

**HSBC AMANAH MALAYSIA BERHAD**  
**(Company No.807705-X)**  
**(Incorporated in Malaysia)**  
**Capital Adequacy Framework for Islamic Banks (CAFIB) - Pillar 3 Disclosures**  
**at 30 June 2012**

**CHIEF EXECUTIVE OFFICER'S ATTESTATION**

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I, Mohamed Rafe bin Mohamed Haneef, being the Chief Executive Officer of HSBC Amanah Malaysia Berhad, do hereby state that, in my opinion, the Pillar 3 Disclosures set out on pages 2 to 16 have been prepared according to the Capital Adequacy Framework for Islamic Banks (CAFIB) - Pillar 3 Disclosures, and are accurate and complete.

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**MOHAMED RAFAE BIN MOHAMED HANEEF**

CHIEF EXECUTIVE OFFICER  
26 July 2012

**Risk Weighted Capital Adequacy Framework (Basel II) Pillar 3 Interim Disclosures (Cont'd)**

The Risk Weighted Capital Adequacy Framework (Basel II) Pillar 3 Interim Disclosures as at 30 June 2012 do not include all of the information required for full (Basel II) Pillar 3 Disclosures, and should be read in conjunction with the audited financial statements of the Bank for the financial year ended 31 December 2011 and the Risk Weighted Capital Adequacy Framework (Basel II) Pillar 3 Disclosures as at 31 December 2011.

The tables attached in the Risk Weighted Capital Adequacy Framework (Basel II) Pillar 3 Interim Disclosures provide an understanding of the quantitative changes relating to Pillar 3 Disclosures of the Bank since the financial year ended 31 December 2011. There are no material changes relating to qualitative disclosures during the interim reporting period, except where disclosed in Note 2 of the unaudited condensed interim financial statements at 30 June 2012.

Refer to Note 26 of the financial statements as at 30 June 2012 for the total risk weighted capital ratio and Tier 1 capital ratio, and risk weighted assets and capital requirements for credit risk, market risk and operational risk.

**1) Credit Risk**

**Table 1: Geographical distribution of financing and advances broken down by type**

	<b>30 Jun 2012</b>				
RM'000	<b>Northern</b>	<b>Southern</b>	<b>Central</b>	<b>Eastern</b>	<b>Total</b>
Cash line	12,645	12,445	32,412	334	57,836
Term financing					
Housing financing	354,670	292,427	997,511	121,239	1,765,847
Hire purchase receivables	63,261	58,619	115,443	68,508	305,831
Lease receivables	102	-	-	-	102
Other term financing	754,269	802,387	3,467,818	256,779	5,281,253
Trust receipts	12,679	1,100	8,541	-	22,320
Claims on customers under acceptance credits	295,219	91,323	457,834	67,634	912,010
Staff financing	2,110	1,963	22,646	2,870	29,589
Credit/charge cards	91,203	60,748	216,247	22,228	390,426
Revolving credit	51,605	5,630	130,275	59	187,569
Unearned income	(17,484)	(17,759)	(64,823)	(9,903)	(109,969)
	<b>1,620,279</b>	<b>1,308,883</b>	<b>5,383,904</b>	<b>529,748</b>	<b>8,842,814</b>

  

	<b>31 Dec 2011 (Restated)</b>				
RM'000	<b>Northern</b>	<b>Southern</b>	<b>Central</b>	<b>Eastern</b>	<b>Total</b>
Cash line	10,191	11,553	27,853	156	49,753
Term financing					
Housing financing	210,611	183,730	804,051	73,959	1,272,351
Hire purchase receivables	46,380	62,638	85,164	64,452	258,634
Lease receivables	129	-	-	-	129
Other term financing	747,780	738,065	2,896,451	246,884	4,629,180
Trust receipts	11,275	-	12,916	946	25,137
Claims on customers under acceptance credits	352,339	101,992	346,911	446,037	1,247,279
Staff financing	1,457	1,316	16,655	950	20,378
Credit/charge cards	88,626	58,574	196,752	21,995	365,947
Revolving credit	48,976	1,100	118,615	35	168,726
Unearned income	(18,892)	(20,174)	(64,288)	(10,844)	(114,198)
	<b>1,498,872</b>	<b>1,138,794</b>	<b>4,441,080</b>	<b>844,570</b>	<b>7,923,316</b>

**Risk Weighted Capital Adequacy Framework (Basel II) Pillar 3 Interim Disclosures (Cont'd)**

**1) Credit Risk (Cont'd)**

**Table 2: Geographical distribution of impaired financing broken down by type**

		30 Jun 2012				
RM'000		Northern	Southern	Central	Eastern	Total
Cash line		-	-	1,554	-	1,554
Term financing						
Housing financing		5,983	12,088	7,815	141	26,027
Hire purchase receivables		2,525	915	443	1,112	4,995
Other term financing		11,089	6,140	23,634	3,629	44,492
Claims on customers under acceptance credits		3,558	113	7,672	-	11,343
Credit/charge cards		3,754	2,371	7,010	603	13,738
		<b>26,909</b>	<b>21,627</b>	<b>48,128</b>	<b>5,485</b>	<b>102,149</b>

  

		31 Dec 2011				
RM'000		Northern	Southern	Central	Eastern	Total
Cash line		-	-	876	-	876
Term financing						
Housing financing		2,992	6,734	8,255	75	18,056
Hire purchase receivables		2,525	1,047	656	324	4,552
Other term financing		19,095	13,463	46,423	5,541	84,522
Claims on customers under acceptance credits		4,409	113	2,923	-	7,445
Credit/charge cards		3,001	1,700	5,002	534	10,237
		<b>32,022</b>	<b>23,057</b>	<b>64,135</b>	<b>6,474</b>	<b>125,688</b>

The Northern region consists of the states of Perlis, Kedah, Penang, Perak, Kelantan, Terengganu and Pahang.

The Southern region consists of the states of Johor, Malacca and Negeri Sembilan.

The Central region consists of the state of Selangor and the Federal Territory of Kuala Lumpur .

The Eastern region consists of the states of Sabah, Sarawak and the Federal Territory of Labuan.

Concentration by location for financing and advances is based on the location of the customer.

**Risk Weighted Capital Adequacy Framework (Basel II) Pillar 3 Interim Disclosures (Cont'd)**

**1) Credit Risk (Cont'd)**

**Table 3: Residual contractual maturity of financing and advances broken down by type**

**30 Jun 2012**

(RM'000)	Maturing within one year	One year to three years	Three years to five years	Over five years	Total
Cash line	57,836	-	-	-	57,836
Term financing					
Housing financing	57,626	4,906	4,351	1,698,964	1,765,847
Hire purchase receivables	18,699	114,637	138,907	33,588	305,831
Lease receivables	28	74	-	-	102
Other term financing	2,467,842	319,123	916,143	1,578,145	5,281,253
Trust receipts	22,320	-	-	-	22,320
Claims on customers under acceptance credits	912,010	-	-	-	912,010
Staff financing	383	254	1,587	27,365	29,589
Credit/charge cards	390,426	-	-	-	390,426
Revolving credit	187,569	-	-	-	187,569
Unearned income	(39,989)	(14,611)	(25,926)	(29,443)	(109,969)
	<b>4,074,750</b>	<b>424,383</b>	<b>1,035,062</b>	<b>3,308,619</b>	<b>8,842,814</b>

31 Dec 2011 (Restated) [See Note 2(a)(iii)]

RM'000	Maturing within one year	One year to three years	Three years to five years	Over five years	Total
Cash line	49,753	-	-	-	49,753
Term financing					
Housing financing	46,013	6,592	4,093	1,215,653	1,272,351
Hire purchase receivables	15,837	113,218	121,324	8,255	258,634
Lease receivables	28	101	-	-	129
Other term financing	2,192,797	575,463	1,079,104	781,816	4,629,180
Trust receipts	25,137	-	-	-	25,137
Claims on customers under acceptance credits	1,247,279	-	-	-	1,247,279
Staff financing	941	312	1,041	18,084	20,378
Credit/charge cards	365,947	-	-	-	365,947
Revolving credit	168,726	-	-	-	168,726
Unearned income	(43,048)	(21,501)	(31,777)	(17,872)	(114,198)
	<b>4,069,410</b>	<b>674,185</b>	<b>1,173,785</b>	<b>2,005,936</b>	<b>7,923,316</b>

**Risk Weighted Capital Adequacy Framework (Basel II) Pillar 3 Interim Disclosures (Cont'd)**

**1) Credit risk (Cont'd)**

**Table 4: Distribution of financing by sector, broken down by type**

30 Jun 2012  
RM'000

	Cash line	Housing financing	Hire purchase receivables	Lease receivables	Other term financing	Trust receipts	Claims on customers under acceptances credits	Staff financing	Credit/charge card	Revolving credit	Unearned income	Total
Agricultural, hunting, forestry and fishing	1,723	-	4,280	-	465,489	-	4,202	-	-	-	(7,593)	468,101
Mining and quarrying	-	-	13,584	-	167,236	-	268	-	-	-	(3,741)	177,347
Manufacturing	14,140	-	136,289	102	642,462	3,287	609,414	-	-	55,645	(21,452)	1,439,887
Electricity, gas and water	421	-	-	-	74,391	3,973	16,952	-	-	2,215	(1,156)	96,796
Construction	5,975	-	22,029	-	167,351	1,540	31,076	-	-	32,881	(4,453)	256,399
Real estate	-	-	-	-	781,874	-	-	-	-	2,700	(12,148)	772,426
Wholesale & retail trade and restaurants & hotels	11,309	-	71,419	-	117,205	13,520	237,022	-	-	66,128	(7,829)	508,774
Transport, storage and communication	4,889	-	26,931	-	363,169	-	4,955	-	-	8,000	(7,908)	400,036
Finance, insurance and business services	12,932	-	24,710	-	325,671	-	6,267	-	-	-	(7,139)	362,441
Household-retail	1,768	1,765,847	1,261	-	1,795,541	-	-	29,582	390,426	-	(30,184)	3,954,241
Others	4,679	-	5,328	-	380,864	-	1,854	7	-	20,000	(6,366)	406,366
	<b>57,836</b>	<b>1,765,847</b>	<b>305,831</b>	<b>102</b>	<b>5,281,253</b>	<b>22,320</b>	<b>912,010</b>	<b>29,589</b>	<b>390,426</b>	<b>187,569</b>	<b>(109,969)</b>	<b>8,842,814</b>

31 Dec 2011 (Restated)  
RM'000

	Cash line	Housing financing	Hire purchase receivables	Lease receivables	Other term financing	Trust receipts	Claims on customers under acceptances credits	Staff financing	Credit/charge card	Revolving credit	Unearned income	Total
Agricultural, hunting, forestry and fishing	1,475	-	3,470	-	352,547	-	144,848	-	-	-	(6,994)	495,346
Mining and quarrying	-	-	15,279	-	146,632	-	349	-	-	-	(4,204)	158,056
Manufacturing	11,123	-	116,660	129	828,344	7,243	649,227	-	-	50,455	(26,594)	1,636,587
Electricity, gas and water	-	-	731	-	60,504	3,980	18,350	-	-	-	(1,212)	82,353
Construction	4,907	-	17,690	-	124,692	-	52,052	-	-	74,819	(4,015)	270,145
Real estate	104	-	-	-	401,545	-	-	-	-	-	(7,595)	394,054
Wholesale & retail trade and restaurants & hotels	2,558	-	38,307	-	84,840	11,669	264,141	-	-	35,452	(5,191)	431,776
Transport, storage and communication	5,411	-	20,779	-	375,486	-	8,927	-	-	8,000	(9,047)	409,556
Finance, insurance and business services	11,421	-	26,016	-	132,851	2,245	15,531	-	-	-	(4,948)	183,116
Household-retail	11,269	1,272,351	17,585	-	1,709,422	-	-	20,370	365,947	-	(36,401)	3,360,543
Others	1,485	-	2,117	-	412,317	-	93,854	8	-	-	(7,997)	501,784
	<b>49,753</b>	<b>1,272,351</b>	<b>258,634</b>	<b>129</b>	<b>4,629,180</b>	<b>25,137</b>	<b>1,247,279</b>	<b>20,378</b>	<b>365,947</b>	<b>168,726</b>	<b>(114,198)</b>	<b>7,923,316</b>

**Risk Weighted Capital Adequacy Framework (Basel II) Pillar 3 Interim Disclosures (Cont'd)**

**1) Credit risk (Cont'd)**

**Table 5: Distribution of impaired financing by sector, broken down by type**

**30 Jun 2012  
RM'000**

	Cash line	Housing financing	Hire purchase receivables	Lease receivables	Other term financing	Trust receipts	Claims on customers under acceptances credits	Staff financing	Credit/charge card	Revolving credit	Total
Agricultural, hunting, forestry and fishing	-	-	156	-	-	-	-	-	-	-	156
Manufacturing	866	-	4,187	-	-	-	5,251	-	-	-	10,304
Wholesale & retail trade and restaurants & hotels	-	-	324	-	335	-	3,618	-	-	-	4,277
Transport, storage and communication	688	-	-	-	-	-	-	-	-	-	688
Finance, insurance and business services	-	-	-	-	-	-	2,474	-	-	-	2,474
Household-retail	-	26,027	328	-	44,157	-	-	-	13,738	-	84,250
	<b>1,554</b>	<b>26,027</b>	<b>4,995</b>	<b>-</b>	<b>44,492</b>	<b>-</b>	<b>11,343</b>	<b>-</b>	<b>13,738</b>	<b>-</b>	<b>102,149</b>

**31 Dec 2011 (Restated)  
RM'000**

	Cash line	Housing financing	Hire purchase receivables	Lease receivables	Other term financing	Trust receipts	Claims on customers under acceptances credits	Staff financing	Credit/charge card	Revolving credit	Total
Manufacturing	274	-	3,900	-	1,066	-	3,828	-	-	-	9,068
Wholesale & retail trade and restaurants & hotels	-	-	324	-	340	-	3,617	-	-	-	4,281
Transport, storage and communication	-	-	-	-	-	-	-	-	-	-	-
Finance, insurance and business services	-	-	-	-	-	-	-	-	-	-	-
Household-retail	602	18,056	328	-	83,116	-	-	-	10,237	-	112,339
	<b>876</b>	<b>18,056</b>	<b>4,552</b>	<b>-</b>	<b>84,522</b>	<b>-</b>	<b>7,445</b>	<b>-</b>	<b>10,237</b>	<b>-</b>	<b>125,688</b>

**Risk Weighted Capital Adequacy Framework (Basel II) Pillar 3 Interim Disclosures (Cont'd)**

**1) Credit Risk (Cont'd)**

**Table 6: Past due financing broken down by sector**

	<b>30 Jun 2012</b>	31 Dec 2011
	<b>RM'000</b>	RM'000
Agricultural, hunting, forestry and fishing	<b>670</b>	-
Manufacturing	<b>44,253</b>	24,634
Wholesale & retail trade and restaurants & hotels	<b>18,368</b>	11,630
Transport, storage and communication	<b>2,955</b>	-
Finance, insurance and business services	<b>10,625</b>	-
Household-retail	<b>361,828</b>	305,182
	<b>438,699</b>	341,446

**Table 7: Past due financing broken down by geographical location**

	<b>30 Jun 2012</b>	31 Dec 2011
	<b>RM'000</b>	RM'000
Northern region	<b>115,566</b>	86,991
Southern region	<b>92,881</b>	62,637
Central region	<b>206,696</b>	174,231
Eastern region	<b>23,556</b>	17,587
	<b>438,699</b>	341,446

**Table 8: Individual and collective allowance broken down by sector**

	<b>30 Jun 2012</b>		31 Dec 2011	
	<b>RM'000</b>		RM'000	
	<b>Individual allowance</b>	<b>Collective allowance</b>	Individual allowance (Restated)	Collective allowance (Restated)
Agricultural, hunting, forestry and fishing	<b>156</b>	-	-	-
Manufacturing	<b>6,802</b>	<b>5,191</b>	7,742	4,695
Real estate	<b>7</b>	<b>968</b>	9	643
Wholesale & retail trade and restaurants & hotels	<b>5,542</b>	<b>1,253</b>	3,800	1,283
Transport, storage and communication	<b>454</b>	<b>439</b>	15	484
Finance, insurance and business services	<b>624</b>	-	-	-
Household-retail	<b>8,481</b>	<b>34,980</b>	20,930	32,814
Others	<b>613</b>	<b>990</b>	485	992
	<b>22,679</b>	<b>43,821</b>	32,981	40,911

**Table 9: Individual and collective allowance broken down by geographical location**

	<b>30 Jun 2012</b>		31 Dec 2011	
	<b>RM'000</b>		RM'000	
	<b>Individual allowance</b>	<b>Collective allowance</b>	Individual allowance (Restated)	Collective allowance (Restated)
Northern region	<b>5,303</b>	<b>8,024</b>	6,050	7,740
Southern region	<b>905</b>	<b>6,498</b>	1,066	5,899
Central region	<b>15,366</b>	<b>26,673</b>	25,539	22,895
Eastern region	<b>1,105</b>	<b>2,626</b>	326	4,377
	<b>22,679</b>	<b>43,821</b>	32,981	40,911

**Risk Weighted Capital Adequacy Framework (Basel II) Pillar 3 Interim Disclosures (Cont'd)**

**1) Credit Risk (Cont'd)**

**Table 10: Charges and write-offs for individual allowance ("IIP") during the period broken down by sector**

	30 Jun 2012		31 Dec 2011	
	RM'000		RM'000	
	IIP charges	Write-off of IIP	IIP charges (Restated)	Write-off of IIP (Restated)
Agricultural, hunting, forestry and fishing	346	-	5,521	-
Manufacturing	1,043	-	-	-
Wholesale & retail trade and restaurants & hotels	1,775	469	781	85
Transport, storage and communication	453	-	-	-
Finance, insurance and business services	624	-	-	-
Household-retail	5,622	-	6,874	3,012
Others	90	3	221	-
	<b>9,953</b>	<b>472</b>	<b>13,397</b>	<b>3,097</b>

The reconciliation of changes in financing impairment provisions is disclosed in Note 14(ii) of the condensed interim financial statements at 30 June 2012 and Note 10(ii) of the financial statements at 31 December 2011.

**Risk Weighted Capital Adequacy Framework (Basel II) Pillar 3 Interim Disclosures (Cont'd)**

**1) Credit Risk (Cont'd)**

**i) External Credit Assessment Institutions (ECAIs)**

Risk weights under the standardised approach as at the reporting date are reflected under Note 26 of the unaudited condensed interim financial statements. Rated and unrated exposures according to ratings by ECAIs as at reporting date are as follows:-

**30 Jun 2012**

**RM '000**

Exposure Class	Ratings of Corporate by Approved ECAIs					
	Moody's	Aaa to Aa3	A1 to A3	Baa1 to Ba3	B1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	RAM	AAA to AA3	A1 to A3	BBB1 to BB3	B1 to D	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
<b>On and Off Balance-Sheet Exposures</b>						
Corporates		41,502	90,592	65,178	-	5,228,528
<b>Total</b>		<b>41,502</b>	<b>90,592</b>	<b>65,178</b>	<b>-</b>	<b>5,228,528</b>

**31 Dec 2011**

**RM '000**

Exposure Class	Ratings of Corporate by Approved ECAIs					
	Moody's	Aaa to Aa3	A1 to A3	Baa1 to Ba3	B+ to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	RAM	AAA to AA3	A to A3	BBB to BB	B to D	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
<b>On and Off Balance-Sheet Exposures</b>						
Corporates		45,692	110,740	64,830	-	4,441,114
<b>Total</b>		<b>45,692</b>	<b>110,740</b>	<b>64,830</b>	<b>-</b>	<b>4,441,114</b>

**Risk Weighted Capital Adequacy Framework (Basel II) Pillar 3 Interim Disclosures (Cont'd)**

**1) Credit Risk (Cont'd)**

**i) External Credit Assessment Institutions (ECAIs) (Cont'd)**

**30 Jun 2012**

**RM '000**

Exposure Class	Ratings of Sovereigns and Central Banks by Approved ECAIs						
	Moody's	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to B3	Caa1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
<b>On and Off Balance-Sheet Exposures</b>							
Sovereigns & Central Banks		-	3,212,063	-	-	-	-
<b>Total</b>		-	3,212,063	-	-	-	-

**31 Dec 2011**

**RM '000**

Exposure Class	Ratings of Sovereigns and Central Banks by Approved ECAIs						
	Moody's	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to B3	Caa1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
<b>On and Off Balance-Sheet Exposures</b>							
Sovereigns & Central Banks		-	2,056,773	-	-	-	-
<b>Total</b>		-	2,056,773	-	-	-	-

**Risk Weighted Capital Adequacy Framework (Basel II) Pillar 3 Interim Disclosures (Cont'd)**

**1) Credit Risk (Cont'd)**

**i) External Credit Assessment Institutions (ECAIs) (Cont'd)**

**30 Jun 2012**

**RM '000**

Exposure Class	Ratings of Banking Institutions by Approved ECAIs						
	Moody's	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to B3	Caa1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	RAM	AAA to AA3	A1 to A3	BBB1 to BBB3	BB1 to B3	C1 to D	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	C+ to D	Unrated
<b>On and Off Balance-Sheet Exposures</b>							
Banks, MDBs and DFIs		95,969	22,734	54,155	9,638	-	605,461
<b>Total</b>		<b>95,969</b>	<b>22,734</b>	<b>54,155</b>	<b>9,638</b>	<b>-</b>	<b>605,461</b>

**31 Dec 2011**

**RM '000**

Exposure Class	Ratings of Banking Institutions by Approved ECAIs						
	Moody's	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to B3	Caa1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	RAM	AAA to AA3	A to A3	BBB1 to BBB3	BB1 to B3	C1+ to D	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	C+ to D	Unrated
<b>On and Off Balance-Sheet Exposures</b>							
Banks, MDBs and DFIs		142,877	44,784	89,451	6,480	-	489,273
<b>Total</b>		<b>142,877</b>	<b>44,784</b>	<b>89,451</b>	<b>6,480</b>		<b>489,273</b>

Note:

MDBs - Multilateral Development Banks

DFIs - Development Financial Institutions

**Risk Weighted Capital Adequacy Framework (Basel II) Pillar 3 Interim Disclosures (Cont'd)**

**1) Credit Risk (Cont'd)**

**ii) Credit risk mitigation ("CRM")**

The table below shows on and off balance sheet exposures before and after credit risk management.

**30 Jun 2012**

**RM'000**

<b>Exposure Class</b>	<b>Exposures before CRM</b>	<b>Exposures Covered by Guarantees / Credit Derivatives</b>	<b>Exposures Covered by Eligible Collateral</b>
<b><i>Credit Risk</i></b>			
<i>On-Balance Sheet Exposures</i>			
Sovereigns/Central Banks	3,212,063	-	-
Banks, Development Financial Institutions & MDBs	619,726	-	-
Corporates	4,127,101	43,429	47,436
Regulatory Retail	2,234,160	26,241	20,135
Residential Mortgages	2,362,371	-	1,697
Other Assets	173,559	-	-
Defaulted Exposures	109,496	-	1,783
<b>Total for On-Balance Sheet Exposures</b>	<b>12,838,476</b>	<b>69,670</b>	<b>71,051</b>
<i>Off-Balance Sheet Exposures</i>			
OTC Derivatives	152,286	-	-
Off balance sheet exposures other than OTC derivatives or credit derivatives	1,572,144	1,262	9,275
Defaulted Exposures	6,076	-	254
<b>Total for Off-Balance Sheet Exposures</b>	<b>1,730,506</b>	<b>1,262</b>	<b>9,529</b>
<b>Total On and Off-Balance Sheet Exposures</b>	<b>14,568,982</b>	<b>70,932</b>	<b>80,580</b>

**Risk Weighted Capital Adequacy Framework (Basel II) Pillar 3 Interim Disclosures (Cont'd)**

**1) Credit Risk (Cont'd)**

**ii) Credit risk mitigation ("CRM") (Cont'd)**

31 Dec 2011 (Restated)

RM'000

Exposure Class	Exposures before CRM	Exposures Covered by Guarantees / Credit Derivatives	Exposures Covered by Eligible Collateral
<b><i>Credit Risk</i></b>			
<i>On-Balance Sheet Exposures</i>			
Sovereigns/Central Banks	2,056,773	-	-
Banks, Development Financial Institutions & MDBs	676,593	-	-
Corporates	3,678,692	47,976	50,962
Regulatory Retail	2,392,019	955	23,355
Residential Mortgages	1,368,576	-	982
Other Assets	183,074	-	-
Defaulted Exposures	62,405	-	1,350
<b>Total for On-Balance Sheet Exposures</b>	<b>10,418,132</b>	<b>48,931</b>	<b>76,649</b>
<i>Off-Balance Sheet Exposures</i>			
OTC Derivatives	100,545	-	-
Off balance sheet exposures other than OTC derivatives or credit derivatives	1,200,036	1,060	13,379
Defaulted Exposures	445	-	-
<b>Total for Off-Balance Sheet Exposures</b>	<b>1,301,026</b>	<b>1,060</b>	<b>13,379</b>
<b>Total On and Off-Balance Sheet Exposures</b>	<b>11,719,158</b>	<b>49,991</b>	<b>90,028</b>

Refer to Note 27 of the condensed interim financial statements at 30 June 2012 for disclosure of off-balance sheet and counterparty credit risk.

**Risk Weighted Capital Adequacy Framework (Basel II) Pillar 3 Interim Disclosures (Cont'd)**

**2) Rate of return risk**

A summary of the VAR position of the Bank's trading portfolios as at the reporting date is as follows:-

<b>(RM'000)</b>	<b>At 30 Jun 2012</b>	<b>Average</b>	<b>Maximum</b>	<b>Minimum</b>
Foreign currency risk	51	61	431	5
Profit rate risk	144	160	262	113
Credit spread risk	-	105	279	-
Overall	299	389	690	102

<b>(RM'000)</b>	<b>At 31 Dec 2011</b>	<b>Average</b>	<b>Maximum</b>	<b>Minimum</b>
Foreign currency risk	46	64	236	5
Profit rate risk	233	263	664	104
Credit spread risk	-	8	154	-
Overall	237	268	712	108

The profit rate sensitivities set out in the table below are illustrative only and are based on simplified scenarios.

**Sensitivity of projected Net Finance Income**

<b>Change in projected net finance income in next 12 months arising from a shift in profit rates of:</b>	<b>30 Jun 2012</b>	<b>31 Dec 2011</b>
	<b>RM'000</b>	<b>RM'000</b>
+100 basis points parallel shift in yield curves	20,588	6,286
-100 basis points parallel shift in yield curves	(18,259)	(6,868)
+25 basis points at the beginning of each quarter	18,188	4,488
-25 basis points at the beginning of each quarter	(15,776)	(4,764)

Sensitivity of reported reserves in "other comprehensive income" to profit rate movements are monitored on a monthly basis by assessing the expected reduction in valuation of available-for-sale portfolios to parallel movements of plus or minus 100 basis points in all yield curves.

**Sensitivity of reported reserves in "other comprehensive income" to profit rate movements**

	<b>30 Jun 2012</b>	<b>31 Dec 2011</b>
	<b>RM'000</b>	<b>RM'000</b>
+100 basis points parallel shift in yield curves	(10,038)	(4,981)
-100 basis points parallel shift in yield curves	10,038	4,981

**3) Restatement of comparative figures**

Comparative figures for Table 1, 3, 4, 8, 9 and 10 and credit risk mitigation have been restated/reclassified to conform to current year's presentation upon the adoption of the Malaysian Financial Reporting Standards ("MFRS") framework issued by the Malaysian Accounting Standards Board ("MASB") with effect from 1 January 2012. Refer to the Risk Weighted Capital Adequacy Framework (Basel II) Pillar 3 Disclosures as at 31 December 2011 for the comparative figures prior to restatement. Details of the restatements made can be found in Note 28 of the unaudited condensed interim financial statements at 30 June 2012.

## **Risk Weighted Capital Adequacy Framework (Basel II) Pillar 3 Interim Disclosures (Cont'd)**

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### **3) Shariah Governance**

#### **Overview**

Shariah compliance is a cornerstone of Islamic banking and finance industry. An effective Shariah governance policy enhances the diligent oversight of the Board of Directors, the Shariah Committee and the Management to ensure that the operations and business activities of the Bank remain consistent with Shariah principles and its requirements.

To ensure Shariah compliance in all aspects of day-to-day Islamic finance activities, the Malaysian regulatory bodies such as BNM and Securities Commission (SC) have spelled out several provisions in relation to the establishment of a Shariah Committee and an internal Shariah Department in an Islamic Financial Institution (IFI). The Shariah Committee is an independent Shariah advisory body which plays a vital role in providing Shariah views and rulings pertaining to Islamic finance. The Shariah Committee also acts as a monitoring body to maintain Shariah compliance in the operations and business activities of the IFI. At the institutional level, the Shariah Department acts as an intermediary between the Shariah Committee and the Management team of the IFI. The Shariah Department together with the Shariah Committee has the role to assist the Management in ensuring that all activities of the IFI are in compliance with the Shariah rules and principles, in accordance with the guidelines laid down by Shariah Governance Framework ('SGF') of BNM. However, the accountability to ensure Shariah compliance remains with the IFI's Board of Directors.

#### **Qualitative Disclosures - Key Components and Core Shariah Functions in Implementing and Monitoring the Shariah Governance Practices as per SGF**

The governance structure of the Bank and the primary responsibilities of each function are set out below:

##### **a. Board of Directors**

To be ultimately accountable for the overall Shariah governance and compliance in the Bank.

##### **b. Shariah Committee**

To maintain an oversight on the operations and business activities of the Bank and to be accountable for its decisions, views and opinions on Shariah matters.

##### **c. CEO and Management**

To be responsible in day-to-day compliance with Shariah in all aspects of its business activities by observing and implementing the Shariah rulings and decisions made by the Shariah Advisory Council of BNM (SAC) and the Shariah Committee and to identify and refer any Shariah issues to the Shariah Committee for its decisions, views and opinions.

##### **d. Shariah Audit**

To conduct periodical assessment to provide an independent assessment and objective assurance of the effectiveness

##### **e. Shariah Department**

###### **1. Shariah Review**

To regularly review the operations and business activities of the Bank in compliance with the Shariah requirements.

To ensure that all procedural guidelines, rules and regulations issued by BNM, SC and other regulatory bodies relating to Shariah as well as internal guidelines, policies and procedures, manuals and all Shariah rules and principles issued by the Shariah Committee and Shariah Department are adhered to, with due regard to the business needs and Shariah requirements.

###### **2. Shariah Advisory & Business Development**

To provide day-to-day Shariah advice and consultancy to relevant parties, including those involved in the product development process as well as the supporting functions.

###### **3. Shariah Research**

To conduct in-depth research and studies on Shariah issues.

###### **4. Shariah Training**

To cooperate with the relevant parties in educating the staff of HSBC Amanah and HSBC Bank on the Shariah principles relating to Islamic banking and finance.

**Risk Weighted Capital Adequacy Framework (Basel II) Pillar 3 Interim Disclosures (Cont'd)**

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**3) Shariah Governance (Cont'd)**

**e. Shariah Department (Cont'd)**

**5. Shariah Secretariat**

To coordinate meetings, compile proposal papers, prepare and keep accurate record of minutes of the decisions and resolutions made by the Shariah Committee, disseminate Shariah decisions to relevant stakeholders and engage with relevant parties who wish to seek further deliberations from the Shariah Committee.

**Quantitative Disclosure**

During the interim financial period ended 30 June 2012, the following events occurred, however only event (ii) is considered as a non- Shariah compliant event:

(i) Interest income and impairment charge related to a conventional product portfolio have been inadvertently booked in the Bank's book. This has been rectified by reversing the entire interest income (approximately RM 3 million) as well as the relevant impairment charges from the bank's book and rebooking them into HSBC Bank Malaysia Berhad's book.

(ii) Excess compensation received amounting to RM70,000 has been reversed to an Undistributed Charity Funds account.

Other than the above, there were no Shariah non-compliant income or event which occurred during the half year ended 30 June 2012.