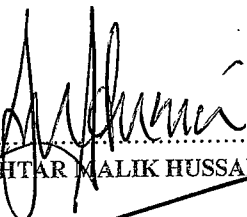


Company No.
127776-V

HSBC BANK MALAYSIA BERHAD
(Company No.127776-V)
(Incorporated in Malaysia)
Risk Weighted Capital Adequacy Framework (Basel II) Pillar 3 Interim Disclosures
as at 30 June 2011

CHIEF EXECUTIVE OFFICER'S ATTESTATION

I, Mukhtar Malik Hussain, being the Chief Executive Officer of HSBC Bank Malaysia Berhad, do hereby state that, in my opinion, the Pillar 3 Interim Disclosures set out on pages 1-17 have been prepared according to the Risk Weighted Capital Adequacy Framework (Basel II), and are accurate and complete.


.....
MUKHTAR MALIK HUSSAIN
CHIEF EXECUTIVE OFFICER
Date: 28 July 2011

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 2011 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 Group and Bank for the financial year ended 31 December 2010 and the Risk Weighted Capital Adequacy Framework (Basel II) Pillar 3 Disclosures as at 31 December 2010.

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 Group since the financial year ended 31 December 2010. There are no material changes relating to qualitative disclosures during the interim reporting period.

Refer to Note 32 to the unaudited condensed interim financial statements as at 30 June 2011 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 loans/financing broken down by type

Group (RM'000)	Jun 2011				
	Northern	Southern	Central	Eastern	Total
Overdrafts	203,947	154,601	541,084	318,423	1,218,055
Term loans/financing					
Housing loans/financing	2,679,644	1,711,215	6,802,311	946,185	12,139,355
Syndicated term loan/financing	-	-	81,407	-	81,407
Factoring receivables	20,041	8,147	48,146	3,048	79,382
Hire purchase receivables	37,367	43,126	68,560	57,594	206,647
Lease receivables	481	-	1,459	340	2,280
Other term loans/financing	1,826,604	1,103,340	5,620,161	1,820,210	10,370,315
Bills receivable	234,907	175,021	3,219,370	255,901	3,885,199
Trust receipts	197,379	356,664	805,664	126,450	1,486,157
Claims on customers under acceptance credits	1,076,806	493,933	1,299,832	560,359	3,430,930
Staff loans/financing	42,865	23,933	315,829	26,673	409,300
Credit/charge cards	602,319	400,616	1,489,299	284,960	2,777,194
Revolving credit	273,647	368,557	2,203,915	179,784	3,025,903
Other loans/financing	2,315	2,680	3,542	1,163	9,700
Less : Unearned income	(12,772)	(9,511)	(40,229)	(10,248)	(72,760)
	7,185,550	4,832,322	22,460,350	4,570,842	39,049,064

Group (RM'000)	Dec 2010 (As restated)				
	Northern	Southern	Central	Eastern	Total
Overdrafts	183,444	182,143	496,570	334,594	1,196,751
Term loans/financing					
Housing loans/financing	2,748,087	1,756,788	5,927,517	962,209	11,394,601
Syndicated term loan/financing	-	-	83,345	-	83,345
Factoring receivables	13,567	7,192	44,055	4,089	68,903
Hire purchase receivables	28,313	43,164	66,739	39,246	177,462
Lease receivables	482	83	1,620	622	2,807
Other term loans/financing	1,698,437	1,144,670	4,975,543	1,597,506	9,416,156
Bills receivable	209,084	196,739	2,134,901	150,382	2,691,106
Trust receipts	154,610	243,192	532,591	54,090	984,483
Claims on customers under acceptance credits	954,521	438,925	1,135,391	596,494	3,125,331
Staff loans/financing	33,550	34,618	301,663	28,863	398,694
Credit/charge cards	630,093	362,572	1,534,648	310,910	2,838,223
Revolving credit	58,062	93,033	2,452,879	50,645	2,654,619
Other loans/financing	1,545	2,680	1,992	2,486	8,703
Less : Unearned income	(10,977)	(9,014)	(39,933)	(6,803)	(66,727)
	6,702,818	4,496,785	19,649,521	4,125,333	34,974,457

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

1) Credit Risk (Cont'd)

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

	Jun 2011				
Group (RM'000)	Northern	Southern	Central	Eastern	Total
Overdrafts	7,716	6,658	8,528	6,826	29,728
Term loans/financing					
Housing loans/financing	63,757	85,503	88,008	13,894	251,162
Hire purchase receivables	2,197	1,351	787	-	4,335
Lease receivables	-	-	3	-	3
Other term loans/financing	68,984	48,507	141,664	63,622	322,777
Bills receivable	319	6,421	81	2,165	8,986
Trust receipts	607	3,335	2,352	5	6,299
Claims on customers under acceptance credits	17,036	22,798	11,482	5,154	56,470
Staff loans/financing	804	12	5,959	54	6,829
Credit/charge cards	15,823	10,838	30,549	5,416	62,626
Revolving credit	622	-	1,161	-	1,783
Other loans/financing	2,314	2,678	2,015	1,163	8,170
	180,179	188,101	292,589	98,299	759,168

	Dec 2010 (As restated)				
Group (RM'000)	Northern	Southern	Central	Eastern	Total
Overdrafts	5,803	8,849	10,629	7,582	32,863
Term loans/financing					
Housing loans/financing	57,660	69,425	77,008	10,976	215,069
Hire purchase receivables	402	1,375	1,676	78	3,531
Lease receivables	-	-	11	-	11
Other term loans/financing	55,201	47,533	122,847	60,998	286,579
Bills receivable	308	6,444	1,347	2,087	10,186
Trust receipts	287	6,641	2,478	91	9,497
Claims on customers under acceptance credits	14,328	25,157	12,347	5,201	57,033
Staff loans/financing	733	105	5,327	19	6,184
Credit/charge cards	14,240	8,357	33,711	6,927	63,235
Revolving credit	-	-	1,115	-	1,115
Other loans/financing	1,544	2,677	1,888	1,069	7,178
	150,506	176,563	270,384	95,028	692,481

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 states 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 loans, advances and financing is based on the location of the borrower.

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

1) Credit Risk (Cont'd)

Table 3: Residual contractual maturity of loans/financing broken down by type

		Jun 2011				
Group (RM'000)	Maturing within one year	One year to three years	Three years to five years	Over five years	Total	
Overdrafts	1,218,055	-	-	-	1,218,055	
Term loans/financing						
Housing loans/financing	2,359,181	52,417	122,152	9,605,605	12,139,355	
Syndicated term loan/financing	-	6,225	75,182	-	81,407	
Factoring receivables	79,382	-	-	-	79,382	
Hire purchase receivables	16,818	95,057	94,772	-	206,647	
Lease receivables	1,709	571	-	-	2,280	
Other term loans/financing	2,101,312	1,572,795	2,349,861	4,346,347	10,370,315	
Bills receivable	3,885,199	-	-	-	3,885,199	
Trust receipts	1,486,157	-	-	-	1,486,157	
Claims on customers under acceptance credits	3,430,930	-	-	-	3,430,930	
Staff loans/financing	3,521	16,658	35,637	353,484	409,300	
Credit/charge cards	2,777,194	-	-	-	2,777,194	
Revolving credit	3,025,903	-	-	-	3,025,903	
Other loans/financing	9,700	-	-	-	9,700	
Less: Unearned income	(26,335)	(15,904)	(21,399)	(9,122)	(72,760)	
	20,368,726	1,727,819	2,656,205	14,296,314	39,049,064	

		Dec 2010				
Group (RM'000)	Maturing within one year	One year to three years	Three years to five years	Over five years	Total	
Overdrafts	1,196,751	-	-	-	1,196,751	
Term loans/financing						
Housing loans/financing	2,016,893	72,378	192,961	9,112,369	11,394,601	
Syndicated term loan/financing	-	7,887	75,458	-	83,345	
Factoring receivables	68,903	-	-	-	68,903	
Hire purchase receivables	8,549	95,006	73,907	-	177,462	
Lease receivables	1,982	825	-	-	2,807	
Other term loans/financing	2,103,879	1,660,469	1,630,305	4,021,503	9,416,156	
Bills receivable	2,691,106	-	-	-	2,691,106	
Trust receipts	984,483	-	-	-	984,483	
Claims on customers under acceptance credits	3,125,331	-	-	-	3,125,331	
Staff loans/financing	6,135	17,249	11,941	363,369	398,694	
Credit/charge cards	2,838,223	-	-	-	2,838,223	
Revolving credit	2,654,619	-	-	-	2,654,619	
Other loans/financing	8,703	-	-	-	8,703	
Less: Unearned income	(22,840)	(16,432)	(19,543)	(7,912)	(66,727)	
	17,682,717	1,837,382	1,965,029	13,489,329	34,974,457	

Risk Weighted Capital Adequacy Framework (Basel II) Pillar 3 Interim Disclosures (Cont'd)
1) Credit risk (Cont'd)
Table 4: Distribution of loans/financing by sector, broken down by type

	Jun 2011															
	Group (RM'000)															
Overdraft	Housing loans/financing	Syndicated term loans/financing	Factoring receivables	Hire purchase receivables	Lease receivables	Other term loans/financing	Bills receivable	Trust receipts	Claims on customers under acceptances credits	Staff loans/financing	Credit/charge card	Revolving credit	Other loans/financing	Unearned income	Total	
Agricultural, hunting, forestry and fishing	76,439	-	-	-	1,442	-	684,192	195,753	500	218,607	-	-	85,473	3	(1,277)	1,261,132
Mining and quarrying	4,882	-	-	524	13,983	-	195,571	6,946	70,057	4,209	-	-	105,100	-	(3,120)	398,152
Manufacturing	287,718	-	-	47,878	105,567	1,835	1,953,395	1,589,831	858,127	2,293,214	-	-	835,448	8,423	(18,008)	7,963,428
Electricity, gas and water	5,205	-	-	-	811	-	22,120	-	3,952	7,857	-	-	300,838	-	(71)	340,712
Construction	60,163	-	-	-	7,462	-	513,372	55,310	6,051	52,554	-	-	266,495	31	(1,519)	959,919
Real estate	16,212	-	-	-	-	-	918,171	-	738	550	-	-	435,481	227	(5,450)	1,365,929
Wholesale & retail trade and restaurants & hotels	208,829	-	-	25,042	22,109	-	340,852	269,606	499,866	735,769	-	-	211,384	974	(3,114)	2,311,317
Transport, storage and communication	41,570	-	6,253	1,027	10,637	-	471,219	5,831	10,059	5,635	-	-	36,786	1	(6,530)	582,488
Finance, insurance and business services	149,138	-	75,154	4,675	20,828	445	231,180	28,600	36,561	77,897	-	-	691,785	22	(3,098)	1,313,187
Household-retail	218,445	12,137,745	-	-	21,170	-	3,527,639	-	-	-	409,300	2,777,194	-	-	(25,445)	19,066,048
Others	149,454	1,610	-	236	2,638	-	1,512,604	1,733,322	246	34,638	-	-	57,113	19	(5,128)	3,486,752
	1,218,055	12,139,355	81,407	79,382	206,647	2,280	10,370,315	3,885,199	1,486,157	3,430,930	409,300	2,777,194	3,025,903	9,700	(72,760)	39,049,064

	Dec 2010															
	Group (RM'000)															
Overdraft	Housing loans/financing	Syndicated term loans/financing	Factoring receivables	Hire purchase receivables	Lease receivables	Other term loans/financing	Bills receivable	Trust receipts	Claims on customers under acceptances credits	Staff loans/financing	Credit/charge card	Revolving credit	Other loans/financing	Unearned income	Total	
Agricultural, hunting, forestry and fishing	79,640	-	-	-	1,777	-	557,289	244,265	26,209	127,675	-	-	55,057	1,416	(1,593)	1,091,735
Mining and quarrying	4,820	-	-	635	6,849	-	224,494	31,274	198	3,936	-	-	105,140	-	(2,615)	374,731
Manufacturing	271,027	-	-	34,270	93,115	2,194	1,728,333	1,512,987	585,969	2,157,463	-	-	744,791	6,084	(14,618)	7,121,615
Electricity, gas and water	1,920	-	-	-	891	-	26,810	-	636	12,654	-	-	150,833	2	(74)	193,672
Construction	52,281	-	-	-	5,390	-	532,577	39,820	5,705	53,580	-	-	164,422	25	(1,195)	852,605
Real estate	24,258	-	-	-	-	-	805,959	-	-	-	-	-	432,033	205	(5,030)	1,257,425
Wholesale & retail trade and restaurants & hotels	206,424	-	-	26,282	10,924	-	338,966	275,436	311,090	686,001	-	-	196,390	936	(2,216)	2,050,233
Transport, storage and communication	37,091	-	7,887	-	9,311	-	336,265	5,006	10,013	5,938	-	-	39,276	10	(4,175)	446,622
Finance, insurance and business services	144,604	-	75,458	5,904	26,478	613	419,626	23,550	44,463	41,135	-	-	677,331	19	(5,074)	1,454,107
Household-retail	21,812	11,392,765	-	-	20,172	-	3,581,011	-	-	2,807	398,694	2,838,223	-	-	(25,219)	18,230,265
Others	352,874	1,836	-	1,812	2,555	-	864,826	558,768	200	34,142	-	-	89,346	6	(4,918)	1,901,447
	1,196,751	11,394,601	83,345	68,903	177,462	2,807	9,416,156	2,691,106	984,483	3,125,331	398,694	2,838,223	2,654,619	8,703	(66,727)	34,974,457

1) Credit risk (Cont'd)

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

	Jun 2011 Group (RM'000)														
	Overdraft	Housing loans/financing	Syndicated term loans/financing	Factoring receivables	Hire purchase receivables	Lease receivables	Other term loans/financing	Bills receivable	Trust receipts	Claims on customers under acceptances credits	Staff loans/financing	Credit/charge card	Revolving credit	Other loans/financing	Total
Agricultural, hunting, forestry and fishing	-	-	-	-	-	-	985	62	178	-	-	-	-	3	1,228
Manufacturing	5,939	-	-	-	3,691	3	78,642	153	5,177	25,079	-	-	-	280	118,964
Construction	313	-	-	-	-	-	2,773	-	509	-	-	-	-	31	3,626
Real estate	1,899	-	-	-	-	-	5,824	-	-	-	-	-	-	227	7,950
Wholesale & retail trade and restaurants & hotels	5,260	-	-	-	-	-	13,260	8,771	435	31,087	-	-	1,161	974	60,948
Transport, storage and communication	4,323	-	-	-	-	-	5,885	-	-	-	-	-	-	1	10,209
Finance, insurance and business services	2,998	-	-	-	644	-	637	-	-	304	-	-	622	22	5,227
Household-retail	8,996	251,162	-	-	-	-	214,526	-	-	-	6,829	62,626	-	6,613	550,752
Others	-	-	-	-	-	-	245	-	-	-	-	-	-	19	264
	29,728	251,162	-	-	4,335	3	322,777	8,986	6,299	56,470	6,829	62,626	1,783	8,170	759,168

	Dec 2010 Group (RM'000)														
	Overdraft	Housing loans/financing	Syndicated term loans/financing	Factoring receivables	Hire purchase receivables	Lease receivables	Other term loans/financing	Bills receivable	Trust receipts	Claims on customers under acceptances credits	Staff loans/financing	Credit/charge card	Revolving credit	Other loans/financing	Total
Agricultural, hunting, forestry and fishing	-	-	-	-	-	-	955	59	170	-	-	-	-	1	1,185
Manufacturing	2,518	-	-	-	2,787	11	85,249	1,411	5,649	24,869	-	-	-	266	122,760
Construction	1,221	-	-	-	-	-	2,947	-	510	-	-	-	-	25	4,703
Real estate	2,497	-	-	-	-	-	5,888	-	-	-	-	-	-	205	8,590
Wholesale & retail trade and restaurants & hotels	7,628	-	-	-	-	-	13,810	8,716	3,168	32,164	-	-	1,115	936	67,537
Transport, storage and communication	4,327	-	-	-	80	-	6,523	-	-	-	-	-	-	10	10,940
Finance, insurance and business services	2,136	-	-	-	664	-	816	-	-	-	-	-	-	19	3,635
Household-retail	12,536	215,000	-	-	-	-	170,243	-	-	-	6,184	63,235	-	5,710	472,908
Others	-	69	-	-	-	-	148	-	-	-	-	-	-	6	223
	32,863	215,069	-	-	3,531	11	286,579	10,186	9,497	57,033	6,184	63,235	1,115	7,178	692,481

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

1) Credit Risk (Cont'd)

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

	Jun 2011	Dec 2010
	Group (RM'000)	
Agricultural, hunting, forestry and fishing	4,070	4,539
Manufacturing	396,393	470,175
Construction	12,018	18,013
Real estate	26,350	32,900
Wholesale & retail trade and restaurants & hotels	204,401	258,669
Transport, storage and communication	33,838	41,901
Finance, insurance and business services	17,630	13,922
Household-retail	1,863,931	1,811,256
Others	875	854
	2,559,506	2,652,229

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

	Jun 2011	Dec 2010
	Group (RM'000)	
		<i>Restated</i>
Northern region	609,475	569,263
Southern region	631,355	678,657
Central region	989,607	1,041,699
Eastern region	329,069	362,610
	2,559,506	2,652,229

* The amount of impaired loans broken down by sector and geographical location is disclosed in Note 16 (iii) and 16 (v) of the unaudited condensed interim financial statements as at 30 June 2011 respectively.

Table 8: Individual and collective impairment provision broken down by sector

	Jun 2011		Dec 2010	
	Group (RM'000)		Group (RM'000)	
	Individual impairment provision	Collective impairment provision	Individual impairment provision	Collective impairment provision
Agricultural, hunting, forestry and fishing	1,887	18,889	1,775	16,350
Mining and quarrying	-	5,972	-	5,621
Manufacturing	63,216	118,505	73,644	105,720
Electricity, gas and water	-	5,111	-	2,905
Construction	1,324	14,380	5,048	12,714
Real estate	13,714	20,284	20,869	18,549
Wholesale & retail trade and restaurants & hotels	54,727	33,849	51,200	29,985
Transport, storage and communication	16,665	8,488	16,973	6,445
Finance, insurance and business services	1,652	19,673	936	21,797
Household-retail	229,740	282,587	208,128	270,459
Others	226	52,298	785	28,510
	383,151	580,036	379,358	519,055

Table 9: Individual and collective impairment provision broken down by geographical location

	Jun 2011		Dec 2010	
	Group (RM'000)		Group (RM'000)	
	Individual impairment provision	Collective impairment provision	Individual impairment provision	Collective impairment provision
Northern region	37,098	107,228	37,137	99,995
Southern region	45,170	71,807	54,481	66,640
Central region	271,497	332,879	250,035	291,101
Eastern region	29,386	68,122	37,705	61,319
	383,151	580,036	379,358	519,055

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 impairment provisions ("IIP") during the period/year broken down by sector

	Jun 2011		Dec 2010	
	Group (RM'000)		Group (RM'000)	
	IIP charges	Write-off of IIP	IIP charges	Write-off of IIP
Agricultural, hunting, forestry and fishing	-	-	17	-
Mining and quarrying	-	-	1,374	-
Manufacturing	3,194	4,273	10,486	13,464
Electricity, gas and water	-	-	3,430	-
Construction	471	241	1,518	81
Real estate	2,177	10	13,221	-
Wholesale & retail trade and restaurants & hotels	2,548	7,338	3,520	4,886
Transport, storage and communication	5	289	5,688	2,537
Finance, insurance and business services	185	371	664	63
Household-retail	112,967	97,711	233,981	207,127
Others	886	26	273	803
	122,433	110,259	274,172	228,961

The reconciliation of changes in loan impairment provisions is disclosed in Note 16(ii) of the unaudited condensed interim financial statements as at 30 June 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 32 to the unaudited condensed interim financial statements as at 30 June 2011. Rated and unrated exposures according to ratings by ECAIs as at reporting date are as follows:-

**Jun 2011
Group (RM '000)**

Exposure Class	Ratings of Corporate by Approved ECAIs					
	S&P	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	Moody's	Aaa to Aa3	A1 to A3	Baa1 to Ba3	B+ to C	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
On and Off Balance-Sheet Exposures						
Corporates		1,292,688	915,098	208,941	-	18,185,933
Total		1,292,688	915,098	208,941	-	18,185,933

**Dec 2010
Group (RM '000)**

Exposure Class	Ratings of Corporate by Approved ECAIs					
	S&P	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	Moody's	Aaa to Aa3	A1 to A3	Baa1 to Ba3	B+ to C	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
On and Off Balance-Sheet Exposures						
Corporates		719,103	820,857	215,506	-	15,290,150
Total		719,103	820,857	215,506	-	15,290,150

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)

**Jun 2011
Group (RM '000)**

Exposure Class	Ratings of Sovereigns and Central Banks by Approved ECAIs						
	S&P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	Moody's	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to B3	Caa1 to C	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
On and Off Balance-Sheet Exposures							
Sovereigns & Central Banks		-	23,658,607	-	-	-	-
Total		-	23,658,607	-	-	-	-

**Dec 2010
Group (RM '000)**

Exposure Class	Ratings of Sovereigns and Central Banks by Approved ECAIs						
	S&P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	Moody's	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to B3	Caa1 to C	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
On and Off Balance-Sheet Exposures							
Sovereigns & Central Banks		-	17,816,769	-	-	-	-
Total		-	17,816,769	-	-	-	-

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)

Jun 2011

Group (RM '000)

Exposure Class	Ratings of Banking Institutions by Approved ECAIs						
	S&P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	Moody's	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to B3	Caa1 to C	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
On and Off Balance-Sheet Exposures							
Banks, MDBs and FDI's		3,029,599	1,489,524	1,488,878	79,272	-	2,594,132
Total		3,029,599	1,489,524	1,488,878	79,272		2,594,132

Dec 2010

Group (RM '000)

Exposure Class	Ratings of Banking Institutions by Approved ECAIs						
	S&P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	Moody's	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to B3	Caa1 to C	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
On and Off Balance-Sheet Exposures							
Banks, MDBs and FDI's		3,186,202	1,606,692	1,230,436	19,669	-	2,665,458
Total		3,186,202	1,606,692	1,230,436	19,669		2,665,458

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.

Jun 2011

Group (RM'000)

Exposure Class	Exposures before CRM	Exposures Covered by Guarantees / Credit Derivatives	Exposures Covered by Eligible Collateral
<u>Credit Risk</u>			
<i>On-Balance Sheet Exposures</i>			
Sovereigns/Central Banks	23,589,048	-	-
Banks, Development Financial Institutions & MDBs	5,614,382	-	-
Corporates	15,152,211	166,676	533,463
Regulatory Retail	7,050,379	53,650	173,336
Residential Mortgages	16,629,623	-	24,892
Higher Risk Assets	1,608	-	-
Other Assets	1,132,570	-	-
Equity Exposure	16,908	-	-
Defaulted Exposures	511,352	1,117	5,416
Total for On-Balance Sheet Exposures	69,698,081	221,443	737,107
<i>Off-Balance Sheet Exposures</i>			
OTC Derivatives	3,270,425	-	-
Off balance sheet exposures other than OTC derivatives or credit derivatives	7,320,919	171,278	164,817
Defaulted Exposures	65,853	1,572	2,395
Total for Off-Balance Sheet Exposures	10,657,197	172,850	167,212
Total On and Off-Balance Sheet Exposures	80,355,278	394,293	904,319

Refer to Note 32 of the unaudited condensed interim financial statements as at 30 June 2011 for disclosure of off-balance sheet and counterparty credit risk.

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)

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

Dec 2010

Group (RM'000)

Exposure Class	Exposures before CRM	Exposures Covered by Guarantees / Credit Derivatives	Exposures Covered by Eligible Collateral
<u>Credit Risk</u>			
<i>On-Balance Sheet Exposures</i>			
Sovereigns/Central Banks	17,746,419	-	-
Banks, Development Financial Institutions & MDBs	6,656,772	-	-
Corporates	13,387,801	169,674	610,330
Regulatory Retail	6,845,700	48,115	163,081
Residential Mortgages	15,588,458	-	25,282
Higher Risk Assets	1,417	-	-
Other Assets	911,335	-	-
Equity Exposure	27,604	-	-
Defaulted Exposures	459,704	-	7,299
Total for On-Balance Sheet Exposures	61,625,210	217,789	805,992
<i>Off-Balance Sheet Exposures</i>			
OTC Derivatives	2,865,041	-	-
Off balance sheet exposures other than OTC derivatives or credit derivatives	4,507,094	170,660	114,820
Defaulted Exposures	90,973	-	6,874
Total for Off-Balance Sheet Exposures	7,463,108	170,660	121,694
Total On and Off-Balance Sheet Exposures	69,088,318	388,449	927,686

Refer to Note 32 of the unaudited condensed interim financial statements as at 30 June 2011 for disclosure of off-balance sheet and counterparty credit risk.

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

2) Interest rate risk / rate of return risk

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

Bank (RM'000)	At 30 Jun 2011	Average	Maximum	Minimum
Foreign currency risk	70	294	1,188	20
Interest rate risk	911	1,706	3,054	732
Credit spread risk	282	364	705	191
Overall	945	1,710	3,096	683

HBMS Amanah Malaysia Berhad (RM'000)	At 30 Jun 2011	Average	Maximum	Minimum
Foreign currency risk	12	25	74	2
Interest rate risk	46	92	208	45
Credit spread risk	13	4	49	0
Overall	49	95	225	49

Bank (RM'000)	At 31 Dec 2010	Average	Maximum	Minimum
Foreign currency risk	575	376	2,644	2
Interest rate risk	2,064	1,936	3,279	984
Credit spread risk	633	497	1,977	123
Overall	2,314	1,914	3,703	712

HBMS Amanah Malaysia Berhad (RM'000)	At 31 Dec 2010	Average	Maximum	Minimum
Foreign currency risk	12	19	60	2
Interest rate risk	95	161	371	61
Credit spread risk	48	20	368	0
Overall	107	164	443	67

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

2) Interest rate risk / rate of return risk (Cont'd)

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

Sensitivity of projected Net Interest/Finance Income

Change in projected net interest/finance income in next 12 months arising from a shift in interest/profit rates of:	Group	
	30-Jun-11	31-Dec-10
	RM'000	RM'000
+100 basis points parallel shift in yield curves	258,491	205,231
-100 basis points parallel shift in yield curves	(236,079)	(190,541)
+25 basis points at the beginning of each quarter	168,276	135,263
-25 basis points at the beginning of each quarter	(160,630)	(131,188)

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

	Group	
	30-Jun-11	31-Dec-10
	RM'000	RM'000
+100 basis points parallel shift in yield curves	(46,042)	(53,600)
-100 basis points parallel shift in yield curves	46,042	53,600

3) Restatement of comparative figures

Comparative figures for Table 1, 2, 7, and 9 have been restated/reclassified to conform to current year's presentation due to a change in the internal classification of states making up the geographical region. The restatements made are not material. Refer to the Risk Weighted Capital Adequacy Framework (Basel II) Pillar 3 Disclosures as at 31 December 2010 for the comparative figures prior to restatement.

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

4) Disclosure on the Shariah Governance Framework of HSBC Amanah Malaysia Berhad

Preamble

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 HSBC Amanah 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 Bank Negara Malaysia (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 have the responsibility to ensure that all activities of the IFI are in compliance with the Shariah rules and principles.

A) Qualitative Disclosures

The governance structure of HSBC Amanah 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 HSBC Amanah.

b. Shariah Committee

To maintain an oversight on the operations and business activities of HSBC Amanah 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 (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 of the internal control system for Shariah compliance.

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

4) Disclosure on the Shariah Governance Framework of HSBC Amanah Malaysia Berhad (Cont'd)

e. Shariah Department

i) Shariah Review

To regularly review the operations and business activities of HSBC Amanah for 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.

ii) 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.

iii) Shariah Research

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

iv) 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.

v) 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.

f. Shariah Risk Management

To systematically identify, measure, monitor Shariah non-compliance risks and to assist business to establish controls to mitigate any possibility of Shariah non-compliance events.

B) Quantitative Disclosure

No non-Shariah income or event occurred during the half year ended 30 June 2011.