

2015

HSBC Bank Canada

**Regulatory Capital and
Risk Management**

**Pillar 3 Supplemental Disclosures
as at December 31, 2015**



Index & Notes to Users

Index	Page	Index	Page
Regulatory Capital	2- 3	Risk Assessment - AIRB Non-Retail Credit Portfolio	11
Risk-Weighted Assets	4	Exposures Covered by Credit Risk Mitigation	12
Credit Exposure by Counterparty Type	5	AIRB Credit Risk Exposures - Credit Commitments	13
Credit Exposure by Geography	6	Securitization Disclosure	14-15
Residual Contract Maturity Breakdown	7	Securitization Exposures	16-17
Credit Risk Portfolio Exposure at Default	8	Glossary	18
Standardized Exposures by Risk Weight Category	9		
Risk Assessment - IRB Retail Credit Portfolio	10		

Notes to Users

Regulatory Capital and Risk Management Pillar 3 Disclosures

The Office of the Superintendent of Financial Institutions ("OSFI") supervises HSBC Bank Canada (the "Bank") on a consolidated basis. OSFI has approved the Bank's application to apply the Advanced Internal Ratings Based ("AIRB") approach to credit risk on our portfolio and the Standardized Approach for measuring Operational Risk. Please refer to the Annual Report and Accounts 2015 for further information on the Bank's risk and capital management framework. Further information regarding HSBC Group Risk Management Processes can be found in HSBC Holdings plc Capital and Risk Management Pillar 3 Disclosures available on HSBC Group's investor relations web site.

The Pillar 3 Supplemental Disclosures are additional summary descriptions and quantitative financial information which supplement those already made in the Annual Report and Accounts 2015 for the disclosure requirements under OSFI's Pillar 3 Disclosure Requirements Advisory issued September 29, 2006 consistent with the "International Convergence of Capital Measurement and Capital Standards" ("Basel II") issued by the Basel Committee on Banking Supervision (BCBS) in June 2006 and the "Composition of capital disclosure requirements" ("Basel III") issued by the BCBS in June 2012 under OSFI's advisory letter requirements issued in July 2013 and revised April 2014.

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

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

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

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

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

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

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

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 2015	3Q 2015	2Q 2015	1Q 2015	4Q 2014	3Q 2014	2Q 2014	1Q 2014
1	Directly issued qualifying common share capital (and equivalent for non-joint stock companies) plus related stock surplus	1,225	1,225	1,225	1,225	1,225	1,225	1,225	1,225
2	Retained earnings	3,209	3,292	3,254	3,151	3,108	3,148	3,079	2,995
3	Accumulated other comprehensive income (and other reserves)	92	83	154	233	117	113	137	149
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	4,526	4,600	4,633	4,609	4,450	4,486	4,441	4,369
Common Equity Tier 1 capital: regulatory adjustments									
28	Total regulatory adjustments to Common Equity Tier 1	(198)	(207)	(190)	(236)	(170)	(172)	(205)	(219)
29	Common Equity Tier 1 capital (CET1)	4,328	4,393	4,444	4,374	4,280	4,314	4,236	4,150
Additional Tier 1 capital: instruments									
30	Directly issued qualifying Additional Tier 1 instruments plus related stock surplus	500	500	500	na	na	na	na	na
31	of which: classified as equity under applicable accounting standards	500	500	500	na	na	na	na	na
32	of which: classified as liabilities under applicable accounting standards	na	na	na	na	na	na	na	na
33	Directly issued capital instruments subject to phase out from Additional Tier 1	350	350	350	550	550	550	550	800
34	Additional Tier 1 instruments (and CET1 instruments not included in row 5) issued by subsidiaries and held by third parties (amount allowed in group AT1)	-	-	-	na	na	na	na	na
35	of which: instruments issued by subsidiaries subject to phase out	-	-	-	-	-	-	-	-
36	Additional Tier 1 capital before regulatory adjustments	850	850	850	550	550	550	550	800
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	550	550	550	550	800
45	Tier 1 capital (T1 = CET1 + AT1)	5,178	5,243	5,294	4,924	4,830	4,864	4,786	4,950
Tier 2 capital: instruments and allowances									
46	Directly issued qualifying Tier 2 instruments plus related stock surplus	na	na	na	na	na	na	na	na
47	Directly issued capital instruments subject to phase out from Tier 2	532	532	532	532	608	608	608	608
48	Tier 2 instruments (and CET1 and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties (amount allowed in group Tier 2)	na	na	na	na	na	na	na	na
49	of which: instruments issued by subsidiaries subject to phase out	na	na	na	na	na	na	na	na
50	Impairment allowances	53	4	4	4	3	8	8	8
51	Tier 2 capital before regulatory adjustments	585	536	536	536	611	616	616	616
Tier 2 capital: regulatory adjustments									
57	Total regulatory adjustments to Tier 2 capital	na	na	na	1	na	na	na	na
58	Tier 2 capital (T2)	585	536	536	537	611	616	616	616
59	Total capital (TC = T1 + T2)	5,763	5,779	5,829	5,460	5,441	5,480	5,402	5,566
60	Total risk-weighted assets	na	na	na	na	na	na	38,629	38,466
60a	Common Equity Tier 1 (CET1) Capital RWA ²	42,846	42,787	42,358	41,642	40,269	40,129	na	na
60b	Tier 1 Capital RWA ²	42,846	42,787	42,358	41,642	40,269	40,129	na	na
60c	Total Capital RWA ²	42,846	42,787	42,358	41,642	40,269	40,129	na	na

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

(2) At Q4 2015, CVA risk-weighted assets were calculated using the scalars of 0.64, 0.71 and 0.77 to compute CET1 capital ratio, Tier 1 capital ratio and Total capital ratio respectively. Including Regulatory Floor Adjustment.

Basel III Regulatory Capital (Continued)

(\$ millions except as noted)

		All-in Basis ¹							
Capital ratios		4Q 2015	3Q 2015	2Q 2015	1Q 2015	4Q 2014	3Q 2014	2Q 2014	1Q 2014
61	Common Equity Tier 1 (as percentage of risk-weighted assets)	10.1%	10.3%	10.5%	10.5%	10.6%	10.8%	11.0%	10.8%
62	Tier 1 (as percentage of risk-weighted assets)	12.1%	12.3%	12.5%	11.8%	12.0%	12.1%	12.4%	12.9%
63	Total capital (as percentage of risk-weighted assets)	13.5%	13.5%	13.8%	13.1%	13.5%	13.7%	14.0%	14.5%
OSFI all-in target									
69	Common Equity Tier 1 capital all-in target ratio	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%
70	Tier 1 capital all-in target ratio	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%
71	Total capital all-in target ratio	10.5%	10.5%	10.5%	10.5%	10.5%	10.5%	10.5%	10.5%
Current cap on CET1 instruments subject to phase out arrangements (only applicable between 1 Jan 2013 and 1 Jan 2022)									
80	Current cap on CET1 instruments subject to phase out arrangements	70%	70%	70%	70%	80%	80%	80%	90%
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	70%	70%	70%	70%	80%	80%	80%	90%
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	70%	70%	70%	70%	80%	80%	80%	80%
85	Amounts excluded from T2 due to cap (excess over cap after redemptions and maturities)	121	124	129	132	57	58	60	62

		Transitional Basis ²							
Capital		4Q 2015	3Q 2015	2Q 2015	1Q 2015	4Q 2014	3Q 2014	2Q 2014	1Q 2014
29	Common Equity Tier 1 capital (CET1)	4,391	4,451	4,494	4,427	4,367	4,396	4,333	4,244
45	Tier 1 capital (T1 = CET1 + AT1)	5,227	5,282	5,327	4,962	4,889	4,921	4,858	5,022
59	Total capital (TC = T1 + T2)	5,812	5,813	5,859	5,499	5,491	5,532	5,469	5,636
60	Total risk-weighted assets	43,141	43,102	42,661	42,074	40,867	40,757	39,445	39,284
Capital ratios									
61	Common Equity Tier 1 (as percentage of risk-weighted assets)	10.2%	10.3%	10.5%	10.5%	10.7%	10.8%	11.0%	10.8%
62	Tier 1 (as percentage of risk-weighted assets)	12.1%	12.3%	12.5%	11.8%	12.0%	12.1%	12.3%	12.8%
63	Total capital (as percentage of risk-weighted assets)	13.5%	13.5%	13.7%	13.1%	13.4%	13.6%	13.9%	14.4%
	Assets to Capital Multiple (ACM)	na	na	na	na	17.1	16.3	16.0	15.3
	Leverage Ratio	4.7%	4.7%	4.9%	4.6%	na	na	na	na

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

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

(3) Leverage ratio was introduced and has replaced the assets to capital (ACM) ratio beginning in the first quarter of 2015.

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, 2015						September 30, 2015					
Corporate	29,569	12,995	5,908	1,917	3,511	53,899	30,306	13,324	8,260	1,921	3,649	57,459
Sovereign	24,807	195	262	406	70	25,740	25,502	40	389	262	70	26,263
Bank	3,511		6,738	1,222	482	11,953	3,486		7,515	915	858	12,775
Total Corporate, Sovereign and Bank	57,886	13,190	12,908	3,545	4,063	91,592	59,293	13,363	16,165	3,098	4,577	96,496
Residential Mortgages	19,239	4				19,243	19,099					19,099
HELOC's	1,862	1,040				2,902	1,910	1,035				2,945
Other Retail (excluding QRR and SME)	2,315	186			5	2,506	2,411	196			13	2,620
Qualifying Revolving Retail	267	224				491	277	226				502
Retail SME	228	262			18	508	237	252			19	508
Total Retail	23,911	1,716			23	25,649	23,933	1,709			32	25,674
Total Gross Credit Exposure	81,797	14,906	12,908	3,545	4,086	117,241	83,227	15,072	16,165	3,098	4,609	122,171

	June 30, 2015						March 31, 2015					
Corporate	30,284	13,253	7,102	1,604	3,703	55,946	30,122	12,356	5,899	1,815	3,489	53,681
Sovereign	21,659	34	190	111	70	22,065	20,917	38	581	67	70	21,672
Bank	3,135		6,824	1,134	839	11,931	3,162		7,615	1,459	802	13,038
Total Corporate, Sovereign and Bank	55,078	13,287	14,116	2,849	4,611	89,942	54,201	12,394	14,094	3,341	4,361	88,391
Residential Mortgages	18,698	1				18,699	18,266					18,266
HELOC's	1,950	1,001				2,951	1,970	1,001				2,971
Other Retail (excluding QRR and SME)	2,620	196			13	2,829	2,573	196			4	2,774
Qualifying Revolving Retail	280	226				506	285	229				514
Retail SME	271	271			19	561	268	266			20	554
Total Retail	23,819	1,696			32	25,547	23,362	1,691			24	25,078
Total Gross Credit Exposure	78,897	14,983	14,116	2,849	4,644	115,489	77,563	14,085	14,094	3,341	4,385	113,469

	December 31, 2014						September 30, 2014					
Corporate	28,088	12,137	9,539	1,212	3,650	54,626	28,236	11,175	7,545	1,629	3,521	52,107
Sovereign	21,186	34	250	57	70	21,597	20,530	25		222	73	20,850
Bank	3,269		3,067	2,237	628	9,201	2,685		2,698	3,322	554	9,259
Total Corporate, Sovereign and Bank	52,542	12,172	12,856	3,506	4,348	85,424	51,451	11,199	10,243	5,174	4,149	82,216
Residential Mortgages	18,326	1				18,328	18,250					18,250
HELOC's	2,006	1,040				3,046	2,041	1,006				3,047
Other Retail (excluding QRR and SME)	2,451	197			30	2,678	2,541	1,165			25	3,731
Qualifying Revolving Retail	293	234				527	302	235				537
Retail SME	279	293			20	593	294	287			22	602
Total Retail	23,355	1,765			51	25,171	23,428	2,693			46	26,167
Total Gross Credit Exposure	75,898	13,937	12,856	3,506	4,399	110,595	74,879	13,892	10,243	5,174	4,195	108,383

	June 30, 2014						March 31, 2014					
Corporate	28,115	10,878	7,430	1,216	3,079	50,717	27,739	11,561	7,881	1,340	3,015	51,536
Sovereign	20,530	47		215	73	20,865	20,392	31		291	73	20,787
Bank	1,961		2,706	2,655	547	7,868	2,879		2,721	2,392	515	8,506
Total Corporate, Sovereign and Bank	50,605	10,926	10,135	4,085	3,700	79,451	51,010	11,592	10,601	4,023	3,603	80,829
Residential Mortgages	17,871	1				17,873	17,672					17,672
HELOC's	2,118	1,033				3,152	2,164	2,701				4,866
Other Retail (excluding QRR and SME)	2,612	1,063			8	3,683	2,702	1,397			9	4,108
Qualifying Revolving Retail	305	240				544	313	729				1,042
Retail SME	314	312			24	649	347	204			25	577
Total Retail	23,220	2,649			31	25,900	23,199	5,032			34	28,264
Total Gross Credit Exposure	73,825	13,574	10,135	4,085	3,731	105,351	74,209	16,624	10,601	4,023	3,637	109,094

Credit Exposure by Geography

(\$ millions except as noted)

	December 31, 2015						September 30, 2015					
	Loans (Drawn)	Commitments (Undrawn)	Repo Style Transactions	OTC	Other Off Balance Sheet Items	Total	Loans (Drawn)	Commitments (Undrawn)	Repo Style Transactions	OTC	Other Off Balance Sheet Items	Total
British Columbia	21,579	3,517		221	523	25,840	21,149	3,445	122	227	561	25,504
Western Canada, excluding British Columbia	10,458	4,644		786	1,176	17,064	11,070	4,821		832	1,074	17,797
Ontario	42,585	4,531	12,908	1,924	1,594	63,542	43,707	4,565	16,043	1,509	2,101	67,924
Quebec & Atlantic provinces	7,175	2,214		614	793	10,796	7,301	2,242		530	873	10,945
Total Gross Credit Exposure	81,797	14,906	12,908	3,545	4,086	117,241	83,227	15,072	16,165	3,098	4,609	122,171

	June 30, 2015						March 31, 2015					
	Loans (Drawn)	Commitments (Undrawn)	Repo Style Transactions	OTC	Other Off Balance Sheet Items	Total	Loans (Drawn)	Commitments (Undrawn)	Repo Style Transactions	OTC	Other Off Balance Sheet Items	Total
British Columbia	20,876	3,348	52	167	567	25,010	20,614	3,021	215	205	552	24,607
Western Canada, excluding British Columbia	11,310	4,969		625	1,168	18,071	11,597	4,740		738	1,156	18,231
Ontario	39,556	4,419	14,065	1,642	2,042	61,723	38,159	4,237	13,879	1,945	1,919	60,140
Quebec & Atlantic provinces	7,156	2,247		416	866	10,685	7,193	2,087		454	759	10,492
Total Gross Credit Exposure	78,897	14,983	14,116	2,849	4,644	115,489	77,563	14,085	14,094	3,341	4,385	113,469

	December 31, 2014						September 30, 2014					
	Loans (Drawn)	Commitments (Undrawn)	Repo Style Transactions	OTC	Other Off Balance Sheet Items	Total	Loans (Drawn)	Commitments (Undrawn)	Repo Style Transactions	OTC	Other Off Balance Sheet Items	Total
British Columbia	20,277	3,080		109	542	24,007	20,622	3,377		74	559	24,632
Western Canada, excluding British Columbia	10,629	4,542		477	1,420	17,068	10,413	4,369		540	1,385	16,707
Ontario	38,375	4,204	12,856	2,632	1,564	59,631	36,947	4,294	10,243	3,984	1,500	56,968
Quebec & Atlantic provinces	6,617	2,110		288	873	9,888	6,898	1,851		576	751	10,075
Total Gross Credit Exposure	75,898	13,937	12,856	3,506	4,399	110,595	74,879	13,892	10,243	5,174	4,195	108,383

	June 30, 2014						March 31, 2014					
	Loans (Drawn)	Commitments (Undrawn)	Repo Style Transactions	OTC	Other Off Balance Sheet Items	Total	Loans (Drawn)	Commitments (Undrawn)	Repo Style Transactions	OTC	Other Off Balance Sheet Items	Total
British Columbia	20,447	3,391	103	58	674	24,673	19,817	4,618	12	59	696	25,201
Western Canada, excluding British Columbia	10,438	4,213		484	903	16,039	10,227	4,440		522	842	16,032
Ontario	36,344	4,145	10,032	3,247	1,418	55,187	37,238	5,541	10,589	3,107	1,351	57,826
Quebec & Atlantic provinces	6,595	1,825		296	735	9,452	6,927	2,024		335	749	10,035
Total Gross Credit Exposure	73,825	13,574	10,135	4,085	3,731	105,351	74,209	16,624	10,601	4,023	3,637	109,094

Residual Contract Maturity Breakdown

(\$ millions except as noted)

	December 31, 2015						September 30, 2015					
	Loans (Drawn)	Commitments (Undrawn)	Repo Style Transactions	OTC	Other Off Balance Sheet Items	Total	Loans (Drawn)	Commitments (Undrawn)	Repo Style Transactions	OTC	Other Off Balance Sheet Items	Total
Within 1 year	24,670	8,766	12,908	1,760	3,145	51,249	29,501	9,099	16,165	1,357	3,602	59,723
1-5 years	45,243	5,777		1,230	875	53,125	43,633	5,771		1,176	933	51,512
Greater than 5 years	11,884	363		555	65	12,867	10,093	203		565	74	10,936
Total Gross Credit Exposure	81,797	14,906	12,908	3,545	4,086	117,241	83,227	15,072	16,165	3,098	4,609	122,171

	June 30, 2015						March 31, 2015					
	Loans (Drawn)	Commitments (Undrawn)	Repo Style Transactions	OTC	Other Off Balance Sheet Items	Total	Loans (Drawn)	Commitments (Undrawn)	Repo Style Transactions	OTC	Other Off Balance Sheet Items	Total
Within 1 year	29,927	9,031	14,116	1,372	3,348	57,795	30,042	8,675	14,094	1,430	3,182	57,423
1-5 years	40,000	5,605		997	1,215	47,816	38,446	4,988		1,232	1,135	45,801
Greater than 5 years	8,970	346		480	81	9,878	9,075	423		679	68	10,245
Total Gross Credit Exposure	78,897	14,983	14,116	2,849	4,644	115,489	77,563	14,085	14,094	3,341	4,385	113,469

	December 31, 2014						September 30, 2014					
	Loans (Drawn)	Commitments (Undrawn)	Repo Style Transactions	OTC	Other Off Balance Sheet Items	Total	Loans (Drawn)	Commitments (Undrawn)	Repo Style Transactions	OTC	Other Off Balance Sheet Items	Total
Within 1 year	30,388	8,688	12,856	1,347	3,289	56,568	28,139	9,231	10,243	2,452	3,518	53,583
1-5 years	37,140	4,982		1,252	1,056	44,429	38,556	4,509		1,596	621	45,282
Greater than 5 years	8,370	268		907	54	9,598	8,184	152		1,125	56	9,519
Total Gross Credit Exposure	75,898	13,937	12,856	3,506	4,399	110,595	74,879	13,892	10,243	5,174	4,195	108,383

	June 30, 2014						March 31, 2014					
	Loans (Drawn)	Commitments (Undrawn)	Repo Style Transactions	OTC	Other Off Balance Sheet Items	Total	Loans (Drawn)	Commitments (Undrawn)	Repo Style Transactions	OTC	Other Off Balance Sheet Items	Total
Within 1 year	27,652	8,746	10,135	1,603	2,516	50,653	28,665	12,229	10,601	1,438	2,423	55,357
1-5 years	37,664	4,655		1,455	1,174	44,948	37,786	4,240		1,564	1,177	44,767
Greater than 5 years	8,509	173		1,027	41	9,750	7,758	154		1,021	38	8,970
Total Gross Credit Exposure	73,825	13,574	10,135	4,085	3,731	105,351	74,209	16,624	10,601	4,023	3,637	109,094

Credit Risk Portfolio Exposure at Default

(\$ millions except as noted)

	December 31, 2015				September 30, 2015				June 30, 2015				March 31, 2015			
	Standardized		AIRB		Standardized		AIRB		Standardized		AIRB		Standardized		AIRB	
	Loans (Drawn)	Credit Equivalent Amount on Undrawn	Loans (Drawn)	Credit Equivalent Amount on Undrawn	Loans (Drawn)	Credit Equivalent Amount on Undrawn	Loans (Drawn)	Credit Equivalent Amount on Undrawn	Loans (Drawn)	Credit Equivalent Amount on Undrawn	Loans (Drawn)	Credit Equivalent Amount on Undrawn	Loans (Drawn)	Credit Equivalent Amount on Undrawn	Loans (Drawn)	Credit Equivalent Amount on Undrawn
Corporate			29,569	12,995			30,306	13,324			30,284	13,253			30,122	12,356
Sovereign			24,807	195			25,502	40			21,659	34			20,917	38
Bank			3,511				3,486				3,135				3,162	
Total Corporate, Sovereign and Bank			57,886	13,190			59,293	13,363			55,078	13,287			54,201	12,394
Residential Mortgages (1)			19,239	4			19,099				18,698	1			18,266	
HELOC's			1,862	1,040			1,910	1,035			1,950	1,001			1,970	1,001
Other Retail (excluding QRR and SME)	638		1,678	186	670		1,741	196	708		1,912	196	726		1,847	196
Qualifying Revolving Retail			267	224			277	226			280	226			285	229
Retail SME			228	262			237	252			271	271			268	266
Total Retail	638		23,273	1,716	670		23,264	1,709	708		23,111	1,696	726		22,636	1,691
Total Gross Credit Exposure	638		81,159	14,906	670		82,557	15,072	708		78,189	14,983	726		76,837	14,085

	December 31, 2014				September 30, 2014				June 30, 2014				March 31, 2014			
	Standardized		AIRB		Standardized		AIRB		Standardized		AIRB		Standardized		AIRB	
	Loans (Drawn)	Credit Equivalent Amount on Undrawn	Loans (Drawn)	Credit Equivalent Amount on Undrawn	Loans (Drawn)	Credit Equivalent Amount on Undrawn	Loans (Drawn)	Credit Equivalent Amount on Undrawn	Loans (Drawn)	Credit Equivalent Amount on Undrawn	Loans (Drawn)	Credit Equivalent Amount on Undrawn	Loans (Drawn)	Credit Equivalent Amount on Undrawn	Loans (Drawn)	Credit Equivalent Amount on Undrawn
Corporate			28,088	12,137			28,236	11,175			28,115	10,878			27,739	11,561
Sovereign			21,186	34			20,530	25			20,530	47			20,392	31
Bank			3,269				2,685				1,961		30		2,849	
Total Corporate, Sovereign and Bank			52,542	12,172			51,451	11,199			50,605	10,926	30		50,980	11,592
Residential Mortgages	238		18,088	1	258		17,992		284		17,587	1	315		17,357	
HELOC's			2,006	1,040			2,041	1,006			2,118	1,033			2,164	2,701
Other Retail (excluding QRR and SME)	560		1,891	197	592	974	1,949	191	619	864	1,993	198	629	849	2,073	548
Qualifying Revolving Retail			293	234			302	235			305	240			313	729
Retail SME			279	293			294	287			314	312			347	204
Total Retail	798	-	22,557	1,765	850	974	22,578	1,719	903	864	22,317	1,784	943	849	22,255	4,182
Total Gross Credit Exposure	798	-	75,100	13,937	850	974	74,029	12,918	903	864	72,922	12,710	973	849	73,235	15,774

Standardized Exposures by Risk Weight Category

(\$ millions except as noted)

	December 31, 2015								September 30, 2015							
	Risk Weight Category								Risk Weight Category							
	0%	20%	35%	50%	75%	100%	150%	Total	0%	20%	35%	50%	75%	100%	150%	Total
Corporate Sovereign Bank																
Total Corporate, Sovereign and Bank																
Residential Mortgages (1) Heloc's																
Other Retail					621	16		638					652	18		670
Retail SME																
Total Retail					621	16		638					652	18		670
Total Exposure at Default					621	16		638					652	18		670

	June 30, 2015								March 31, 2015							
	Risk Weight Category								Risk Weight Category							
	0%	20%	35%	50%	75%	100%	150%	Total	0%	20%	35%	50%	75%	100%	150%	Total
Corporate Sovereign Bank																
Total Corporate, Sovereign and Bank																
Residential Mortgages Heloc's																
Other Retail					689	19		708					705	22		726
Retail SME																
Total Retail					689	19		708					705	22		726
Total Exposure at Default					689	19		708					705	22		726

	December 31, 2014								September 30, 2014							
	Risk Weight Category								Risk Weight Category							
	0%	20%	35%	50%	75%	100%	150%	Total	0%	20%	35%	50%	75%	100%	150%	Total
Corporate Sovereign Bank																
Total Corporate, Sovereign and Bank																
Residential Mortgages Heloc's			192		34	12		238			154		95	10		258
Other Retail					551	8	1	560					1,560		6	1,566
Retail SME																
Total Retail			192		586	20	1	798			154		1,655	10	6	1,824
Total Exposure at Default			192		586	20	1	798			154		1,655	10	6	1,824

	June 30, 2014								March 31, 2014							
	Risk Weight Category								Risk Weight Category							
	0%	20%	35%	50%	75%	100%	150%	Total	0%	20%	35%	50%	75%	100%	150%	Total
Corporate Sovereign Bank																
Total Corporate, Sovereign and Bank										30						30
Residential Mortgages Heloc's			166		105	13		284		30		182		117	15	315
Other Retail					1,478		5	1,483					1,471		7	1,478
Retail SME																
Total Retail			166		1,583	13	5	1,767		30		182		1,589	15	1,793
Total Exposure at Default			166		1,583	13	5	1,767		30		182		1,589	15	1,823

Risk Assessment - IRB Retail Credit Portfolio

(\$ millions except as noted)

	December 31, 2015						September 30, 2015					
	Residential Mortgages	HELOC	Other Retail (excl. QRR and SME)	Qualifying Revolving Retail	Retail SME	Total	Residential Mortgages	HELOC	Other Retail (excl. QRR and SME)	Qualifying Revolving Retail	Retail SME	Total
Strong	18,919	2,786	1,811	363	210	24,088	18,808	2,862	1,897	370	211	24,147
Medium	284	101	52	120	291	848	256	66	49	125	289	784
Sub-Standard			1	4	1	6			1	4		6
Impaired/Default	40	15	5	4	6	69	36	18	4	4	7	68
Total Exposure at Default	19,243	2,902	1,868	491	508	25,011	19,099	2,945	1,950	502	508	25,005

	June 30, 2015						March 31, 2015					
	Residential Mortgages	HELOC	Other Retail (excl. QRR and SME)	Qualifying Revolving Retail	Retail SME	Total	Residential Mortgages	HELOC	Other Retail (excl. QRR and SME)	Qualifying Revolving Retail	Retail SME	Total
Strong	18,425	2,876	2,067	372	215	23,955	17,982	2,889	1,990	376	340	23,578
Medium	241	61	48	126	339	816	249	63	52	130	204	698
Sub-Standard			1	4		5			1	4		6
Impaired/Default	33	14	5	4	8	63	35	18	4	4	9	70
Total Exposure at Default	18,699	2,951	2,121	506	561	24,839	18,266	2,971	2,047	514	554	24,351

	December 31, 2014						September 30, 2014					
	Residential Mortgages	HELOC	Other Retail (excl. QRR and SME)	Qualifying Revolving Retail	Retail SME	Total	Residential Mortgages	HELOC	Other Retail (excl. QRR and SME)	Qualifying Revolving Retail	Retail SME	Total
Strong	17,768	2,929	2,052	390	355	23,493	17,685	2,966	2,095	396	368	23,510
Medium	281	100	61	131	228	801	259	63	64	133	224	743
Sub-Standard			2	2		4			1	4		6
Impaired/Default	40	17	4	4	9	75	49	18	4	4	10	85
Total Exposure at Default	18,090	3,046	2,118	527	593	24,373	17,992	3,047	2,165	537	602	24,343

	June 30, 2014						March 31, 2014					
	Residential Mortgages	HELOC	Other Retail (excl. QRR and SME)	Qualifying Revolving Retail	Retail SME	Total	Residential Mortgages	HELOC	Other Retail (excl. QRR and SME)	Qualifying Revolving Retail	Retail SME	Total
Strong	17,257	3,072	2,126	400	375	23,230	17,084	4,786	2,550	745	267	25,430
Medium	289	58	67	136	265	815	212	57	70	290	294	922
Sub-Standard			2	4	1	7			6	5	5	15
Impaired/Default	42	22	5	4	9	81	61	24	4	3	11	104
Total Exposure at Default	17,588	3,152	2,199	544	649	24,133	17,357	4,866	2,630	1,042	577	26,472

Risk Assessment - AIRB Non-Retail Credit Portfolio ¹

(\$ millions except as noted)

Internal Rating	December 31, 2015				September 30, 2015				June 30, 2015				March 31, 2015			
	EAD	PD (%)	LGD (%)	Risk Weight (%)	EAD	PD (%)	LGD (%)	Risk Weight (%)	EAD	PD (%)	LGD (%)	Risk Weight (%)	EAD	PD (%)	LGD (%)	Risk Weight (%)
Corporate																
Minimal Risk	2,070	0.04	47	16	2,349	0.04	45	15	2,105	0.04	47	17	1,772	0.04	45	15
Low Risk	5,408	0.11	41	24	5,358	0.11	41	24	5,063	0.11	40	23	5,418	0.11	42	29
Satisfactory Risk	21,600	0.43	37	49	22,542	0.41	37	50	22,683	0.41	37	48	22,949	0.41	36	46
Fair Default Risk	12,119	1.13	34	67	12,628	1.15	34	69	12,547	1.13	34	69	11,731	1.12	34	68
Moderate Default Risk	3,637	2.94	34	90	3,467	3.00	32	86	3,441	2.73	33	83	3,186	2.93	32	85
Significant Default Risk	982	6.84	34	122	1,241	6.95	30	107	1,444	6.83	30	105	1,316	6.49	35	124
High Default Risk	1,154	10.07	26	109	743	10.12	28	116	889	10.08	32	132	719	10.30	28	119
Special Management	427	38.98	32	143	425	41.42	36	162	343	46.78	31	117	344	42.61	33	132
Default	609	100.00	49	176	455	100.00	50	191	354	100.00	53	156	360	100.00	47	152
Total Corporate	48,006	2.71	37	58	49,208	2.32	37	58	48,869	2.12	37	56	47,795	2.07	36	56
Sovereign																
Minimal Risk	25,245	0.02	10	3	25,668	0.02	10	3	21,700	0.02	10	3	18,897	0.02	10	3
Low Risk	225	0.07	11	8	201	0.07	12	9	170	0.07	13	9	2,189	0.07	14	6
Satisfactory Risk	5	0.39	48	66	3	0.33	40	40	3	0.34	40	35	5	0.32	57	51
Fair Default Risk	2	0.91	45	97	1	1.05	37	83								
Default																
Total Sovereign	25,478	0.02	10	3	25,873	0.02	10	3	21,873	0.02	10	3	21,091	0.03	11	3
Bank																
Minimal Risk	3,773	0.03	22	9	3,614	0.03	21	8	3,567	0.03	22	8	3,790	0.03	22	9
Low Risk	1,311	0.10	26	16	1,547	0.11	27	19	1,329	0.12	27	20	1,426	0.11	28	18
Satisfactory Risk	107	0.41	34	37	126	0.37	33	32	193	0.34	32	32	195	0.33	34	33
Fair Default Risk	65	1.59	45	132	11	1.54	38	79	57	1.62	29	60	43	1.28	29	62
Moderate Default Risk	1	3.79	61	153	1	4.11	50	134	1	3.97	57	140	26	3.09	28	82
Significant Default Risk	1	5.75	37	108	6	5.75	38	109		5.75	44	124				
High Default Risk	1	10.00	59	215	1	10.00	59	217	1	10.00	59	217	7	10.02	47	173
Special Management																
Default																
Total Bank	5,259	0.08	24	13	5,306	0.08	23	12	5,148	0.09	24	13	5,487	0.10	24	13

Internal Rating	December 31, 2014				September 30, 2014				June 30, 2014				March 31, 2014			
	EAD	PD (%)	LGD (%)	Risk Weight (%)	EAD	PD (%)	LGD (%)	Risk Weight (%)	EAD	PD (%)	LGD (%)	Risk Weight (%)	EAD	PD (%)	LGD (%)	Risk Weight (%)
Corporate																
Minimal Risk	1,692	0.04	45	15	1,781	0.04	45	13	1,298	0.04	43	14	2,330	0.04	36	11
Low Risk	5,528	0.11	42	28	5,051	0.11	44	29	4,899	0.11	44	28	5,454	0.11	44	27
Satisfactory Risk	21,674	0.41	35	44	21,983	0.40	35	44	22,027	0.41	35	44	22,360	0.41	34	43
Fair Default Risk	11,516	1.13	34	67	11,121	1.11	34	67	11,035	1.10	33	65	10,385	1.12	33	64
Moderate Default Risk	2,644	2.85	31	83	2,549	2.90	31	83	2,134	2.87	31	85	1,493	2.94	29	78
Significant Default Risk	843	6.63	31	109	752	6.55	30	104	503	6.90	30	107	367	6.67	31	107
High Default Risk	613	10.39	30	124	766	10.34	30	125	841	10.19	32	132	831	10.21	32	133
Special Management	261	30.46	32	148	250	29.26	33	155	223	30.80	31	143	272	31.11	32	147
Default	354	100.00	45	141	329	100.00	46	173	351	100.00	45	182	398	100.00	45	213
Total Corporate	45,125	1.89	36	53	44,582	1.84	36	53	43,311	1.89	35	53	43,890	1.94	35	50
Sovereign																
Minimal Risk	19,911	0.02	10	3	19,381	0.02	10	3	19,629	0.02	10	3	19,640	0.02	10	3
Low Risk	1,430	0.07	12	6	1,456	0.08	15	8	1,221	0.08	18	9	1,139	0.08	13	7
Satisfactory Risk	6	0.30	46	41	7	0.24	27	21	9	0.23	30	24	5	0.24	21	16
Fair Default Risk					5	1.30	34	54	5	1.30	34	54	3	1.62	30	60
Default																
Total Sovereign	21,347	0.02	10	3	20,849	0.03	11	3	20,864	0.02	11	3	20,787	0.02	10	3
Bank																
Minimal Risk	4,951	0.03	23	10	5,292	0.04	23	10	4,129	0.04	24	11	4,686	0.04	25	10
Low Risk	1,051	0.11	28	19	1,132	0.10	27	15	890	0.11	28	21	911	0.11	29	20
Satisfactory Risk	123	0.31	33	29	120	0.32	31	30	151	0.32	31	35	155	0.31	31	34
Fair Default Risk	4	1.31	47	84	11	1.15	39	74	10	1.07	37	77	8	1.15	38	86
Moderate Default Risk	5	3.07	27	82	2	3.12	49	120	9	2.91	40	124	9	2.90	39	121
Significant Default Risk					1	7.14	73	229	1	7.85	67	255				
High Default Risk	6	10.02	49	183	6	10.32	39	172	1	12.03	79	331	1	13.00	79	341
Special Management																
Default																
Total Bank	6,140	0.07	24	12	6,564	0.07	24	12	5,191	0.07	25	14	5,770	0.07	26	13

¹ Net of collateral, guarantees and credit derivatives

"EAD" - Exposure at Default, "PD" - Probability of Default, "LGD" - Loss Given Default, "Risk Weight %" is a Weighted Average based on EAD

Exposures Covered By Credit Risk Mitigation

(\$ millions except as noted)

Counterparty Type	December 31, 2015			September 30, 2015			June 30, 2015			March 31, 2015		
	Standardized		AIRB	Standardized		AIRB	Standardized		AIRB	Standardized		AIRB
	Eligible Financial Collateral	Credit Derivatives/ Guarantees	Credit Derivatives/ Guarantees	Eligible Financial Collateral	Credit Derivatives/ Guarantees	Credit Derivatives/ Guarantees	Eligible Financial Collateral	Credit Derivatives/ Guarantees	Credit Derivatives/ Guarantees	Eligible Financial Collateral	Credit Derivatives/ Guarantees	Credit Derivatives/ Guarantees
Corporate			1,032			1,274			1,294			1,283
Sovereign												
Bank												
Total Corporate, Sovereign and Bank			1,032			1,274			1,294			1,283
Residential Mortgages			2,030			2,213			2,483			2,448
HELOC's												
Other Retail (excluding QRR and SME)												
Qualifying Revolving Retail												
Retail SME												
Total Retail			2,030			2,213			2,483			2,448
Total			3,062			3,487			3,777			3,730

Counterparty Type	December 31, 2014			September 30, 2014			June 30, 2014			March 31, 2014		
	Standardized		AIRB	Standardized		AIRB	Standardized		AIRB	Standardized		AIRB
	Eligible Financial Collateral	Credit Derivatives/ Guarantees	Credit Derivatives/ Guarantees	Eligible Financial Collateral	Credit Derivatives/ Guarantees	Credit Derivatives/ Guarantees	Eligible Financial Collateral	Credit Derivatives/ Guarantees	Credit Derivatives/ Guarantees	Eligible Financial Collateral	Credit Derivatives/ Guarantees	Credit Derivatives/ Guarantees
Corporate			1,294			1,207			1,207			1,185
Sovereign												
Bank												
Total Corporate, Sovereign and Bank			1,294			1,207			1,207			1,185
Residential Mortgages			2,437			2,636			3,123			3,437
HELOC's												
Other Retail (excluding QRR and SME)												
Qualifying Revolving Retail												
Retail SME												
Total Retail			2,437			2,636			3,123			3,437
Total			3,731			3,843			4,330			4,623

AIRB Credit Risk Exposures - Credit Commitments

(\$ millions except as noted)

Counterparty Type	December 31, 2015		September 30, 2015		June 30, 2015		March 31, 2015	
	Notional Undrawn	EAD on Undrawn	Notional Undrawn	EAD on Undrawn	Notional Undrawn	EAD on Undrawn	Notional Undrawn	EAD on Undrawn
Corporate	32,094	12,995	32,775	13,324	32,619	13,253	30,479	12,356
Sovereign	511	195	137	40	124	34	123	38
Bank	156		79		89		58	
Total Corporate, Sovereign and Bank	32,761	13,190	32,992	13,363	32,832	13,287	30,660	12,394
Residential Mortgages	26	4	25		24	1	27	
HELOC's	3,281	1,040	3,260	1,035	3,176	1,001	3,165	1,001
Other Retail (excluding QRR and SME)	655	186	675	196	679	196	694	196
Qualifying Revolving Retail	922	224	920	226	926	226	936	229
Retail SME	263	262	257	252	283	271	269	266
Total Retail	5,147	1,716	5,137	1,709	5,089	1,696	5,090	1,691
Total	37,908	14,906	38,129	15,072	37,921	14,983	35,751	14,085

Counterparty Type	December 31, 2014		September 30, 2014		June 30, 2014		March 31, 2014	
	Notional Undrawn	EAD on Undrawn	Notional Undrawn	EAD on Undrawn	Notional Undrawn	EAD on Undrawn	Notional Undrawn	EAD on Undrawn
Corporate	29,974	12,137	27,512	11,175	26,623	10,878	27,449	11,561
Sovereign	116	34	91	25	122	47	86	31
Bank	88		56		55		57	
Total Corporate, Sovereign and Bank	30,178	12,172	27,658	11,199	26,801	10,926	27,592	11,592
Residential Mortgages	30	1	36		34	1	32	
HELOC's	3,144	1,040	3,155	1,006	3,185	1,033	3,143	2,701
Other Retail (excluding QRR and SME)	691	197	703	191	720	198	711	548
Qualifying Revolving Retail	941	234	947	235	960	240	962	729
Retail SME	294	293	292	287	317	312	229	204
Total Retail	5,101	1,765	5,133	1,719	5,217	1,784	5,077	4,182
Total	35,279	13,937	32,791	12,918	32,017	12,710	32,669	15,774

Securitization

Securitization strategy

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

Our roles in the securitization process are as follows:

Originator: where we originate the assets being securitized;

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

Investor: where we invest in a securitization transaction directly.

HSBC as an originator

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

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

HSBC as sponsor

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

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

For more detail on the liquidity facilities outlined above, refer to the note on contingent liabilities, contractual commitments and guarantees, Annual Report and Accounts 2015.

Securitization

HSBC as investor

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

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

For a description of the bank's credit and market risk policies please refer to the credit risk and market risk sections in Management's Discussion and Analysis, Annual Report and Accounts 2015.

Valuation of securitization positions

The valuation process of our investments in securitization exposures primarily focuses on quotations from third parties, observed trade levels and calibrated valuations from market standard models. This process has not changed during 2015. Further details may be found in the notes on significant account policies and fair value of financial instruments, Annual Report and Accounts 2015.

Securitization activities during 2015

One securitization exposure matured and was renewed during 2015.

Calculation of risk-weighted assets for securitization exposures

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

Securitization accounting treatment

For information on the bank's securitization accounting treatment, please refer to the note on significant account policies, Annual Report and Accounts 2015.

Securitization Exposures

(\$ millions except as noted)

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

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

	At December 31, 2014			At September 30, 2014			At June 30, 2014			At March 31, 2014		
	Trading	Banking	Total	Trading	Banking	Total	Trading	Banking	Total	Trading	Banking	Total
As Sponsor³												
Trade receivables		245	245		245	245		245	245		1,042	1,042
As Investor												
Residential mortgages												
Trade receivables												
		245	245		245	245		245	245		1,042	1,042

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	
2015				
Aggregate amount of securitization exposures (retained or purchased)				
Residential mortgages				
Trade receivables	245	(15)	-	230
	245	(15)	-	230

Securitization exposure - asset values and impairment charges

	At December 31, 2015			At September 30, 2015			At June 30, 2015			At March 31, 2015		
	Underlying assets ¹	Securitization exposures	Underlying assets ¹	Securitization exposures	Underlying assets ¹	Securitization exposures	Underlying assets ¹	Securitization exposures	Underlying assets ¹	Securitization exposures	Underlying assets ¹	Securitization exposures
As Sponsor												
Trade receivables	290		343			334			350			
As Investor												
Residential mortgages												
Trade receivables												

	At December 31, 2014			At September 30, 2014			At June 30, 2014			At March 31, 2014		
	Underlying assets ¹	Securitization exposures	Underlying assets ¹	Securitization exposures	Underlying assets ¹	Securitization exposures	Underlying assets ¹	Securitization exposures	Underlying assets ¹	Securitization exposures	Underlying assets ¹	Securitization exposures
As Sponsor												
Trade receivables	355		364			375			1,400			
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, 2015			Exposure value at September 30, 2015			Exposure value at June 30, 2015			Exposure value at March 31, 2015		
	Trading book	Banking book	Total	Trading book	Banking book	Total	Trading book	Banking book	Total	Trading book	Banking book	Total
Category risk weights												
≤ 10%												
> 10% ≤ 20%		230	230		245	245		245	245		245	245
> 20% ≤ 50%												
> 50% ≤ 100%												
> 100% ≤ 650%												
> 650% < 1250%												
1250%												
Total		230	230		245	245		245	245		245	245

	Exposure value at December 31, 2014			Exposure value at September 30, 2014			Exposure value at June 30, 2014			Exposure value at March 31, 2014		
	Trading book	Banking book	Total	Trading book	Banking book	Total	Trading book	Banking book	Total	Trading book	Banking book	Total
Category risk weights												
≤ 10%											1,035	1,035
> 10% ≤ 20%		245	245		245	245		245	245			
> 20% ≤ 50%											7	7
> 50% ≤ 100%												
> 100% ≤ 650%												
> 650% < 1250%												
1250%												
Total		245	245		245	245		245	245		1,042	1,042

Capital required by risk weighting

	Capital required at December 31, 2015			Capital required at September 30, 2015			Capital required at June 30, 2015			Capital required at March 31, 2015		
	Trading book	Banking book	Total	Trading book	Banking book	Total	Trading book	Banking book	Total	Trading book	Banking book	Total
Category risk weights												
≤ 10%												
> 10% ≤ 20%		1	1		1	1		1	1		2	2
> 20% ≤ 50%												
> 50% ≤ 100%												
> 100% ≤ 650%												
> 650% < 1250%												
1250%												
Total		1	1		1	1		1	1		2	2

	Capital required at December 31, 2014			Capital required at September 30, 2014			Capital required at June 30, 2014			Capital required at March 31, 2014		
	Trading book	Banking book	Total	Trading book	Banking book	Total	Trading book	Banking book	Total	Trading book	Banking book	Total
Category risk weights												
≤ 10%												
> 10% ≤ 20%		2	2		2	2		2	2		2	2
> 20% ≤ 50%												
> 50% ≤ 100%												
> 100% ≤ 650%												
> 650% < 1250%												
1250%												
Total		2	2		2	2		2	2		2	2

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.