

2017

HSBC Bank Canada
Regulatory Capital and
Risk Management
Pillar 3 Supplemental Disclosures
as at December 31, 2017



Index & Notes to Users

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Notes to Users

Regulatory Capital and Risk Management Pillar 3 Disclosures

The Office of the Superintendent of Financial Institutions ("OSFI") supervises HSBC Bank Canada (the "Bank") on a consolidated basis. OSFI has approved the Bank's application to apply the Advanced Internal Ratings Based ("AIRB") approach to credit risk on our portfolio and the Standardized Approach for measuring Operational Risk. Please refer to the Annual Report and Accounts 2016 for further information on the Bank's risk and capital management framework. Further information regarding HSBC Group Risk Management Processes can be found in HSBC Holdings plc Capital and Risk Management Pillar 3 Disclosures available on HSBC Group's investor relations web site.

The Pillar 3 Supplemental Disclosures are additional summary descriptions and quantitative financial information which supplement those already made in the Annual Report and Accounts 2016 for the disclosure requirements under OSFI's Pillar 3 Disclosure Requirements Advisory issued September 29, 2006 consistent with the "International Convergence of Capital Measurement and Capital Standards" ("Basel II") issued by the Basel Committee on Banking Supervision (BCBS) in June 2006 and the "Composition of capital disclosure requirements" ("Basel III") issued by the BCBS in June 2012 under OSFI's advisory letter requirements issued in July 2013 and revised April 2014.

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

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

On June 26, 2012, the BCBS issued the Basel III rules on the information banks must publicly disclose when detailing the composition of their capital, which set out a framework to ensure that the components of banks capital bases are publicly disclosed in standardised formats across and within jurisdictions for banks subject to Basel III.

Basel III builds on Basel II. It also increases the level of risk-weighted assets for significant investments and deferred tax amounts due to temporary timing differences under defined thresholds, exposures to large or unregulated financial institutions meeting specific criteria, exposures to centralized counterparties and exposures that give rise to wrong way risk. In addition Basel III places a greater emphasis on common equity by introducing a new category of capital, Common Equity Tier 1 (CET1), which consists primarily of common shareholders equity net of regulatory adjustments. These regulatory adjustments include goodwill, intangible assets, deferred tax assets, pension assets and investments in financial institutions over certain thresholds. Overall, the Basel III rules increase the level of regulatory deductions relative to Basel II.

Effective November 1, 2012, Canadian banks are subject to the revised capital adequacy requirements of Basel III as published by the BCBS. OSFI announced its decision to implementation of the Credit Valuation Adjustment (CVA) on Bilateral OTC derivatives starting Q1 2014.

Effective with public disclosures beginning in Q1, 2013, Banks are subject to disclosure requirements under OSFI's Guidelines on Residential Mortgage Underwriting Practices and Procedures (B-20).

Effective with public disclosures beginning in Q1, 2014 and Q3 2014, non-Domestic Systemically Important Banks (non-DSIBs as determined by OSFI) are required to disclose a modified version of the Capital Disclosure as described in the OSFI Advisory "Public Capital Disclosure Requirements related to Basel III Pillar 3" dated July 2013 and revised April 2013.

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

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

Basel III Regulatory Capital

(\$ millions except as noted)

		All-in ¹							
Common Equity Tier 1 capital: instruments and reserves		4Q 2017	3Q 2017	2Q 2017	1Q 2017	4Q 2016	3Q 2016	2Q 2016	1Q 2016
1	Directly issued qualifying common share capital (and equivalent for non-joint stock companies) plus related stock surplus	1,225	1,225	1,225	1,225	1,225	1,225	1,225	1,225
2	Retained earnings	3,696	3,650	3,533	3,445	3,313	3,310	3,263	3,246
3	Accumulated other comprehensive income (and other reserves)	(61)	(65)	5	61	27	167	146	90
4	Directly issued capital subject to phase out from CET1 (only applicable to non-joint stock companies)	na	na	na	na	na	na	na	na
5	Common share capital issued by subsidiaries and held by third parties (amount allowed in group CET1)	na	na	na	na	na	na	na	na
6	Common Equity Tier 1 capital before regulatory adjustments	4,860	4,810	4,763	4,731	4,565	4,702	4,634	4,561
Common Equity Tier 1 capital: regulatory adjustments									
28	Total regulatory adjustments to Common Equity Tier 1	(121)	(100)	(134)	(179)	(173)	(221)	(220)	(233)
29	Common Equity Tier 1 capital (CET1)	4,739	4,710	4,629	4,552	4,391	4,481	4,414	4,328
Additional Tier 1 capital: instruments									
30	Directly issued qualifying Additional Tier 1 instruments plus related stock surplus	850	500	500	500	500	500	500	500
31	of which: classified as equity under applicable accounting standards	850	500	500	500	500	500	500	500
32	of which: classified as liabilities under applicable accounting standards	na	na	na	na	na	na	na	na
33	Directly issued capital instruments subject to phase out from Additional Tier 1	-	350	350	350	350	350	350	350
34	Additional Tier 1 instruments (and CET1 instruments not included in row 5) issued by subsidiaries and held by third parties (amount allowed in group AT1)	-	-	-	-	-	-	-	-
35	of which: instruments issued by subsidiaries subject to phase out	-	-	-	-	-	-	-	-
36	Additional Tier 1 capital before regulatory adjustments	850	850	850	850	850	850	850	850
Additional Tier 1 capital: regulatory adjustments									
43	Total regulatory adjustments to Additional Tier 1 capital	na	na	na	na	na	na	na	na
44	Additional Tier 1 capital (AT1)	850	850	850	850	850	850	850	850
45	Tier 1 capital (T1 = CET1 + AT1)	5,589	5,560	5,479	5,402	5,241	5,331	5,264	5,178
Tier 2 capital: instruments and allowances									
46	Directly issued qualifying Tier 2 instruments plus related stock surplus	1,000	1,000	1,000	na	na	na	na	na
47	Directly issued capital instruments subject to phase out from Tier 2	39	39	39	380	442	445	447	450
48	Tier 2 instruments (and CET1 and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties (amount allowed in group Tier 2)	na	na	na	na	na	na	na	na
49	of which: instruments issued by subsidiaries subject to phase out	na	na	na	na	na	na	na	na
50	Impairment allowances	3	2	3	2	3	7	9	49
51	Tier 2 capital before regulatory adjustments	1,042	1,042	1,042	382	445	452	456	499
Tier 2 capital: regulatory adjustments									
57	Total regulatory adjustments to Tier 2 capital	na	na	na	na	na	na	na	na
58	Tier 2 capital (T2)	1,042	1,042	1,042	382	445	452	456	499
59	Total capital (TC = T1 + T2)	6,632	6,602	6,521	5,784	5,686	5,783	5,720	5,677
60	Total risk-weighted assets	na	na	na	na	na	na	na	na
60a	Common Equity Tier 1 (CET1) Capital RWA²	45,035	43,624	44,281	42,921	41,790	41,915	42,442	43,069
60b	Tier 1 Capital RWA²	45,035	43,624	44,281	42,921	41,790	41,915	42,442	43,069
60c	Total Capital RWA²	45,035	43,624	44,281	42,921	41,790	41,915	42,442	43,069

(1) "All-in" regulatory capital assumes that all Basel III regulatory adjustments are applied effective January 1, 2013 and that the capital value of instruments which no longer qualify as regulatory capital under Basel III rules will be phased out at a rate of 10% per year from January 1, 2013 and continuing to January 1, 2022.

(2) Since Q1 2017, CVA risk-weighted assets were calculated using the scalars of 0.72, 0.77 and 0.81 to compute CET1 capital ratio, Tier 1 capital ratio and Total capital ratio respectively. Including Regulatory Floor Adjustment.

Basel III Regulatory Capital (Continued)

(\$ millions except as noted)

		All-in Basis ¹							
Capital ratios		4Q 2017	3Q 2017	2Q 2017	1Q 2017	4Q 2016	3Q 2016	2Q 2016	1Q 2016
61	Common Equity Tier 1 (as percentage of risk-weighted assets)	10.5%	10.8%	10.5%	10.6%	10.5%	10.7%	10.4%	10.0%
62	Tier 1 (as percentage of risk-weighted assets)	12.4%	12.7%	12.4%	12.6%	12.5%	12.7%	12.4%	12.0%
63	Total capital (as percentage of risk-weighted assets)	14.7%	15.1%	14.7%	13.5%	13.6%	13.8%	13.5%	13.2%
OSFI all-in target									
69	Common Equity Tier 1 capital all-in target ratio	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%
70	Tier 1 capital all-in target ratio	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%
71	Total capital all-in target ratio	10.5%	10.5%	10.5%	10.5%	10.5%	10.5%	10.5%	10.5%
Current cap on CET1 instruments subject to phase out arrangements (only applicable between 1 Jan 2013 and 1 Jan 2022)									
80	Current cap on CET1 instruments subject to phase out arrangements	50%	50%	50%	50%	60%	60%	60%	60%
81	(excess over cap after redemptions and maturities)	na	na	na	na	na	na	na	na
82	Current cap on AT1 instruments subject to phase out arrangements	50%	50%	50%	50%	60%	60%	60%	60%
83	Amounts excluded from AT1 due to cap (excess over cap after redemptions and maturities)	-	-	-	-	-	-	-	-
84	Current cap on T2 instruments subject to phase out arrangements	50%	50%	50%	50%	60%	60%	60%	60%
85	Amounts excluded from T2 due to cap (excess over cap after redemptions and maturities)	-	-	-	60	-	-	-	-

		Transitional Basis ²							
Capital		4Q 2017	3Q 2017	2Q 2017	1Q 2017	4Q 2016	3Q 2016	2Q 2016	1Q 2016
29	Common Equity Tier 1 capital (CET1)	4,776	4,743	4,655	4,600	4,450	4,526	4,444	4,385
45	Tier 1 capital (T1 = CET1 + AT1)	5,612	5,581	5,494	5,428	5,277	5,351	5,274	5,216
59	Total capital (TC = T1 + T2)	6,648	6,619	6,534	5,806	5,719	5,802	5,730	5,715
60	Total risk-weighted assets	45,204	43,774	44,415	43,181	42,030	42,131	42,659	43,267
Capital ratios									
61	Common Equity Tier 1 (as percentage of risk-weighted assets)	10.6%	10.8%	10.5%	10.7%	10.6%	10.7%	10.4%	10.1%
62	Tier 1 (as percentage of risk-weighted assets)	12.4%	12.7%	12.4%	12.6%	12.6%	12.7%	12.4%	12.1%
63	Total capital (as percentage of risk-weighted assets)	14.7%	15.1%	14.7%	13.5%	13.6%	13.8%	13.4%	13.2%
	Leverage Ratio	4.9%	5.1%	4.9%	4.8%	4.7%	4.8%	4.8%	4.8%

(1) "All-in" regulatory capital assumes that all Basel III regulatory adjustments are applied effective January 1, 2013 and that the capital value of instruments which no longer qualify as regulatory capital under Basel III rules will be phased out at a rate of 10% per year from January 1, 2013 and continuing to January 1, 2022.

(2) Transitional regulatory capital assumes that all Basel III regulatory capital adjustments are phased in from January 1, 2014 to January 1, 2018 and that the capital value of instruments which no longer qualify as regulatory capital under Basel III rules will be phased out at a rate of 10% per year from January 1, 2013 and continuing to January 1, 2022.

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, 2017						September 30, 2017						
Corporate	28,797	12,358	3,246	841	2,949	48,192	28,231	11,776	3,537	969	2,816	47,329
Sovereign	20,109	576	1,570	129	32	22,415	19,366	635	867	129	2	20,999
Bank	4,311	29	5,342	1,049	1,025	11,756	3,594	37	6,258	902	988	11,780
Total Corporate, Sovereign and Bank (1)	53,218	12,963	10,158	2,019	4,005	82,363	51,192	12,447	10,663	2,000	3,806	80,107
Residential Mortgages	22,674	2				22,675	21,890	2				21,892
HELOC's	1,722	1,041				2,763	1,747	1,033				2,781
Other Retail (excluding QRR and SME)	1,630	175			1	1,806	1,674	182			1	1,857
Qualifying Revolving Retail	214	203				417	225	211				435
Retail SME	168	278			13	460	170	263			14	447
Total Retail	26,408	1,699			14	28,121	25,707	1,690			15	27,412
Total Gross Credit Exposure	79,626	14,662	10,158	2,019	4,020	110,485	76,898	14,137	10,663	2,000	3,821	107,519
June 30, 2017						March 31, 2017						
Corporate	28,626	11,989	3,010	1,069	3,087	47,780	27,674	12,050	3,993	1,148	3,137	48,002
Sovereign	18,588	644	1,242	149	2	20,624	20,068	638	374	173	1	21,255
Bank	3,721	28	5,957	921	918	11,544	3,937	6,783	666	922		12,309
Total Corporate, Sovereign and Bank	50,934	12,661	10,208	2,139	4,006	79,948	51,679	12,688	11,150	1,987	4,061	81,566
Residential Mortgages	20,817	4				20,821	19,938	3				19,940
HELOC's	1,769	1,026				2,795	1,780	1,027				2,807
Other Retail (excluding QRR and SME)	1,736	177			1	1,915	1,810	179			2	1,990
Qualifying Revolving Retail	224	207				431	227	210				438
Retail SME	178	270			14	462	178	209			15	402
Total Retail	24,725	1,684			16	26,425	23,933	1,628			17	25,577
Total Gross Credit Exposure	75,659	14,345	10,208	2,139	4,022	106,373	75,612	14,317	11,150	1,987	4,077	107,143
December 31, 2016						September 30, 2016						
Corporate	27,549	12,373	3,849	1,176	3,324	48,272	28,058	11,599	4,216	1,288	3,310	48,470
Sovereign	22,652	240	81	162	73	23,208	21,716	405	457	158	70	22,805
Bank	3,716	11	4,669	878	819	10,093	3,780	9	6,632	692	879	11,992
Total Corporate, Sovereign and Bank	53,917	12,624	8,600	2,217	4,215	81,573	53,553	12,013	11,305	2,138	4,258	83,267
Residential Mortgages	19,835	3				19,837	20,296	3				20,299
HELOC's	1,807	1,029				2,836	1,852	1,045				2,898
Other Retail (excluding QRR and SME)	1,909	168			1	2,079	2,001	179			2	2,181
Qualifying Revolving Retail	237	213				450	244	216				460
Retail SME	188	219			16	423	195	223			17	435
Total Retail	23,976	1,632			17	25,625	24,589	1,666			18	26,273
Total Gross Credit Exposure	77,894	14,256	8,600	2,217	4,233	107,199	78,142	13,678	11,305	2,138	4,277	109,540
June 30, 2016						March 31, 2016						
Corporate	28,411	12,306	3,785	1,255	3,504	49,261	28,364	12,143	4,506	1,287	3,447	49,747
Sovereign	20,122	235	511	170	70	21,107	20,786	229	349	99	70	21,533
Bank	3,752		5,477	989	864	11,083	2,878		8,302	1,846	610	13,636
Total Corporate, Sovereign and Bank	52,284	12,541	9,773	2,414	4,438	81,451	52,028	12,372	13,156	3,233	4,127	84,916
Residential Mortgages	20,240	4				20,244	19,665					19,665
HELOC's	1,882	1,049				2,931	1,855	1,045				2,900
Other Retail (excluding QRR and SME)	2,079	179			2	2,261	2,170	178			3	2,350
Qualifying Revolving Retail	250	219				469	261	223				483
Retail SME	209	241			17	467	216	253			18	487
Total Retail	24,660	1,692			19	26,371	24,167	1,699			21	25,886
Total Gross Credit Exposure	76,944	14,233	9,773	2,414	4,458	107,822	76,195	14,071	13,156	3,233	4,147	110,802

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

Credit Exposure by Geography

(\$ millions except as noted)

	December 31, 2017						September 30, 2017					
	Loans (Drawn)	Commitments (Undrawn)	Repo Style Transactions	OTC	Other Off Balance Sheet Items	Total	Loans (Drawn)	Commitments (Undrawn)	Repo Style Transactions	OTC	Other Off Balance Sheet Items	Total
British Columbia	24,296	3,581	1,305	58	510	29,751	23,053	3,522	655	65	469	27,763
Western Canada, excluding British Columbia	8,217	3,925		431	572	13,144	8,281	3,582		408	607	12,879
Ontario	39,803	4,675	6,792	1,352	2,232	54,854	38,745	4,463	8,664	1,304	2,062	55,238
Quebec & Atlantic provinces	7,310	2,481	2,061	178	706	12,736	6,820	2,570	1,343	223	683	11,639
Total Gross Credit Exposure (1)	79,626	14,662	10,158	2,019	4,020	110,485	76,898	14,137	10,663	2,000	3,821	107,519

	June 30, 2017						March 31, 2017					
	Loans (Drawn)	Commitments (Undrawn)	Repo Style Transactions	OTC	Other Off Balance Sheet Items	Total	Loans (Drawn)	Commitments (Undrawn)	Repo Style Transactions	OTC	Other Off Balance Sheet Items	Total
British Columbia	22,535	3,646	258	99	473	27,011	22,207	3,453	1,024	98	480	27,262
Western Canada, excluding British Columbia	8,388	3,753		534	810	13,485	8,655	3,869		634	819	13,977
Ontario	37,344	4,690	8,446	1,283	2,000	53,763	38,051	4,638	9,180	1,088	2,019	54,975
Quebec & Atlantic provinces	7,392	2,257	1,504	222	739	12,114	6,699	2,357	946	168	759	10,929
Total Gross Credit Exposure	75,659	14,345	10,208	2,139	4,022	106,373	75,612	14,317	11,150	1,987	4,077	107,143

	December 31, 2016						September 30, 2016					
	Loans (Drawn)	Commitments (Undrawn)	Repo Style Transactions	OTC	Other Off Balance Sheet Items	Total	Loans (Drawn)	Commitments (Undrawn)	Repo Style Transactions	OTC	Other Off Balance Sheet Items	Total
British Columbia	22,413	3,535	903	84	545	27,479	22,677	3,297	185	114	544	26,818
Western Canada, excluding British Columbia	8,775	4,144		711	947	14,578	9,338	4,047		734	955	15,073
Ontario	40,033	4,331	6,827	1,265	1,957	54,412	39,392	4,231	11,101	1,058	1,995	57,776
Quebec & Atlantic provinces	6,673	2,246	871	157	784	10,731	6,736	2,103	18	232	783	9,872
Total Gross Credit Exposure	77,894	14,256	8,600	2,217	4,233	107,199	78,142	13,678	11,305	2,138	4,277	109,540

	June 30, 2016						March 31, 2016					
	Loans (Drawn)	Commitments (Undrawn)	Repo Style Transactions	OTC	Other Off Balance Sheet Items	Total	Loans (Drawn)	Commitments (Undrawn)	Repo Style Transactions	OTC	Other Off Balance Sheet Items	Total
British Columbia	22,887	3,299	75	115	522	26,898	22,687	3,273		139	529	26,628
Western Canada, excluding British Columbia	9,664	4,369		743	1,149	15,924	9,870	4,433		628	1,168	16,100
Ontario	37,690	4,568	9,691	1,357	1,955	55,260	36,820	4,394	13,156	2,245	1,673	58,288
Quebec & Atlantic provinces	6,704	1,998	7	199	832	9,740	6,817	1,971		220	777	9,785
Total Gross Credit Exposure	76,944	14,233	9,773	2,414	4,458	107,822	76,195	14,071	13,156	3,233	4,147	110,802

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

Residual Contract Maturity Breakdown

(\$ millions except as noted)

	December 31, 2017						September 30, 2017					
	Loans (Drawn)	Commitments (Undrawn)	Repo Style Transactions	OTC	Other Off Balance Sheet Items	Total	Loans (Drawn)	Commitments (Undrawn)	Repo Style Transactions	OTC	Other Off Balance Sheet Items	Total
Within 1 year	23,991	8,634	10,158	801	2,816	46,401	23,226	8,371	10,663	915	2,781	45,955
1-5 years	49,486	5,779		793	1,105	57,163	46,692	5,622		717	978	54,009
Greater than 5 years	6,149	248		425	99	6,921	6,980	144		368	62	7,554
Total Gross Credit Exposure (1)	79,626	14,662	10,158	2,019	4,020	110,485	76,898	14,137	10,663	2,000	3,821	107,519

	June 30, 2017						March 31, 2017					
	Loans (Drawn)	Commitments (Undrawn)	Repo Style Transactions	OTC	Other Off Balance Sheet Items	Total	Loans (Drawn)	Commitments (Undrawn)	Repo Style Transactions	OTC	Other Off Balance Sheet Items	Total
Within 1 year	22,498	8,579	10,208	992	3,193	45,470	20,804	8,462	11,150	841	3,001	44,258
1-5 years	46,117	5,463		682	766	53,028	47,434	5,546		738	1,016	54,733
Greater than 5 years	7,044	304		465	63	7,875	7,374	309		408	61	8,152
Total Gross Credit Exposure	75,659	14,345	10,208	2,139	4,022	106,373	75,612	14,317	11,150	1,987	4,077	107,143

	December 31, 2016						September 30, 2016					
	Loans (Drawn)	Commitments (Undrawn)	Repo Style Transactions	OTC	Other Off Balance Sheet Items	Total	Loans (Drawn)	Commitments (Undrawn)	Repo Style Transactions	OTC	Other Off Balance Sheet Items	Total
Within 1 year	20,267	8,689	8,600	1,018	3,128	41,701	22,674	8,033	11,305	820	3,178	46,009
1-5 years	48,700	5,291		717	1,059	55,768	46,462	5,406		716	1,049	53,633
Greater than 5 years	8,926	276		482	46	9,730	9,006	240		601	50	9,898
Total Gross Credit Exposure	77,894	14,256	8,600	2,217	4,233	107,199	78,142	13,678	11,305	2,138	4,277	109,540

	June 30, 2016						March 31, 2016					
	Loans (Drawn)	Commitments (Undrawn)	Repo Style Transactions	OTC	Other Off Balance Sheet Items	Total	Loans (Drawn)	Commitments (Undrawn)	Repo Style Transactions	OTC	Other Off Balance Sheet Items	Total
Within 1 year	24,096	8,466	9,773	956	3,506	46,797	24,297	8,432	13,156	1,412	3,167	50,464
1-5 years	44,193	5,360		816	896	51,266	41,915	5,441		1,037	913	49,307
Greater than 5 years	8,655	407		642	55	9,759	9,982	199		783	67	11,031
Total Gross Credit Exposure	76,944	14,233	9,773	2,414	4,458	107,822	76,195	14,071	13,156	3,233	4,147	110,802

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

Credit Risk Portfolio Exposure at Default

(\$ millions except as noted)

	December 31, 2017				September 30, 2017				June 30, 2017				March 31, 2017			
	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	208		28,589	12,358	26		28,205	11,776	75		28,551	11,989	24		27,650	12,050
Sovereign			20,109	576			19,366	635			18,588	644			20,068	638
Bank			4,311	29			3,594	37			3,721	28			3,937	
Total Corporate, Sovereign and Bank (1)	208		53,010	12,963	26		51,165	12,447	75		50,860	12,661	24		51,656	12,688
Residential Mortgages			22,674	2			21,890	2			20,817	4			19,938	3
HELOC's			1,722	1,041			1,747	1,033			1,769	1,026			1,780	1,027
Other Retail (excluding QRR and SME)	444		1,186	175	439		1,235	182	459		1,277	177	455		1,355	179
Qualifying Revolving Retail			214	203			225	211			224	207			227	210
Retail SME			168	278			170	263			178	270			178	209
Total Retail	444		25,964	1,699	439		25,268	1,690	459		24,266	1,684	455		23,478	1,628
Total Gross Credit Exposure	652		78,974	14,662	465		76,434	14,137	534		75,125	14,345	479		75,133	14,317

	December 31, 2016				September 30, 2016				June 30, 2016				March 31, 2016			
	Standardized		AIRB		Standardized		AIRB		Standardized		AIRB		Standardized		AIRB	
	Loans (Drawn)	Credit Equivalent Amount on Undrawn	Loans (Drawn)	Credit Equivalent Amount on Undrawn	Loans (Drawn)	Credit Equivalent Amount on Undrawn	Loans (Drawn)	Credit Equivalent Amount on Undrawn	Loans (Drawn)	Credit Equivalent Amount on Undrawn	Loans (Drawn)	Credit Equivalent Amount on Undrawn	Loans (Drawn)	Credit Equivalent Amount on Undrawn	Loans (Drawn)	Credit Equivalent Amount on Undrawn
Corporate	17		27,532	12,373			28,058	11,599			28,411	12,306			28,364	12,143
Sovereign			22,652	240			21,716	405			20,122	235			20,786	229
Bank			3,716	11			3,780	9			3,752				2,878	
Total Corporate, Sovereign and Bank	17		53,901	12,624			53,553	12,013			52,284	12,541			52,028	12,372
Residential Mortgages			19,835	3			20,296	3			20,240	4			19,665	
HELOC's			1,807	1,029			1,852	1,045			1,882	1,049			1,855	1,045
Other Retail (excluding QRR and SME)	503		1,406	168	515		1,486	179	539		1,540	179	573		1,597	178
Qualifying Revolving Retail			237	213			244	216			250	219			261	223
Retail SME			188	219			195	223			209	241			216	253
Total Retail	503		23,473	1,632	515		24,074	1,666	539		24,121	1,692	573		23,593	1,699
Total Gross Credit Exposure	520		77,374	14,256	515		77,627	13,678	539		76,405	14,233	573		75,621	14,071

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

Standardized Exposures by Risk Weight Category

(\$ millions except as noted)

	December 31, 2017								September 30, 2017							
	Risk Weight Category								Risk Weight Category							
	0%	20%	35%	50%	75%	100%	150%	Total	0%	20%	35%	50%	75%	100%	150%	Total
Corporate Sovereign Bank						208		208						26		26
Total Corporate, Sovereign and Bank						208		208						26		26
Residential Mortgages (1) Heloc's Other Retail Retail SME					437	7		444					431	8		439
Total Retail					437	7		444					431	8		439
Total Exposure at Default					437	216		652					431	34		465

	June 30, 2017								March 31, 2017							
	Risk Weight Category								Risk Weight Category							
	0%	20%	35%	50%	75%	100%	150%	Total	0%	20%	35%	50%	75%	100%	150%	Total
Corporate Sovereign Bank						75		75						24		24
Total Corporate, Sovereign and Bank						75		75						24		24
Residential Mortgages Heloc's Other Retail Retail SME					451	8		459					446	9		455
Total Retail					451	8		459					446	9		455
Total Exposure at Default					451	83		534					446	33		479

	December 31, 2016								September 30, 2016							
	Risk Weight Category								Risk Weight Category							
	0%	20%	35%	50%	75%	100%	150%	Total	0%	20%	35%	50%	75%	100%	150%	Total
Corporate Sovereign Bank						17		17								
Total Corporate, Sovereign and Bank						17		17								
Residential Mortgages Heloc's Other Retail Retail SME					492	12		503					503	11		515
Total Retail					492	12		503					503	11		515
Total Exposure at Default					492	28		520					503	11		515

	June 30, 2016								March 31, 2016							
	Risk Weight Category								Risk Weight Category							
	0%	20%	35%	50%	75%	100%	150%	Total	0%	20%	35%	50%	75%	100%	150%	Total
Corporate Sovereign Bank																
Total Corporate, Sovereign and Bank																
Residential Mortgages Heloc's Other Retail Retail SME					527	12		539					558	15		573
Total Retail					527	12		539					558	15		573
Total Exposure at Default					527	12		539					558	15		573

Risk Assessment - IRB Retail Credit Portfolio

(\$ millions except as noted)

	December 31, 2017						September 30, 2017					
	Residential Mortgages	HELOC	Other Retail (excl. QRR and SME)	Qualifying Revolving Retail	Retail SME	Total	Residential Mortgages	HELOC	Other Retail (excl. QRR and SME)	Qualifying Revolving Retail	Retail SME	Total
Strong	22,390	2,647	1,330	323	217	26,907	21,607	2,669	1,386	327	214	26,202
Medium	245	113	27	88	237	710	247	108	27	103	227	712
Sub-Standard			1	4		5			1	4	1	5
Impaired/Default	40	3	5	2	5	55	38	4	4	2	5	54
Total Exposure at Default	22,675	2,763	1,362	417	460	27,677	21,892	2,781	1,418	435	447	26,973

	June 30, 2017						March 31, 2017					
	Residential Mortgages	HELOC	Other Retail (excl. QRR and SME)	Qualifying Revolving Retail	Retail SME	Total	Residential Mortgages	HELOC	Other Retail (excl. QRR and SME)	Qualifying Revolving Retail	Retail SME	Total
Strong	20,526	2,714	1,416	319	225	25,200	19,633	2,724	1,475	322	185	24,339
Medium	254	76	34	106	232	701	269	77	54	109	213	722
Sub-Standard			1	4		5			1	4		5
Impaired/Default	41	6	4	3	6	59	38	7	4	2	5	56
Total Exposure at Default	20,821	2,795	1,456	431	462	25,966	19,940	2,807	1,535	438	402	25,122

	December 31, 2016						September 30, 2016					
	Residential Mortgages	HELOC	Other Retail (excl. QRR and SME)	Qualifying Revolving Retail	Retail SME	Total	Residential Mortgages	HELOC	Other Retail (excl. QRR and SME)	Qualifying Revolving Retail	Retail SME	Total
Strong	19,521	2,749	1,529	331	195	24,325	19,968	2,809	1,612	338	195	24,921
Medium	279	80	42	112	222	735	292	82	49	116	234	773
Sub-Standard			1	4		6			1	4		5
Impaired/Default	37	7	5	3	6	57	39	7	5	3	6	60
Total Exposure at Default	19,837	2,836	1,576	450	423	25,122	20,299	2,898	1,667	460	435	25,758

	June 30, 2016						March 31, 2016					
	Residential Mortgages	HELOC	Other Retail (excl. QRR and SME)	Qualifying Revolving Retail	Retail SME	Total	Residential Mortgages	HELOC	Other Retail (excl. QRR and SME)	Qualifying Revolving Retail	Retail SME	Total
Strong	19,904	2,836	1,662	345	198	24,945	19,323	2,794	1,719	352	199	24,387
Medium	300	85	54	117	262	818	307	94	51	123	282	857
Sub-Standard			1	5		6			1	5		7
Impaired/Default	40	10	5	2	6	64	35	12	6	4	6	63
Total Exposure at Default	20,244	2,931	1,722	469	467	25,832	19,665	2,900	1,777	483	487	25,313

Exposures Covered By Credit Risk Mitigation

(\$ millions except as noted)

Counterparty Type	December 31, 2017			September 30, 2017			June 30, 2017			March 31, 2017		
	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			842			711			675			1,072
Sovereign												
Bank												
Total Corporate, Sovereign and Bank			842			711			675			1,072
Residential Mortgages			2,002			2,057			1,539			1,701
HELOC's												
Other Retail (excluding QRR and SME)												
Qualifying Revolving Retail												
Retail SME												
Total Retail			2,002			2,057			1,539			1,701
Total			2,844			2,768			2,214			2,773

Counterparty Type	December 31, 2016			September 30, 2016			June 30, 2016			March 31, 2016		
	Standardized		AIRB	Standardized		AIRB	Standardized		AIRB	Standardized		AIRB
	Eligible Financial Collateral	Credit Derivatives/ Guarantees	Credit Derivatives/ Guarantees	Eligible Financial Collateral	Credit Derivatives/ Guarantees	Credit Derivatives/ Guarantees	Eligible Financial Collateral	Credit Derivatives/ Guarantees	Credit Derivatives/ Guarantees	Eligible Financial Collateral	Credit Derivatives/ Guarantees	Credit Derivatives/ Guarantees
Corporate			1,108			1,043			1,009			1,016
Sovereign												
Bank												
Total Corporate, Sovereign and Bank			1,108			1,043			1,009			1,016
Residential Mortgages			1,888			1,802			1,940			2,007
HELOC's												
Other Retail (excluding QRR and SME)												
Qualifying Revolving Retail												
Retail SME												
Total Retail			1,888			1,802			1,940			2,007
Total			2,996			2,845			2,949			3,023

AIRB Credit Risk Exposures - Credit Commitments

(\$ millions except as noted)

Counterparty Type	December 31, 2017		September 30, 2017		June 30, 2017		March 31, 2017	
	Notional Undrawn	EAD on Undrawn	Notional Undrawn	EAD on Undrawn	Notional Undrawn	EAD on Undrawn	Notional Undrawn	EAD on Undrawn
Corporate	30,861	12,358	29,400	11,776	29,904	11,989	30,038	12,050
Sovereign	1,405	576	1,548	635	1,571	644	1,557	638
Bank	72	29	94	37	71	28	61	
Total Corporate, Sovereign and Bank	32,338	12,963	31,043	12,447	31,545	12,661	31,656	12,688
Residential Mortgages	5	2	3	2	8	4	8	3
HELOC's	3,412	1,041	3,354	1,033	3,320	1,026	3,298	1,027
Other Retail (excluding QRR and SME)	585	175	596	182	596	177	596	179
Qualifying Revolving Retail	865	203	878	211	876	207	888	210
Retail SME	279	278	264	263	271	270	210	209
Total Retail	5,146	1,699	5,095	1,690	5,070	1,684	5,000	1,628
Total	37,485	14,662	36,138	14,137	36,615	14,345	36,656	14,317

Counterparty Type	December 31, 2016		September 30, 2016		June 30, 2016		March 31, 2016	
	Notional Undrawn	EAD on Undrawn	Notional Undrawn	EAD on Undrawn	Notional Undrawn	EAD on Undrawn	Notional Undrawn	EAD on Undrawn
Corporate	30,778	12,373	28,823	11,599	30,313	12,306	29,966	12,143
Sovereign	585	240	988	405	574	235	588	229
Bank	166	11	180	9	127		327	
Total Corporate, Sovereign and Bank	31,529	12,624	29,991	12,013	31,013	12,541	30,882	12,372
Residential Mortgages	9	3	9	3	14	4	18	
HELOC's	3,310	1,029	3,333	1,045	3,305	1,049	3,319	1,045
Other Retail (excluding QRR and SME)	595	168	620	179	626	179	632	178
Qualifying Revolving Retail	895	213	902	216	909	219	915	223
Retail SME	220	219	225	223	242	241	254	253
Total Retail	5,029	1,632	5,089	1,666	5,096	1,692	5,138	1,699
Total	36,558	14,256	35,080	13,678	36,109	14,233	36,020	14,071

Securitization

Securitization strategy

HSBC acts as originator, sponsor, investor, liquidity provider and derivative counterparty to its own originated and sponsored securitizations, as well as those of third party securitizations. Our strategy is to use securitizations to meet our needs for aggregate funding or capital management, to the extent that market regulatory treatments and other conditions are suitable, and for customer facilitation.

Our roles in the securitization process are as follows:

Originator: where we originate the assets being securitized;

Sponsor: where we establish and manage a securitization programme that purchases exposures from third parties and provide derivatives or liquidity facilities; and

Investor: where we invest in a securitization transaction directly.

HSBC as an originator

We securitize National Housing Act ('NHA') mortgage backed securities ('MBS') through programs sponsored by the Canada Mortgage and Housing Corporation. Under International Financial Reporting Standards ('IFRS'), the terms of the transaction do not meet the de-recognition criteria included within IAS 39 because the pass-through test is not met. Therefore, the transaction is accounted for as a secured borrowing with the underlying mortgages of the MBS remaining on balance sheet and a liability recognized for the funding received, with no recognition of gains or losses on transfer.

Risk weighted assets are calculated on the mortgage pools and no regulatory relief is taken on the securitization. As a result, these are not considered securitization exposures and have been excluded from all securitization quantitative disclosures.

HSBC as sponsor

We act as financial services agent for a multi-seller asset-backed commercial paper conduit program ('multi-seller conduit') and also provide swap and liquidity facilities.

This multi-seller conduit provides the bank's clients with alternate sources of financing through the securitization of their assets. Clients sell financial assets to the conduit and the conduit funds its purchase of such financial assets through the issuance of short-term asset-backed commercial paper to investors. Each client continues to service the financial assets they have sold to the multi-seller conduit and absorbs the first losses associated with such assets. The bank has no rights to the assets as they are owned by the multi-seller conduit.

For more detail on the liquidity facilities outlined above, refer to the note on contingent liabilities, contractual commitments and guarantees, Annual Report and Accounts 2016.

Securitization

HSBC as investor

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

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

For a description of the bank's credit and market risk policies please refer to the credit risk and market risk sections in Management's Discussion and Analysis, Annual Report and Accounts 2016.

Valuation of securitization positions

The valuation process of our investments in securitization exposures primarily focuses on quotations from third parties, observed trade levels and calibrated valuations from market standard models. This process has not changed during 2017. Further details may be found in the notes on significant account policies and fair value of financial instruments, Annual Report and Accounts 2016.

Securitization activities during 2017

No activity during 2017.

Calculation of risk-weighted assets for securitization exposures

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

Securitization accounting treatment

For information on the bank's securitization accounting treatment, please refer to the note on significant account policies, Annual Report and Accounts 2016.

Securitization Exposures

(\$ millions except as noted)

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

	At December 31, 2017			At September 30, 2017			At June 30, 2017			At March 31, 2017		
	Trading	Banking	Total	Trading	Banking	Total	Trading	Banking	Total	Trading	Banking	Total
As Sponsor³ Trade receivables	-	-	-	-	-	-	-	-	-	-	-	-
As Investor Residential mortgages												
Trade receivables												
	At December 31, 2016			At September 30, 2016			At June 30, 2016			At March 31, 2016		
	Trading	Banking	Total	Trading	Banking	Total	Trading	Banking	Total	Trading	Banking	Total
As Sponsor³ Trade receivables	-	-	-	-	51	51	-	230	230	-	230	230
As Investor Residential mortgages												
Trade receivables												
				51	51		230	230		230	230	

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

² All securitization exposures in role of Investor are recorded on-Balance Sheet; exposures in role of Sponsor are off-Balance Sheet with the exception of \$4 million at March 2014 (zero for periods thereafter) in respect of derivative contracts with the bank sponsored multi-seller conduit.

³ Securitization exposures in role of sponsor are reported pre credit conversion factor.

Securitization exposure - movement year to date

	Total at January 1	Year to date movement		Total at December 31
		As sponsor	As investor	
2017 Aggregate amount of securitization exposures (retained or purchased)				
Residential mortgages				
Trade receivables	0	-	-	0
	0	-	-	0

Securitization exposure - asset values and impairment charges

	At December 31, 2017			At September 30, 2017			At June 30, 2017			At March 31, 2017		
	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	-	-	-	-	-	-	-	-	-	-	-	
As Investor Residential mortgages												
Trade receivables												
	At December 31, 2016			At September 30, 2016			At June 30, 2016			At March 31, 2016		
	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	-	-	-	94	-	-	306	-	-	306	-	
As Investor¹ Residential mortgages												
Trade receivables												

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

Securitization Exposures

(\$ millions except as noted)

Securitization exposures by risk weighting

	Exposure value at December 31, 2017			Exposure value at September 30, 2017			Exposure value at June 30, 2017			Exposure value at March 31, 2017		
	Trading book	Banking book	Total	Trading book	Banking book	Total	Trading book	Banking book	Total	Trading book	Banking book	Total
Category risk weights												
≤ 10%												
> 10% ≤ 20%	-	-	-	-	-	-	-	-	-	-	-	-
> 20% ≤ 50%												
> 50% ≤ 100%												
> 100% ≤ 650%												
> 650% < 1250%												
1250%												
Total	-	-	-	-	-	-	-	-	-	-	-	-

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

Capital required by risk weighting

	Capital required at December 31, 2017			Capital required at September 30, 2017			Capital required at June 30, 2017			Capital required at March 31, 2017		
	Trading book	Banking book	Total	Trading book	Banking book	Total	Trading book	Banking book	Total	Trading book	Banking book	Total
Category risk weights												
≤ 10%												
> 10% ≤ 20%	-	-	-	-	-	-	-	-	-	-	-	-
> 20% ≤ 50%												
> 50% ≤ 100%												
> 100% ≤ 650%												
> 650% < 1250%												
1250%												
Total	-	-	-	-	-	-	-	-	-	-	-	-

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

Market Risk

Market Risk

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

Market Risk Governance

(a) HSBC Bank Canada's strategic objectives in undertaking trading activities are to solidify the Bank's position as the leading international bank in Canada through finance-focused and emerging markets-led strategy. The Bank delivers global products and solutions to domestic clients, and provides global clients access to local products and services.

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

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

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

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

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

Market Risk

Internal Model Approach (IMA)

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

Market Risk RWA

(\$ millions except as noted)

RWA flow statement of market risk exposures	December 31, 2017			September 30, 2017			June 30, 2017			March 31, 2017		
	VaR	Stressed VaR	Total RWA	VaR	Stressed VaR	Total RWA	VaR	Stressed VaR	Total RWA	VaR	Stressed VaR	Total RWA
Internal model approach:												
RWA at previous quarter-end	229	280	509	212	704	916	200	668	868	247	504	751
Movement in risk levels (1)	24	90	115	17	(424)	(407)	12	36	48	(47)	164	117
Methodology and policy (2)												
RWA at end of reporting period	253	370	623	229	280	509	212	704	916	200	668	868
Standardised method:												
Interest rate position risk (specific)			410			536			382			400
RWA at end of reporting period			1,033			1,045			1,298			1,268

RWA flow statement of market risk exposures	December 31, 2016			September 30, 2016			June 30, 2016			March 31, 2016		
	VaR	Stressed VaR	Total RWA	VaR	Stressed VaR	Total RWA	VaR	Stressed VaR	Total RWA	VaR	Stressed VaR	Total RWA
Internal model approach:												
RWA at previous quarter-end	229	331	560	217	383	600	274	536	810			
Movement in risk levels (1)	18	174	191	12	(52)	(40)	(57)	(153)	(210)			
Methodology and policy (2)										274	536	810
RWA at end of reporting period	247	504	751	229	331	560	217	383	600	274	536	810
Standardised method:												
Interest rate position risk (specific)			205			230			367			678
RWA at end of reporting period			956			790			967			1,488

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

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

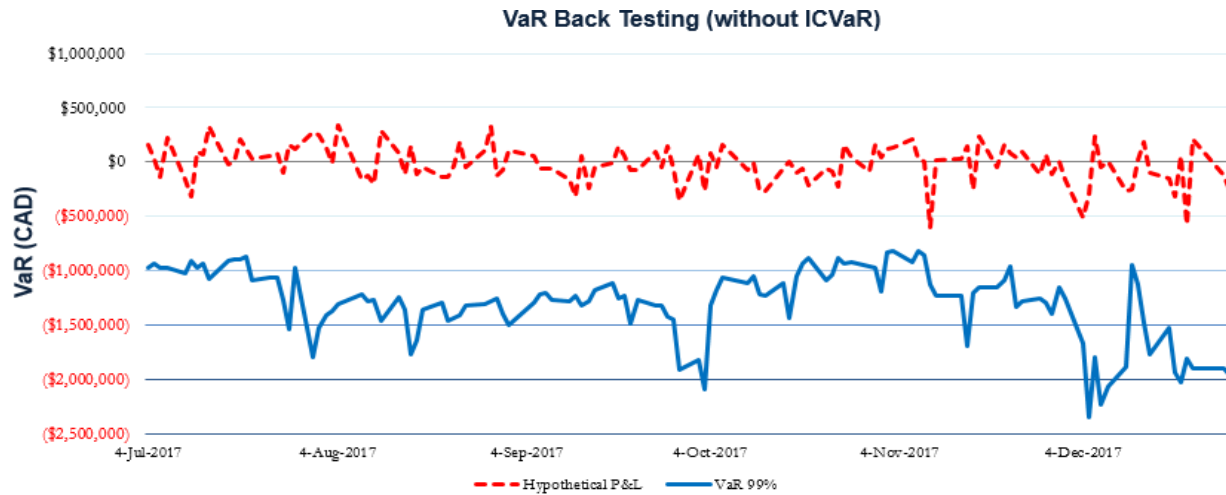
IMA values for trading portfolios

(\$ thousands except as noted)

	December 31, 2017		June 30, 2017		March 31, 2017		December 30, 2016		September 30, 2016		June 30, 2016		March 31, 2016	
	VaR	Stressed VaR	VaR	Stressed VaR	VaR	Stressed VaR	VaR	Stressed VaR	VaR	Stressed VaR	VaR	Stressed VaR	VaR	Stressed VaR
1 Maximum value	9,197	10,400	8,490	23,307	6,068	19,260	8,445	17,486	7,011	8,853	7,029	10,029	8,095	10,897
2 Average value	5,102	7,331	4,273	13,969	3,959	12,851	4,936	10,113	4,551	6,602	4,430	6,232	5,427	8,035
3 Minimum value	2,727	5,352	2,895	6,462	2,635	6,681	3,183	4,900	2,949	5,136	2,427	3,493	3,752	6,085
4 Period end	8,023	5,352	3,573	6,462	6,016	14,541	3,259	5,006	4,374	5,420	4,532	8,659	6,430	10,861

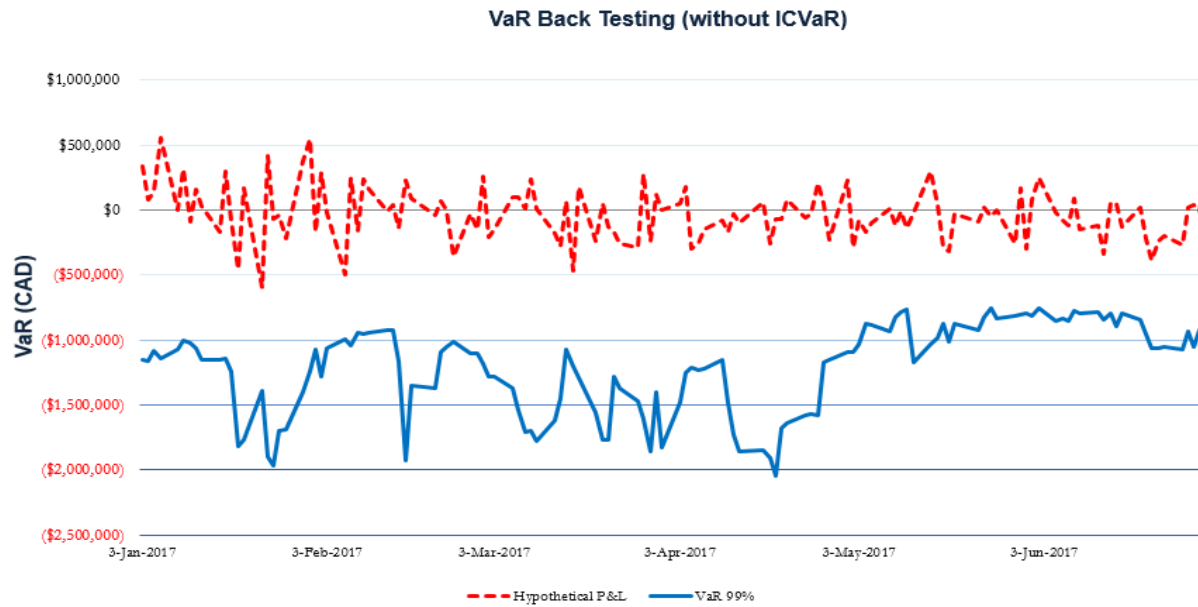
Comparison of VaR estimates with gains/losses
 (\$ thousands except as noted)

For the second half year ended December 31, 2017



There were no backtesting exceptions during the period.

For the first half year ended June 30, 2017



Glossary

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

All-in regulatory capital assumes that all Basel III regulatory adjustments are applied effective January 1, 2013 and that the capital value of instruments which no longer qualify as regulatory capital under Basel III rules will be phased out at a rate of 10% per year from January 1, 2013 and continuing to January 1, 2022.

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

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

Corporate - Exposures to corporations, partnerships and proprietorships.

Drawn - A credit risk exposure resulting from loans advanced to a borrower.

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

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

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

OTC Derivatives - Over-the-counter derivatives contracts.

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

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

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

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

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

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

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

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

Transitional regulatory capital assumes that all Basel III regulatory capital adjustments are phased in from January 1, 2014 to January 1, 2018 and that the capital value of instruments which no longer qualify as regulatory capital under Basel III rules will be phased out at a rate of 10% per year from January 1, 2013 and continuing to January 1, 2022.