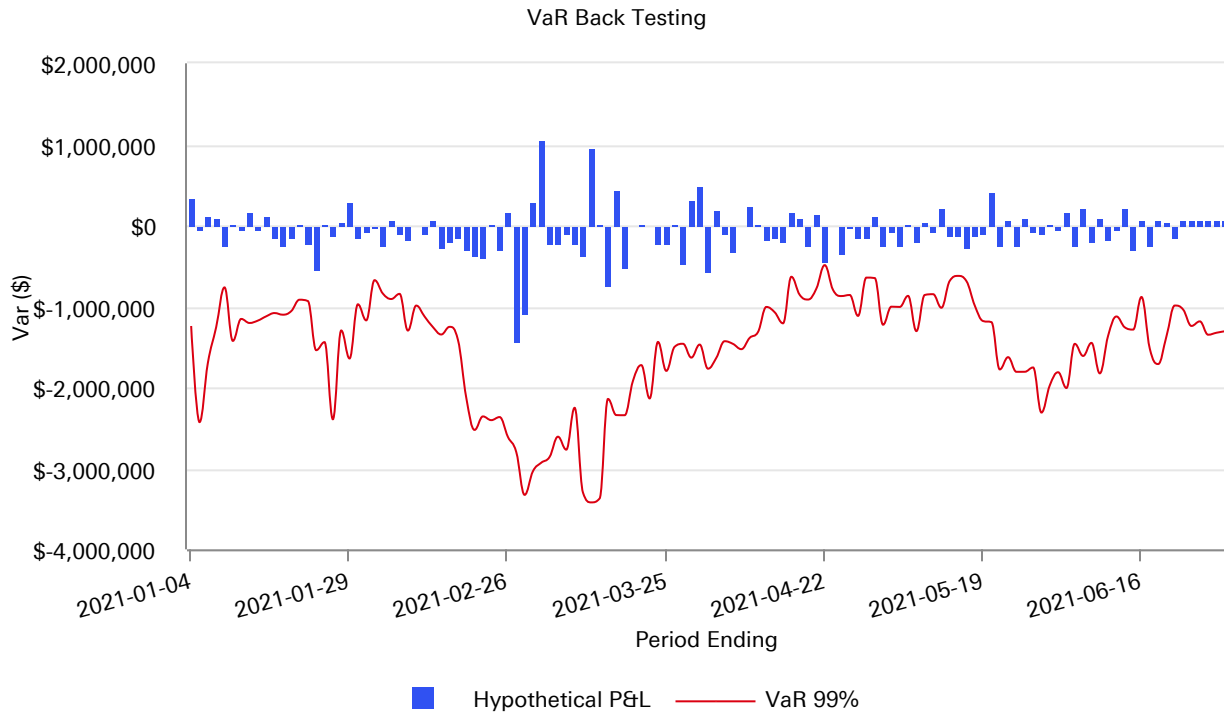
2. OSFI approved the reduction of the VaR multiplier based on a risk framework enhancement and resulted in a reduction in RWA, effective in Q1 2021

Table 20: IMA values for trading portfolios¹ (MR3)

	At	
	30 Jun 2021 \$'000	31 Dec 2020 \$'000
VaR		
1 Maximum value	7,309	7,638
2 Average value	3,874	4,087
3 Minimum value	1,554	2,225
4 Period end	3,037	3,930
Stressed VaR		
5 Maximum value	10,034	10,607
6 Average value	6,902	7,914
7 Minimum value	4,784	6,598
8 Period end	6,747	8,409
Incremental Risk Charge		
9 Maximum value	—	—
10 Average value	—	—
11 Minimum value	—	—
12 Period end	—	—
Comprehensive Risk capital charge		
13 Maximum value	—	—
14 Average value	—	—
15 Minimum value	—	—
16 Period end	—	—
17 Floor (standardized measurement method)	—	—

1. These are the maximum, average and minimum values in the second quarter of the year.

Table 21: Comparison of VaR estimates with gains/losses (MR4)



There were no back-testing exceptions noted against hypothetical P&L for the first half of the year 2021.

Leverage

Table 5 : Summary comparison of accounting assets vs. leverage ratio exposure measure (LR1)

		At	
		30 Jun 2021	31 Mar 2021
		\$m	\$m
1	Total consolidated assets as per published financial statements	114,062	115,033
2	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	—	—
3	Adjustment for securitised exposures that meet the operational requirements for the recognition of risk transference	—	—
4	Adjustment for fiduciary assets recognised on the balance sheet pursuant to the operative accounting framework but excluded from the leverage ratio exposure measure	—	—
5	Adjustments for derivative financial instruments	(1,329)	(2,095)
6	Adjustment for securities financing transactions (i.e. repurchase agreements and similar secured lending)	27	41
7	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	14,884	14,885
8	Other adjustments ¹	(19,118)	(18,972)
9	Leverage ratio exposure measure	108,526	108,892

1. Effective Q12020, OSFI temporarily allows the exclusion of central bank reserves and sovereign-issued securities that qualify as High Quality Liquid assets (HQLA) from the leverage ratio exposure measure, until 31st December 2021. Asset amounts deducted in determining Basel III Tier 1 capital are also included as a deduction

Table 6 : Leverage Ratio Common Disclosure Template (LR2)

		At	
		30 Jun 2021	31 Mar 2021
		\$m	\$m
On-balance sheet exposures			
1	On-balance sheet items (excluding derivatives, SFTs and grandfathered securitization exposures but including collateral) ¹	85,798	86,406
2	Gross up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the operative accounting framework (IFRS)	—	—
3	(Deductions of receivables assets for cash variation margin provided in derivative transactions)	(477)	(546)
4	(Asset amounts deducted in determining Basel III Tier 1 capital)	(256)	(292)
5	Total on-balance sheet exposures (excluding derivatives and SFTs) (Sum of lines 1 to 4)	85,065	85,568
Derivative exposures			
6	Replacement cost associated with all derivative transactions (i.e. net of eligible cash variation margin)	898	724
7	Add-on amounts for PFE associated with all derivative transactions	1,694	1,407
8	(Exempted CCP-leg of client cleared trade exposures)	—	—
9	Adjusted effective notional amount of written credit derivatives	—	—
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	—	—
11	Total derivative exposures (sum of lines 6 to 10)	2,592	2,131
Securities financing transaction exposures			
12	Gross SFT assets recognized for accounting purposes (with no recognition of netting), after adjusting for sale accounting transactions	8,403	8,440
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	(2,445)	(2,173)
14	Counterparty credit risk (CCR) exposure for SFTs	27	41
15	Agent transaction exposures	—	—
16	Total securities financing transaction exposures (sum of lines 12 to 15)	5,985	6,308
Other off-balance sheet exposures			
17	Off-balance sheet exposure at gross notional amount	50,500	49,378
18	(Adjustments for conversion to credit equivalent amounts)	(35,616)	(34,493)
19	Off-balance sheet items (sum of lines 17 and 18)	14,884	14,885
Capital and Total Exposures			
20	Tier 1 capital	6,615	6,466
21	Total Exposures (sum of lines 5, 11, 16 and 19)	108,526	108,892
Leverage Ratios (%)			
22	Leverage ratio	6.1	5.9
22a	Leverage ratio with transitional arrangements for ECL provisioning not applied	6.1	5.9

1. Effective Q12020, OSFI temporarily allows the exclusion of central bank reserves and sovereign-issued securities that qualify as High Quality Liquid assets (HQLA) from the leverage ratio exposure measure, until 31st December 2021

Glossary

- **OSFI** - Office of the Superintendent of Financial Institutions
- **\$** - Canadian dollar
- **Gross carrying values:** The gross value is the accounting value before any any credit conversion factor (CCF), credit risk mitigation (CRM) techniques or allowance/impairments.
- **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.
- **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
- **Exposure At Default (EAD)** - An estimate of the amount of exposure to a customer at the time of default.
- **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.
- **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.
- **Home Equity Lines of Credit (HELOC)** - Revolving personal lines of credit secured by home equity.
- **SA-CCR** - The standardised approach (SA-CCR) for measuring exposure at default for counterparty credit risk.
- **Credit Value adjustment (CVA)** - Credit valuation adjustment ('CVA') risk is the risk of adverse moves in the CVAs taken for expected credit losses on derivative transactions.
- **VaR - Value at Risk** - Value at risk ('VaR') is a technique that estimates the potential losses on risk positions in the trading portfolio as a result of movements in market rates and prices over a specified time horizon and to a given level of confidence.
- **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.
- **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.
- **Asset size:** organic changes in book size and composition (including origination of new businesses and maturing loans) but excluding changes in book size due to acquisitions and disposal of entities.
- **Asset quality:** changes in the assessed quality of the bank's assets due to changes in borrower risk, such as rating grade migration or similar effects.
- **Model updates:** changes due to model implementation, changes in model scope, or any changes intended to address model weaknesses.
- **Methodology and policy:** changes due to methodological changes in calculations driven by regulatory policy changes, including both revisions to existing regulations and new regulations.
- **Acquisitions and disposals:** changes in book sizes due to acquisitions and disposal of entities.
- **ECL:** expected credit loss