

**2009**

**HSBC Bank Canada  
Capital and Risk Management  
Pillar 3 Supplemental Disclosures  
as at June 30, 2009**



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## Notes to Users

### Capital and Risk Management Pillar 3 Disclosures

The Pillar 3 Supplemental Disclosures are additional summary descriptions and quantitative financial information which supplement those already made in the Annual Report and Accounts 2008 for the disclosure requirements under OSFI's Pillar 3 Disclosure Requirements Advisory issued September 29, 2006 consistent with the "International Convergence of Capital Measurement and Capital Standards" ('Basel II') issued by the Basel Committee on Banking Supervision in June 2006.

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

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

The Office of the Superintendent of Financial Institutions ("OSFI") supervises HSBC Bank Canada (the "Bank") on a consolidated basis. Effective November 1, 2007, OSFI implemented a new regulatory capital management framework, which gives effect to Basel II. OSFI has approved the Bank's application to apply the Advanced Internal Ratings Based ("AIRB") approach to credit risk on our portfolio and the Standardized Approach for measuring Operational Risk. Please refer to the Annual Report and Accounts 2008 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.

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

**Basel II Regulatory Capital (1)**

(\$ millions except as noted)



<b>Qualifying Regulatory Capital</b>	<b>June 30, 2009</b>	<b>March 31, 2009</b>	<b>December 31, 2008</b>
Common shares	1,225	1,225	1,225
Retained earnings	2,006	1,965	1,949
Non-cumulative preferred shares	946	696	696
Non-controlling interests in trust and subsidiary	430	430	430
Securitization-related deductions and other	(96)	(103)	(88)
Goodwill	(15)	(15)	(15)
<b>Total Tier 1 capital</b>	<b>4,495</b>	<b>4,198</b>	<b>4,197</b>
Subordinated debentures	826	795	788
Other	214	214	216
<b>Total Tier 2 capital</b>	<b>1,040</b>	<b>1,009</b>	<b>1,004</b>
<b>Total capital available for regulatory purposes</b>	<b>5,535</b>	<b>5,207</b>	<b>5,201</b>

<b>Capital Ratios</b>	<b>June 30, 2009</b>	<b>March 31, 2009</b>	<b>December 31, 2008</b>
Tier 1 capital ratio	11.2%	10.2%	10.1%
Total capital ratio (2)	13.8%	12.6%	12.5%
Assets to capital Multiple	12.9	13.6	14.0

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

(2) OSFI's target total capital ratio for well capitalized Canadian banks is 10%.

**Basel II Risk-Weighted Assets(1)**

(\$ millions except as noted)



Risk-Weighted Assets (RWA)	June 30, 2009				March 31, 2009			
	Exposure (2)	RWA			Exposure (3)	RWA		
		Standardized Approach	Advanced Approach	Total		Standardized Approach	Advanced Approach	Total
(\$ millions except as noted)								
Corporate	47,730	-	24,589	24,589	48,792	-	25,158	25,158
Sovereign	14,930	-	236	236	12,784	-	272	272
Bank	7,216	9	395	404	6,452	30	432	462
Residential Mortgages	19,363	692	1,606	2,298	19,095	665	1,558	2,222
HELOC's	4,619	-	466	466	4,691	-	466	466
Other Retail (excluding QRR and SME)	6,947	3,005	1,387	4,392	6,936	3,045	1,353	4,398
Qualifying Revolving Retail	1,080	-	214	214	1,074	-	214	214
Retail SME	1,067	-	558	558	1,344	-	709	709
<b>Exposures subject to standardized or IRB approaches</b>	<b>102,951</b>	<b>3,707</b>	<b>29,450</b>	<b>33,157</b>	<b>101,167</b>	<b>3,739</b>	<b>30,163</b>	<b>33,902</b>
Equity (3)	404	-	-	404	428	-	-	428
Securitization (4)	-	-	-	-	-	-	-	-
Other assets not included in standardized or IRB approaches	1,039	-	-	674	898	-	-	798
Adjustment to IRB risk-weighted assets for scaling factor	-	-	-	1,791	-	-	-	1,835
<b>Total Credit Risk</b>	<b>104,394</b>			<b>36,026</b>	<b>102,494</b>			<b>36,964</b>
Market Risk (5)				-				-
Operational Risk - Standardized Approach				4,229				4,225
<b>Total Risk-Weighted Assets</b>				<b>40,254</b>				<b>41,188</b>
Adjustment for Regulatory Floor (6)				-				-
<b>Total Transitional Risk-Weighted Assets</b>				<b>40,254</b>				<b>41,188</b>

  

Risk-Weighted Assets (RWA)	December 31, 2008			
	Exposure (2)	RWA		
		Standardized Approach	Advanced Approach	Total
(\$ millions except as noted)				
Corporate	49,904	-	25,483	25,483
Sovereign	10,882	-	167	167
Bank	8,731	8	453	461
Residential Mortgages	19,354	712	1,587	2,299
HELOC's	4,727	-	547	547
Other Retail (excluding QRR and SME)	7,224	3,128	1,688	4,816
Qualifying Revolving Retail	1,254	-	179	179
Retail SME	742	-	453	453
<b>Exposures subject to standardized or IRB approaches</b>	<b>102,818</b>	<b>3,848</b>	<b>30,558</b>	<b>34,406</b>
Equity (3)	395	-	-	395
Securitization (4)	-	-	-	-
Other assets not included in standardized or IRB approaches	968	-	-	812
Adjustment to IRB risk-weighted assets for scaling factor	-	-	-	1,857
<b>Total Credit Risk</b>	<b>104,181</b>			<b>37,470</b>
Market Risk (5)				-
Operational Risk - Standardized Approach				4,153
<b>Total Risk-Weighted Assets</b>				<b>41,623</b>
Adjustment for Regulatory Floor (6)				-
<b>Total Transitional Risk-Weighted Assets</b>				<b>41,623</b>

- (1) As per the Basel II Capital Adequacy Requirement guidelines issued by OSFI.
- (2) Exposure represents gross exposure at default before allowances and credit risk mitigation.
- (3) Under OSFI guidelines the Bank is exempt from using the AIRB approach based on materiality. Accordingly equity investments are risk weighted at 100%.
- (4) Securitization exposures are currently treated as on balance sheet exposures and included in the Basel II counterparty category to which the exposures relate - see page 7 for further information on Securitization Exposures.
- (5) Under OSFI guidelines the value of the bank's trading assets or liabilities do not meet the threshold for the capital adequacy requirements for market risk.
- (6) The Bank is subject to a regulatory capital floor according to transitional arrangements prescribed by OSFI. OSFI has given the Bank their approval to reduce the capital floor to 90% commencing with the third quarter 2008 regulatory reporting period.

## Credit Exposure by Counterparty Type

(\$ millions except as noted)



June 30, 2009						
	Loans (Drawn)	Commitments (Undrawn)	Repo Style Transactions	OTC	Other Off Balance Sheet Items	Total
Corporate	28,376	11,266	4,740	714	2,633	47,730
Sovereign	12,712	37	2,068	105	8	14,930
Bank	1,758	1,127	2,961	1,351	18	7,216
<b>Total Corporate, Sovereign and Bank</b>	<b>42,846</b>	<b>12,430</b>	<b>9,770</b>	<b>2,170</b>	<b>2,659</b>	<b>69,875</b>
Residential Mortgages	19,217	146	-	-	-	19,363
HELOC's	2,613	2,006	-	-	-	4,619
Other Retail (excluding QRR and SME)	4,497	2,435	-	-	15	6,947
Qualifying Revolving Retail	391	690	-	-	-	1,080
Retail SME	675	356	-	-	35	1,067
<b>Total Retail</b>	<b>27,393</b>	<b>5,633</b>	<b>-</b>	<b>-</b>	<b>50</b>	<b>33,076</b>
<b>Total Gross Credit Exposure</b>	<b>70,239</b>	<b>18,063</b>	<b>9,770</b>	<b>2,170</b>	<b>2,710</b>	<b>102,951</b>

March 31, 2009						
	Loans (Drawn)	Commitments (Undrawn)	Repo Style Transactions	OTC	Other Off Balance Sheet Items	Total
Corporate	30,170	11,482	3,388	973	2,778	48,792
Sovereign	12,122	150	428	60	24	12,784
Bank	1,870	1,034	1,888	1,655	4	6,452
<b>Total Corporate, Sovereign and Bank</b>	<b>44,162</b>	<b>12,666</b>	<b>5,705</b>	<b>2,688</b>	<b>2,806</b>	<b>68,027</b>
Residential Mortgages	19,084	12	-	-	-	19,095
HELOC's	2,595	2,096	-	-	-	4,691
Other Retail (excluding QRR and SME)	4,530	2,392	-	-	14	6,936
Qualifying Revolving Retail	390	684	-	-	-	1,074
Retail SME	893	414	-	-	37	1,344
<b>Total Retail</b>	<b>27,491</b>	<b>5,598</b>	<b>-</b>	<b>-</b>	<b>51</b>	<b>33,141</b>
<b>Total Gross Credit Exposure</b>	<b>71,654</b>	<b>18,263</b>	<b>5,705</b>	<b>2,688</b>	<b>2,858</b>	<b>101,167</b>

December 31, 2008						
	Loans (Drawn)	Commitments (Undrawn)	Repo Style Transactions	OTC	Other Off Balance Sheet Items	Total
Corporate	30,761	11,413	3,855	943	2,931	49,904
Sovereign	10,093	42	634	93	20	10,882
Bank	1,746	1,154	4,042	1,783	6	8,731
<b>Total Corporate, Sovereign and Bank</b>	<b>42,600</b>	<b>12,609</b>	<b>8,531</b>	<b>2,820</b>	<b>2,956</b>	<b>69,516</b>
Residential Mortgages	19,354	0	-	-	-	19,354
HELOC's	2,463	2,264	-	-	-	4,727
Other Retail (excluding QRR and SME)	4,625	2,586	-	-	14	7,224
Qualifying Revolving Retail	388	866	-	-	-	1,254
Retail SME	684	4	-	-	55	742
<b>Total Retail</b>	<b>27,514</b>	<b>5,719</b>	<b>-</b>	<b>-</b>	<b>68</b>	<b>33,302</b>
<b>Total Gross Credit Exposure</b>	<b>70,113</b>	<b>18,329</b>	<b>8,531</b>	<b>2,820</b>	<b>3,025</b>	<b>102,818</b>

## Credit Exposure by Geography

(\$ millions except as noted)



	June 30, 2009					
	Loans (Drawn)	Commitments	Repo Style	OTC	Other Off	Total
British Columbia	25,616	6,426	-	186	740	32,968
Western Canada, excluding British Columbia	10,730	4,791	-	154	698	16,372
Ontario	27,623	4,877	8,122	1,646	884	43,151
Quebec & Atlantic provinces	6,270	1,970	1,648	184	388	10,459
Other	-	-	-	-	-	-
<b>Total Gross Credit Exposure</b>	<b>70,239</b>	<b>18,063</b>	<b>9,770</b>	<b>2,170</b>	<b>2,710</b>	<b>102,951</b>

	March 31, 2009					
	Loans (Drawn)	Commitments	Repo Style	OTC	Other Off	Total
British Columbia	26,433	6,494	-	270	772	33,969
Western Canada, excluding British Columbia	10,836	4,925	-	246	802	16,810
Ontario	28,050	4,955	5,417	1,963	925	41,310
Quebec & Atlantic provinces	6,334	1,888	288	208	359	9,078
Other	-	-	-	-	-	-
<b>Total Gross Credit Exposure</b>	<b>71,654</b>	<b>18,263</b>	<b>5,705</b>	<b>2,688</b>	<b>2,858</b>	<b>101,167</b>

	December 31, 2008					
	Loans (Drawn)	Commitments (Undrawn)	Repo Style Transactions	OTC	Other Off Balance Sheet Items	Total
British Columbia	26,549	6,914	-	197	836	34,495
Western Canada, excluding British Columbia	11,048	4,687	-	234	839	16,809
Ontario	26,149	4,802	8,026	1,952	943	41,872
Quebec & Atlantic provinces	6,367	1,925	506	437	407	9,642
Other	-	-	-	-	-	-
<b>Total Gross Credit Exposure</b>	<b>70,113</b>	<b>18,329</b>	<b>8,531</b>	<b>2,820</b>	<b>3,025</b>	<b>102,818</b>

## Residual Contract Maturity Breakdown

(\$ millions except as noted)



	June 30, 2009					
	Loans (Drawn)	Commitments	Repo Style	OTC	Other Off	Total
Within 1 year	32,984	17,653	8,749	928	2,565	62,880
1-5 years	32,058	49	1,021	915	97	34,140
Greater than 5 years	5,196	361	-	326	48	5,931
No specific maturity	-	-	-	-	-	-
<b>Total Gross Credit Exposure</b>	<b>70,239</b>	<b>18,063</b>	<b>9,770</b>	<b>2,170</b>	<b>2,710</b>	<b>102,951</b>

	March 31, 2009					
	Loans (Drawn)	Commitments	Repo Style	OTC	Other Off	Total
Within 1 year	35,575	17,854	4,723	1,063	2,715	61,930
1-5 years	30,440	91	981	1,103	92	32,708
Greater than 5 years	5,638	318	-	522	51	6,529
No specific maturity	-	-	-	-	-	-
<b>Total Gross Credit Exposure</b>	<b>71,654</b>	<b>18,263</b>	<b>5,705</b>	<b>2,688</b>	<b>2,858</b>	<b>101,167</b>

	December 31, 2008					
	Loans (Drawn)	Commitments (Undrawn)	Repo Style Transactions	OTC	Other Off Balance Sheet Items	Total
Within 1 year	36,535	17,799	3,804	1,586	2,883	62,607
1-5 years	28,412	101	1,960	870	92	31,435
Greater than 5 years	5,166	429	2,767	365	49	8,775
No specific maturity	-	-	-	-	-	-
<b>Total Gross Credit Exposure</b>	<b>70,113</b>	<b>18,329</b>	<b>8,531</b>	<b>2,820</b>	<b>3,025</b>	<b>102,818</b>

## Portfolio Breakdown by Basel II Approaches

(\$ millions except as noted)



	June 30, 2009				March 31, 2009			
	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
Corporate	-	-	28,376	11,266	-	-	30,170	11,482
Sovereign	-	-	12,712	37	-	-	12,122	150
Bank	47	-	1,711	1,127	148	-	1,722	1,034
<b>Total Corporate, Sovereign and Bank</b>	<b>47</b>	<b>-</b>	<b>42,799</b>	<b>12,430</b>	<b>148</b>	<b>-</b>	<b>44,014</b>	<b>12,666</b>
Residential Mortgages	1,365	-	17,851	146	1,515	-	17,569	12
HELOC's	-	-	2,613	2,006	-	-	2,595	2,096
Other Retail (excluding QRR and SME)	2,169	1,842	2,328	592	2,247	1,815	2,283	577
Qualifying Revolving Retail	-	-	391	690	-	-	390	684
Retail SME	-	-	675	356	-	-	893	414
<b>Total Retail</b>	<b>3,534</b>	<b>1,842</b>	<b>23,859</b>	<b>3,791</b>	<b>3,762</b>	<b>1,815</b>	<b>23,729</b>	<b>3,783</b>
<b>Total Gross Credit Exposure</b>	<b>3,581</b>	<b>1,842</b>	<b>66,658</b>	<b>16,221</b>	<b>3,910</b>	<b>1,815</b>	<b>67,743</b>	<b>16,449</b>

	December 31, 2008			
	Standardized		AIRB	
	Loans (Drawn)	Credit Equivalent Amount on Undrawn	Loans (Drawn)	Credit Equivalent Amount on Undrawn
Corporate	-	-	30,761	11,413
Sovereign	-	-	10,093	42
Bank	42	-	1,703	1,154
<b>Total Corporate, Sovereign and Bank</b>	<b>42</b>	<b>-</b>	<b>42,557</b>	<b>12,609</b>
Residential Mortgages	1,630	-	17,724	0
HELOC's	-	-	2,463	2,264
Other Retail (excluding QRR and SME)	2,391	1,780	2,234	805
Qualifying Revolving Retail	-	-	388	866
Retail SME	-	-	684	4
<b>Total Retail</b>	<b>4,022</b>	<b>1,780</b>	<b>23,492</b>	<b>3,939</b>
<b>Total Gross Credit Exposure</b>	<b>4,064</b>	<b>1,780</b>	<b>66,049</b>	<b>16,549</b>



**Standardized Exposures by Risk Weight Category (1)**

(\$ millions except as noted)



June 30, 2009								
Risk Weight Category								
	0%	20%	35%	50%	75%	100%	150%	Total
Corporate	-	-	-	-	-	-	-	-
Sovereign	-	-	-	-	-	-	-	-
Bank	-	47	-	-	-	-	-	47
<i>Total Corporate, Sovereign and Bank</i>	-	47	-	-	-	-	-	47
Residential Mortgages	-	-	817	-	523	14	-	1,354
Heloc's	-	-	-	-	-	-	-	-
Other Retail	-	-	-	-	3,871	32	47	3,949
Retail SME	-	-	-	-	-	-	-	-
<i>Total Retail</i>	-	-	817	-	4,394	46	47	5,304
<b>Total Exposure at Default</b>	-	47	817	-	4,394	46	47	5,350

March 31, 2009								
Risk Weight Category								
	0%	20%	35%	50%	75%	100%	150%	Total
Corporate	-	-	-	-	-	-	-	-
Sovereign	-	-	-	-	-	-	-	-
Bank	-	148	-	-	-	-	-	148
<i>Total Corporate, Sovereign and Bank</i>	-	148	-	-	-	-	-	148
Residential Mortgages	-	-	1,170	-	319	16	-	1,505
Heloc's	-	-	-	-	-	-	-	-
Other Retail	-	-	-	-	3,922	37	44	4,003
Retail SME	-	-	-	-	-	-	-	-
<i>Total Retail</i>	-	-	1,170	-	4,241	53	44	5,508
<b>Total Exposure at Default</b>	-	148	1,170	-	4,241	53	44	5,656

December 31, 2008								
Risk Weight Category								
	0%	20%	35%	50%	75%	100%	150%	Total
Corporate	-	-	-	-	-	-	-	-
Sovereign	-	-	-	-	-	-	-	-
Bank	-	42	-	-	-	-	-	42
<i>Total Corporate, Sovereign and Bank</i>	-	42	-	-	-	-	-	42
Residential Mortgages	-	-	1,273	-	337	13	-	1,624
Heloc's	-	-	-	-	-	-	-	-
Other Retail	-	-	-	-	4,039	40	39	4,118
Retail SME	-	-	-	-	-	-	-	-
<i>Total Retail</i>	-	-	1,273	-	4,376	53	39	5,742
<b>Total Exposure at Default</b>	-	42	1,273	-	4,376	53	39	5,784

(1) Exposure at default, net of allowances for credit losses

**Risk Assessment - IRB Retail Credit Portfolio**

(\$ millions except as noted)



	June 30, 2009					
	Residential Mortgages	Heloc's	Other Retail (excl. QRR and SME)	Qualifying Revolving Retail	Retail SME	Total
Strong	17,615	4,513	2,688	954	782	26,552
Medium	307	94	175	116	252	944
Sub-Standard	-	-	7	6	8	21
Impaired/Default	75	11	67	5	25	183
<b>Total Exposure at Default</b>	<b>17,997</b>	<b>4,619</b>	<b>2,936</b>	<b>1,080</b>	<b>1,067</b>	<b>27,700</b>

	March 31, 2009					
	Residential Mortgages	Heloc's	Other Retail (excl. QRR and SME)	Qualifying Revolving Retail	Retail SME	Total
Strong	17,250	4,591	2,634	943	1,066	26,484
Medium	266	90	173	121	242	893
Sub-Standard	-	-	8	6	6	20
Impaired/Default	65	9	58	4	30	166
<b>Total Exposure at Default</b>	<b>17,581</b>	<b>4,691</b>	<b>2,874</b>	<b>1,074</b>	<b>1,344</b>	<b>27,564</b>

	December 31, 2008					
	Residential Mortgages	Heloc's	Other Retail (excl. QRR and SME)	Qualifying Revolving Retail	Retail SME	Total
Strong	17,428	4,711	2,886	1,144	659	26,829
Medium	254	7	99	106	64	532
Sub-Standard	-	-	-	-	1	1
Impaired/Default	41	8	67	4	18	138
<b>Total Exposure at Default</b>	<b>17,724</b>	<b>4,727</b>	<b>3,053</b>	<b>1,254</b>	<b>742</b>	<b>27,500</b>

**Risk Assessment - AIRB Non-Retail Credit Portfolio**


(\$ millions except as noted)

Internal Rating	June 30, 2009				March 31, 2009				December 31, 2008			
	Exposure at Default (1)	Exposure-Weighted Average PD (%)	Exposure-Weighted Average LGD (%)	Exposure-Weighted Average Risk Weight (%)	Exposure at Default (1)	Exposure-Weighted Average PD (%)	Exposure-Weighted Average LGD (%)	Exposure-Weighted Average Risk Weight (%)	Exposure at Default (1)	Exposure-Weighted Average PD (%)	Exposure-Weighted Average LGD (%)	Exposure-Weighted Average Risk Weight (%)
<b>Corporate</b>												
Minimal Risk	1,222	0.04	45	12	1,451	0.03	47	9	1,716	0.04	46	12
Low Risk	3,656	0.11	43	19	4,171	0.09	47	13	4,177	0.10	44	19
Satisfactory Risk	15,918	0.47	34	41	17,220	0.47	35	41	17,188	0.48	33	41
Fair Default Risk	17,948	1.17	31	60	18,457	1.14	32	61	19,084	1.15	32	62
Moderate Default Risk	1,646	2.69	30	79	1,631	2.66	33	87	1,449	2.63	32	84
Significant Default Risk	615	5.83	30	103	636	5.84	30	101	643	5.84	30	101
High Default Risk	774	10.20	32	135	743	10.17	32	136	692	10.29	32	135
Special Management	353	28.20	30	158	296	26.79	30	158	270	27.98	31	157
Default	892	100.00	45	317	878	100.00	39	240	993	100.00	36	244
<b>Total Corporate</b>	<b>43,024</b>	<b>3.34</b>	<b>34</b>	<b>57</b>	<b>45,483</b>	<b>3.10</b>	<b>35</b>	<b>54</b>	<b>46,213</b>	<b>3.29</b>	<b>34</b>	<b>55</b>
<b>Sovereign</b>												
Minimal Risk	12,817	0.01	10	2	12,091	0.01	11	2	10,171	0.01	10	1
Low Risk	35	0.06	38	20	35	0.07	31	16	31	0.07	30	16
Satisfactory Risk	8	0.34	46	52	225	0.20	52	34	29	0.37	18	21
Fair Default Risk	1	1.59	14	29	4	1.40	18	33	15	1.38	51	150
Moderate Default Risk	-	1.93	52	109	1	1.93	52	109	1	1.93	52	109
Significant Default Risk	-	-	-	-	-	-	-	-	-	-	-	-
High Default Risk	-	-	-	-	-	-	-	-	-	-	-	-
Special Management	-	-	-	-	-	-	-	-	-	-	-	-
Default	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Sovereign</b>	<b>12,861</b>	<b>0.01</b>	<b>11</b>	<b>2</b>	<b>12,356</b>	<b>0.01</b>	<b>12</b>	<b>2</b>	<b>10,248</b>	<b>0.01</b>	<b>10</b>	<b>2</b>
<b>Bank</b>												
Minimal Risk	3,426	0.03	25	7	3,259	0.03	27	7	3,709	0.03	26	7
Low Risk	844	0.07	23	13	1,108	0.07	24	5	920	0.07	20	10
Satisfactory Risk	153	0.25	31	34	191	0.26	29	23	78	0.22	35	36
Fair Default Risk	3	1.07	17	29	6	1.13	37	62	118	1.31	36	73
Moderate Default Risk	-	-	-	-	-	-	-	-	-	-	-	-
Significant Default Risk	-	-	-	-	-	-	-	-	-	-	-	-
High Default Risk	-	-	-	-	-	-	-	-	-	-	-	-
Special Management	-	-	-	-	-	-	-	-	-	-	-	-
Default	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Bank</b>	<b>4,426</b>	<b>0.05</b>	<b>25</b>	<b>9</b>	<b>4,564</b>	<b>0.05</b>	<b>26</b>	<b>7</b>	<b>4,825</b>	<b>0.07</b>	<b>25</b>	<b>9</b>

(1) Total exposure includes loans outstanding and EAD on undrawn commitments and represents exposure at default (EAD), after credit mitigation.

## Exposures Covered By Credit Risk Mitigation

(\$ millions except as noted)



	June 30, 2009			March 31, 2009		
	Standardized		AIRB	Standardized		AIRB
	Eligible Financial Collateral	Credit Derivatives/ Guarantees	Credit Derivatives/ Guarantees	Eligible Financial Collateral	Credit Derivatives/ Guarantees	Credit Derivatives/ Guarantees
<b>Counterparty Type</b>						
Corporate	-	-	1,665	-	-	1,633
Sovereign	-	-	-	-	-	-
Bank	-	-	-	-	-	-
<b>Total Corporate, Sovereign and Bank</b>	-	-	<b>1,665</b>	-	-	<b>1,633</b>
Residential Mortgages	-	-	1,422	-	-	1,448
HELOC's	-	-	-	-	-	-
Other Retail (excluding QRR and SME)	-	-	-	-	-	-
Qualifying Revolving Retail	-	-	-	-	-	-
Retail SME	-	-	-	-	-	-
<b>Total Retail</b>	-	-	<b>1,422</b>	-	-	<b>1,448</b>
<b>Total</b>	-	-	<b>3,087</b>	-	-	<b>3,080</b>

	December 31, 2008		
	Standardized		AIRB
	Eligible Financial Collateral	Credit Derivatives/ Guarantees	Credit Derivatives/ Guarantees
<b>Counterparty Type</b>			
Corporate	-	-	1,663
Sovereign	-	-	-
Bank	-	-	-
<b>Total Corporate, Sovereign and Bank</b>	-	-	<b>1,663</b>
Residential Mortgages	-	-	1,464
HELOC's	-	-	-
Other Retail (excluding QRR and SME)	-	-	-
Qualifying Revolving Retail	-	-	-
Retail SME	-	-	-
<b>Total Retail</b>	-	-	<b>1,464</b>
<b>Total</b>	-	-	<b>3,127</b>

**AIRB Credit Risk Exposures - Credit Commitments**

(\$ millions except as noted)



Counterparty Type	June 30, 2009		March 31, 2009	
	Notional Undrawn	EAD on Undrawn	Notional Undrawn	EAD on Undrawn
Corporate	23,971	11,266	24,429	11,482
Sovereign	78	37	319	150
Bank	2,398	1,127	2,200	1,034
<b>Total Corporate, Sovereign and Ban</b>	<b>26,447</b>	<b>12,430</b>	<b>26,948</b>	<b>12,666</b>
Residential Mortgage:	253	146	67	12
HELOC's	2,760	2,006	2,933	2,096
Other Retail (excluding QRR and SME)	1,451	592	1,471	577
Qualifying Revolving Retai	967	690	962	684
Retail SME	510	356	593	414
<b>Total Retail</b>	<b>5,941</b>	<b>3,791</b>	<b>6,026</b>	<b>3,783</b>
<b>Total</b>	<b>32,388</b>	<b>16,221</b>	<b>32,974</b>	<b>16,449</b>

Counterparty Type	December 31, 2008	
	Notional Undrawn	EAD on Undrawn
Corporate	24,284	11,413
Sovereign	89	42
Bank	2,456	1,154
<b>Total Corporate, Sovereign and Ban</b>	<b>26,829</b>	<b>12,609</b>
Residential Mortgage:	64	0
HELOC's	2,904	2,264
Other Retail (excluding QRR and SME)	1,458	805
Qualifying Revolving Retai	958	866
Retail SME	615	4
<b>Total Retail</b>	<b>6,000</b>	<b>3,939</b>
<b>Total</b>	<b>32,829</b>	<b>16,549</b>

**Securitization Portfolio Exposure (1)**

(\$ millions except as noted)



Exposure type	June 30, 2009							March 31, 2009						
	Total Outstanding Securitization Exposures Retained/Purchased (2)			Delinquent Portion of Total Outstanding Securitization Exposures		Securitization Activity for the Current Period		Total Outstanding Securitization Exposures Retained/Purchased (2)			Delinquent Portion of Total Outstanding Securitization Exposures		Securitization Activity for the Current Period	
	Retained	Purchased	Total	Impaired & Past Due	Recognised Losses	Exposures Securitized	Recognised Gain/Loss on Sale	Retained	Purchased	Total	Impaired & Past Due	Recognised Losses	Exposures Securitized	Recognised Gain/Loss on Sale
Residential Mortgages	-	4,566	4,566	7	-	302	8	73	4,596	4,669	4	-	1,320	34
Loans to Corporates or SMEs	-	311	311	-	-	-	-	-	238	238	-	-	-	-
Other	265	450	715	-	-	-	-	247	508	755	-	-	-	-
<b>Total</b>	<b>265</b>	<b>5,327</b>	<b>5,592</b>	<b>7</b>	<b>-</b>	<b>302</b>	<b>8</b>	<b>320</b>	<b>5,342</b>	<b>5,662</b>	<b>4</b>	<b>-</b>	<b>1,320</b>	<b>34</b>

  

Exposure type	December 31, 2008						
	Total Outstanding Securitization			Delinquent Portion of Total		Securitization Activity for	
	Retained	Purchased	Total	Impaired & Past Due	Recognised Losses	Exposures Securitized	Recognised Gain/Loss on Sale
Residential Mortgages	874	3,102	3,976	2	-	4,304	84
Loans to Corporates or SMEs	-	254	254	-	-	-	-
Other	212	362	574	-	-	-	-
<b>Total</b>	<b>1,086</b>	<b>3,718</b>	<b>4,804</b>	<b>2</b>	<b>-</b>	<b>4,304</b>	<b>84</b>

(1) Securitization information is presented here for information only.

For capital adequacy purposes, securitization exposures are currently included in the EAD of the Basel II counterparty category to which the exposures relate, including all assets securitized by the bank still outstanding of \$7,511 million.

(2) All securitization exposures result from traditional securitization transactions.

(3) Certain comparative figures have been restated to conform with the current year's presentation.

## Securitization Exposures by External Credit Rating (1)

(\$ millions except as noted)



External Credit Assessment (S&P)	June 30, 2009			March 31, 2009			December 31, 2008		
	Securitization Exposures			Securitization Exposures			Securitization Exposures		
	Retained	Purchased	Total	Retained	Purchased	Total	Retained	Purchased	Total
AAA to AA-	222	4,851	5,073	274	4,880	5,154	898	3,444	4,342
A+ to A-	-	415	415	-	403	403	-	19	19
BBB+ to BBB-	-	-	-	-	-	-	-	-	-
BB+ to BB-	-	-	-	-	-	-	-	-	-
B+ and below or unrated	19	61	81	20	58	79	150	254	404
<b>Total</b>	<b>241</b>	<b>5,327</b>	<b>5,569</b>	<b>294</b>	<b>5,342</b>	<b>5,636</b>	<b>1,048</b>	<b>3,718</b>	<b>4,766</b>

Short Term Credit Assessment (DBRS)	June 30, 2009			March 31, 2009			June 30, 2009		
	Securitization Exposures			Securitization Exposures			Securitization Exposures		
	Retained	Purchased	Total	Retained	Purchased	Total	Retained	Purchased	Total
R1 Mid	23	-	23	26	-	26	38	-	38

(1) Securitization information is presented here for information only.

For capital adequacy purposes, securitization exposures are currently included in the EAD of the Basel II counterparty category to which the exposures relate, including all assets securitized by the bank still outstanding of \$7,511 million.

(2) All securitization exposures result from traditional securitization transactions.

(3) Certain comparative figures have been restated to conform with the current year's presentation.

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

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

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

**Corporate** - Includes exposures to corporations, partnerships and proprietorships.

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

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

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

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

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

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

**Other Retail** - Includes all other personal loans.

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

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

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

**Retail SME** - Includes small business loans.

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

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