

HSBC BANK MALAYSIA BERHAD
(Company No.127776-V)
(Incorporated in Malaysia)
Risk Weighted Capital Adequacy Framework (Basel II) Pillar 3 Interim Disclosures
at 30 June 2014

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 Disclosures set out on pages 2-21 have been prepared according to the Risk Weighted Capital Adequacy Framework (Basel II), and are accurate and complete.

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MUKHTAR MALIK HUSSAIN

CHIEF EXECUTIVE OFFICER
23 July 2014

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

The Risk Weighted Capital Adequacy Framework (Basel II) Pillar 3 Interim Disclosures at 30 June 2014 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 for the financial year ended 31 December 2013 and the Risk Weighted Capital Adequacy Framework (Basel II) Pillar 3 Disclosures at 31 December 2013.

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 HSBC Bank Malaysia Berhad and its subsidiaries (the Group) since the financial year ended 31 December 2013. There are no material changes relating to qualitative disclosures during the interim reporting period.

Stress Testing

Stress testing and scenario analysis form an integral part of Internal Capital Adequacy Assessment Process (ICAAP) to demonstrate that the Group can maintain risk capital sufficient enough to sustain operations during an economic downturn. Essentially, stress testing is to make risks more transparent by estimating potential losses on exposures under abnormal market or economic conditions. It will also assess specifically the extent by which risk-weighted assets and capital requirements will increase, and how profit and loss as well as liquidity levels will change. The results of the analyses will facilitate informed financial and capital management whilst supporting business lines to manage their business through various measures such as establishing triggers and devising mitigation actions which can be readily implemented should the adverse scenarios materialise.

In line with BNM's Guideline on Stress Testing and the Group's Policy Paper for Stress Testing, a Stress Test Steering Committee ('STSC') is established. STSC conducts stress testing on a half-yearly basis based on the guidelines and methodology endorsed by the Board. Stress tests are performed for different risk types including credit, liquidity, market and operational risk. The analysis makes use of the actual general ledger, profit and loss and risk positions (the base case) to estimate the impact on profits and risk-weighted assets. It also incorporates the impact of management actions to determine whether or not the Group is able to withstand such an event.

Credit Risk Mitigation

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

The Group's policy when granting credit facilities is on the basis of the customer's capacity to repay, rather than placing primary reliance on credit risk mitigants. Depending on the customer's standing and the type of product, facilities may be provided unsecured. Mitigation of credit risk is nevertheless a key aspect of effective risk management in the Group and takes many forms.

The Group's general policy is to promote the use of credit risk mitigation, justified by commercial prudence and good practice as well as capital efficiency. Specific, detailed policies cover acceptability, structuring and terms of various types of business with regard to the availability of credit risk mitigants, for example in the form of collateral security, and these policies, together with the determination of suitable valuation parameters, are subject to regular review to ensure that they are supported by empirical evidence and continue to fulfil their intended purpose.

The most common method of mitigating credit risk is to take collateral. The principal collateral types employed by the Group are as follows:

- under the residential and real estate business; mortgages over residential and financed properties;
- under certain Islamic specialised financing and leasing transactions (such as machinery financing) where physical assets form the principal source of facility repayment, physical collateral is typically taken;
- in the commercial and industrial sectors, charges over business assets such as premises, stock and debtors;
- facilities provided to small and medium enterprises are commonly granted against guarantees by their owners/directors;
- guarantees from third parties can arise where facilities are extended without the benefit of any alternative form of security,
- under the institutional sector, certain trading facilities are supported by charges over financial instruments such as cash, debt securities and equities;
- financial collateral in the form cash and of marketable securities are used in much of the over-the-counter ('OTC') derivatives activities and in the Group's securities financing business (securities lending and borrowing or repos and reverse repos); and
- netting is used where appropriate, and supported by market standard documentation.

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

Credit Risk Mitigation (Cont'd)

Settlement risk arises in any situation where a payment in cash or securities is made in the expectation of a corresponding receipt of cash or securities. Daily settlement limits are established for counterparties to cover the aggregate of all settlement risk arising from Treasury transactions on a single day. Settlement risk on many transactions, particularly those involving securities, is substantially mitigated by settling through assured payment systems or on a delivery-versus-payment basis.

Policies and procedures govern the protection of the Group's position from the outset of a customer relationship, for instance in requiring standard terms and conditions or specifically agreed documentation permitting the offset of credit balances against debt obligations and through controls over the integrity, current valuation and, if necessary, realisation of collateral security.

The valuation of credit risk mitigants seeks to monitor and ensure that they will continue to provide the secured-repayment source anticipated at the time they were taken. The Group's policy prescribes valuation at intervals of up to two years, or more frequently as the need may arise. For property taken as collateral for new or additional facilities, a valuation report is required from a panel valuer. For credit exposures with a credit risk rating (CRR) of 6.1 or worse, a full valuation is to be obtained annually. For auction purposes, full valuations are compulsory. This is to avoid the risk of the settlement sum being challenged by the borrower / charger on the grounds that the correct valuation was not applied.

The Group's panel of approved valuation companies is subject to an annual review. This takes into consideration the company's financial standing, accreditations, experience, professional liability insurance, major clients and size of its branch network.

Refer to Note 32 to the unaudited condensed interim financial statements at 30 June 2014 for the total risk weighted capital ratio, Common Equity Tier 1 (CET 1) 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 breakdown by type

Group (RM'000)	30 June 2014				
	Northern	Southern	Central	Eastern	Total
Overdrafts	188,150	141,476	597,829	264,572	1,192,027
Term loans/financing					
Housing loans/financing	3,287,175	2,748,909	9,930,223	1,064,808	17,031,115
Syndicated term loan/financing	-	-	-	-	-
Factoring receivables	21,104	15,285	88,027	38,517	162,933
Hire purchase receivables	49,861	37,731	110,360	42,617	240,569
Lease receivables	-	-	2,948	-	2,948
Other term loans/financing	1,842,927	1,885,583	6,814,473	1,757,776	12,300,759
Bills receivable	173,222	67,763	1,630,752	52,852	1,924,589
Trust receipts	155,765	507,387	715,445	122,947	1,501,544
Claims on customers under acceptance credits	766,349	486,224	1,233,062	292,429	2,778,064
Staff loans/financing	38,901	23,753	232,629	22,594	317,877
Credit/charge cards	527,240	367,998	1,497,563	279,677	2,672,478
Revolving credit	244,853	295,649	3,360,763	124,622	4,025,887
Other loans/financing	2,988	1,964	4,334	407	9,693
	7,298,535	6,579,722	26,218,408	4,063,818	44,160,483

Group (RM'000)	31 December 2013				
	Northern	Southern	Central	Eastern	Total
Overdrafts	192,236	320,851	546,603	309,770	1,369,460
Term loans/financing					
Housing loans/financing	3,324,901	2,612,973	9,061,045	1,043,791	16,042,710
Syndicated term loan/financing	-	-	45,077	-	45,077
Factoring receivables	20,392	14,830	101,474	23,510	160,206
Hire purchase receivables	51,243	42,272	108,328	50,900	252,743
Lease receivables	27	-	2,415	-	2,442
Other term loans/financing	1,872,690	1,645,038	7,386,362	2,110,816	13,014,906
Bills receivable	105,505	100,793	3,168,450	124,810	3,499,558
Trust receipts	175,463	486,829	883,138	159,111	1,704,541
Claims on customers under acceptance credits	710,766	446,494	1,043,532	439,779	2,640,571
Staff loans/financing	39,638	23,596	223,981	24,003	311,218
Credit/charge cards	569,580	395,419	1,583,938	300,101	2,849,038
Revolving credit	226,775	285,147	2,871,567	75,580	3,459,069
Other loans/financing	2,531	1,961	4,053	248	8,793
	7,291,747	6,376,203	27,029,963	4,662,419	45,360,332

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 breakdown by type

30 June 2014

Group (RM'000)	Northern	Southern	Central	Eastern	Total
Overdrafts	7,807	2,827	22,328	8,784	41,746
Term loans/financing					
Housing loans/financing	63,728	56,652	155,657	12,580	288,617
Factoring receivables	983	28	2,352	-	3,363
Hire purchase receivables	9,190	533	270	619	10,612
Other term loans/financing	46,013	29,622	178,013	98,037	351,685
Bills receivable	299	6,990	-	-	7,289
Trust receipts	135	-	12,712	2,647	15,494
Claims on customers under acceptance credits	5,908	12,761	18,267	2,802	39,738
Staff loans/financing	44	93	3,223	198	3,558
Credit/charge cards	12,887	7,621	28,681	3,867	53,056
Revolving credit	-	-	4,235	-	4,235
Other loans/financing	2,980	1,711	4,325	405	9,421
	149,974	118,838	430,063	129,939	828,814

31 December 2013

Group (RM'000)	Northern	Southern	Central	Eastern	Total
Overdrafts	7,861	7,002	10,195	1,786	26,844
Term loans/financing					
Housing loans/financing	74,104	73,781	164,790	11,327	324,002
Factoring receivables	-	27	10,356	-	10,383
Hire purchase receivables	4,171	2,953	312	417	7,853
Other term loans/financing	54,447	37,067	146,666	32,860	271,040
Bills receivable	490	8,028	14,144	-	22,662
Trust receipts	157	4,040	4,979	2,548	11,724
Claims on customers under acceptance credits	10,785	22,131	4,360	6,443	43,719
Staff loans/financing	181	-	3,324	211	3,716
Credit/charge cards	13,440	9,038	31,225	3,890	57,593
Revolving credit	-	-	4,101	-	4,101
Other loans/financing	2,528	1,959	4,033	208	8,728
	168,164	166,026	398,485	59,690	792,365

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

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 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 breakdown by type

30 June 2014

Group (RM'000)	Maturing within one year	One year to three years	Three years to five years	Over five years	Total
Overdrafts	1,192,027	-	-	-	1,192,027
Term loans/financing					
Housing loans/financing	68,016	79,333	201,408	16,682,358	17,031,115
Syndicated term loan/financing	-	-	-	-	-
Factoring receivables	162,933	-	-	-	162,933
Hire purchase receivables	17,192	99,081	124,296	-	240,569
Lease receivables	-	-	2,948	-	2,948
Other term loans/financing	3,734,032	1,846,219	2,295,485	4,425,023	12,300,759
Bills receivable	1,924,589	-	-	-	1,924,589
Trust receipts	1,501,544	-	-	-	1,501,544
Claims on customers under acceptance credits	2,778,064	-	-	-	2,778,064
Staff loans/financing	3,279	15,072	35,400	264,126	317,877
Credit/charge cards	2,672,478	-	-	-	2,672,478
Revolving credit	4,025,887	-	-	-	4,025,887
Other loans/financing	9,693	-	-	-	9,693
	18,089,734	2,039,705	2,659,537	21,371,507	44,160,483

31 December 2013

Group (RM'000)	Maturing within one year	One year to three years	Three years to five years	Over five years	Total
Overdrafts	1,369,460	-	-	-	1,369,460
Term loans/financing					
Housing loans/financing	73,184	83,854	185,648	15,700,024	16,042,710
Syndicated term loan/financing	-	45,077	-	-	45,077
Factoring receivables	160,206	-	-	-	160,206
Hire purchase receivables	17,991	103,233	131,082	437	252,743
Lease receivables	28	-	2,414	-	2,442
Other term loans/financing	3,705,531	2,095,019	1,963,262	5,251,094	13,014,906
Bills receivable	3,499,558	-	-	-	3,499,558
Trust receipts	1,704,541	-	-	-	1,704,541
Claims on customers under acceptance credits	2,640,571	-	-	-	2,640,571
Staff loans/financing	3,589	14,932	34,097	258,600	311,218
Credit/charge cards	2,849,038	-	-	-	2,849,038
Revolving credit	3,459,069	-	-	-	3,459,069
Other loans/financing	8,793	-	-	-	8,793
	19,491,559	2,342,115	2,316,503	21,210,155	45,360,332

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, breakdown by type

30 June 2014 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 cards	Revolving credit	Other loans/financing	Total
Agricultural, hunting, forestry and fishing	58,842	-	-	5,165	-	795,057	147,492	7,374	57,862	-	-	203,407	151	1,275,350
Mining and quarrying	6,096	-	-	11,469	-	136,692	-	35,916	1,057	-	-	286,172	1	477,801
Manufacturing	354,220	-	-	110,210	-	2,256,659	427,712	1,027,723	1,505,475	-	-	1,013,807	2,736	6,781,236
Electricity, gas and water	3,997	-	-	-	-	80,571	874	2,098	16,651	-	-	2,000	-	106,191
Construction	66,768	-	-	18,229	-	1,864,981	87,484	11,885	79,787	-	-	313,886	112	2,444,668
Real estate	18,663	-	-	-	-	960,865	-	-	-	-	-	595,237	1	1,574,766
Wholesale & retail trade and restaurants & hotels	214,672	-	-	26,106	-	656,443	235,240	293,198	986,111	-	-	345,029	471	2,811,557
Transport, storage and communication	27,400	-	-	18,785	-	238,477	7,520	2,755	8,261	-	-	45,191	6	356,791
Finance, insurance/takaful and business services	167,749	-	-	18,904	2,948	1,478,579	4,948	120,387	76,590	-	-	1,024,159	80	2,909,002
Household-retail	222,140	17,031,115	-	486	-	3,513,022	-	-	-	317,877	2,672,478	-	-	23,757,118
Others	51,480	-	-	31,215	-	319,413	1,013,319	208	46,270	-	-	196,999	6,135	1,666,003
	1,192,027	17,031,115	-	162,933	2,948	12,300,759	1,924,589	1,501,544	2,778,064	317,877	2,672,478	4,025,887	9,693	44,160,483

31 December 2013 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 cards	Revolving credit	Other loans/financing	Total
Agricultural, hunting, forestry and fishing	69,741	-	-	5,887	-	1,033,522	176,014	14,105	129,748	-	-	204,283	95	1,633,395
Mining and quarrying	5,395	-	-	13,891	-	210,068	2,844	93,549	777	-	-	125,220	-	452,303
Manufacturing	336,901	-	-	115,013	-	1,813,513	613,777	1,007,064	1,514,223	-	-	874,347	2,065	6,365,423
Electricity, gas and water	8,093	-	-	-	-	90,963	1,038	2,030	20,003	-	-	2,000	-	124,127
Construction	70,944	-	-	20,843	-	1,974,303	43,444	12,520	74,912	-	-	311,673	75	2,509,216
Real estate	17,563	-	-	-	-	1,162,408	-	-	281	-	-	596,058	-	1,776,310
Wholesale & retail trade and restaurants & hotels	223,410	-	-	30,290	-	807,208	285,221	415,724	770,893	-	-	198,108	323	2,773,077
Transport, storage and communication	29,958	-	-	22,267	-	251,506	6,796	1,578	11,400	-	-	52,556	4	388,873
Finance, insurance/takaful and business services	171,171	-	45,077	19,532	2,442	1,338,728	6,875	157,070	72,712	-	-	954,588	33	2,782,322
Household-retail	413,356	16,042,710	-	575	-	3,913,217	-	-	-	311,218	2,849,038	-	-	23,530,114
Others	22,928	-	-	24,445	-	419,470	2,363,549	901	45,622	-	-	140,236	6,198	3,025,172
	1,369,460	16,042,710	45,077	160,206	2,442	13,014,906	3,499,558	1,704,541	2,640,571	311,218	2,849,038	3,459,069	8,793	45,360,332

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

1) Credit risk (Cont'd)

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

30 June 2014												
Group (RM'000)												
Overdraft	Housing loans/ financing	Factoring receivables	Hire purchase receivables	Other term loans/financing	Bills receivable	Trust receipts	Claims on customers under acceptances credits	Staff loans/ financing	Credit/ charge cards	Revolving credit	Other loans/ financing	Total
Agricultural, hunting, forestry and fishing	2,610	-	-	-	70,258	-	-	-	-	-	151	73,019
Mining and quarrying	178	-	-	-	-	-	-	-	-	-	-	178
Manufacturing	6	-	2,198	7,757	46,678	-	6,601	11,229	-	-	7,334	81,803
Electricity, gas and water	756	-	-	-	6,371	-	2,098	-	-	-	-	9,225
Construction	5,242	-	-	-	44,073	-	2,647	-	-	68	112	52,142
Real estate	-	-	-	-	4,894	-	-	-	-	-	1	4,895
Wholesale & retail trade and restaurants & hotels	26,453	-	1,165	1,356	9,265	7,289	4,148	27,719	-	4,167	471	82,033
Transport, storage and communication	436	-	-	-	813	-	-	305	-	-	6	1,560
Finance, insurance/takaful and business services	343	-	-	622	893	-	-	-	-	-	75	1,933
Household-retail	5,722	288,437	-	686	167,933	-	-	-	3,558	53,056	-	519,392
Others	-	180	-	191	507	-	-	485	-	-	1,271	2,634
	41,746	288,617	3,363	10,612	351,685	7,289	15,494	39,738	3,558	53,056	4,235	828,814

31 December 2013												
Group (RM'000)												
Overdraft	Housing loans/ financing	Factoring receivables	Hire purchase receivables	Other term loans/financing	Bills receivable	Trust receipts	Claims on customers under acceptances credits	Staff loans/ financing	Credit/ charge cards	Revolving credit	Other loans/ financing	Total
Agricultural, hunting, forestry and fishing	-	-	-	366	10	-	-	-	-	-	95	471
Mining and quarrying	163	-	-	-	-	-	-	-	-	-	-	163
Manufacturing	5,221	-	8,230	6,291	41,578	999	5,661	32,268	-	-	6,812	107,060
Electricity, gas and water	-	-	-	-	-	-	-	-	-	-	-	-
Construction	4,969	-	-	-	47,659	-	2,548	-	-	67	75	55,318
Real estate	-	-	-	-	-	-	-	-	-	-	-	-
Wholesale & retail trade and restaurants & hotels	9,187	-	2,153	354	8,567	21,653	3,515	11,451	-	4,034	324	61,238
Transport, storage and communication	741	-	-	-	1,023	-	-	-	-	-	3	1,767
Finance, insurance/takaful and business services	425	-	-	346	1,068	-	-	-	-	-	32	1,871
Household-retail	6,138	323,824	-	694	170,746	-	-	-	3,716	57,593	-	562,711
Others	-	178	-	168	33	-	-	-	-	-	1,387	1,766
	26,844	324,002	10,383	7,853	271,040	22,662	11,724	43,719	3,716	57,593	4,101	792,365

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

1) Credit Risk (Cont'd)

Table 6: All past due loans/financing breakdown by sector *

	30 June 2014	31 December 2013
	Group (RM'000)	Group (RM'000)
Agricultural, hunting, forestry and fishing	327,989	2,127
Mining and quarrying	800	736
Manufacturing	380,282	483,157
Electricity, gas and water	41,437	1
Construction	236,158	249,682
Real estate	21,988	-
Wholesale & retail trade and restaurants & hotels	372,041	276,429
Transport, storage and communication	7,241	7,939
Finance, insurance/takaful and business services	9,422	8,434
Household-retail	2,504,668	2,534,434
Others	12,652	7,966
	3,914,678	3,570,905

Table 7: All past due loans/financing breakdown by geographical location*

	30 June 2014	31 December 2013
	Group (RM'000)	Group (RM'000)
Northern region	718,528	757,722
Southern region	554,583	748,585
Central region	2,051,405	1,795,293
Eastern region	590,162	269,305
	3,914,678	3,570,905

* Of which the portion of impaired loans breakdown by sector and geographical location is disclosed in Note 16 (iii) and 16 (v) of the unaudited condensed interim financial statements at 30 June 2014 respectively.

Table 8: Individual and collective impairment allowance breakdown by sector

	30 June 2014		31 December 2013	
	Group (RM'000)		Group (RM'000)	
	Individual impairment allowance	Collective impairment allowance	Individual impairment allowance	Collective impairment allowance
Agricultural, hunting, forestry and fishing	2,944	3,494	121	4,715
Mining and quarrying	-	2,246	-	1,331
Manufacturing	68,422	47,956	67,959	54,209
Electricity, gas and water	1,620	5,804	-	7,821
Construction	20,306	11,624	40,194	12,172
Real estate	863	28,057	773	35,400
Wholesale & retail trade and restaurants & hotels	53,704	10,747	39,012	10,273
Transport, storage and communication	374	3,416	526	4,221
Finance, insurance/takaful and business services	1,386	8,932	171	7,392
Household-retail	158,180	217,694	168,769	221,468
Others	368	22,854	587	23,314
	308,167	362,824	318,112	382,316

Table 9: Individual and collective impairment allowance breakdown by geographical location

	30 June 2014		31 December 2013	
	Group (RM'000)		Group (RM'000)	
	Individual impairment allowance	Collective impairment allowance	Individual impairment allowance	Collective impairment allowance
Northern region	24,658	62,217	25,101	64,352
Southern region	27,162	54,254	42,187	54,988
Central region	230,713	216,455	229,761	228,873
Eastern region	25,634	29,898	21,063	34,103
	308,167	362,824	318,112	382,316

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 allowance during the year breakdown by sector

	30 June 2014		31 December 2013 (restated)	
	Group (RM'000)		Group (RM'000)	
	Individual impairment charges	Write-off of individual impairment	Individual impairment charges	Write-off of individual impairment
Agricultural, hunting, forestry and fishing	3,541	50	358	1,059
Manufacturing	22,395	14,327	24,995	11,221
Electricity, gas and water	1,756	-	-	-
Construction	561	-	39,764	-
Real estate	793	5	817	13,449
Wholesale & retail trade and restaurants & hotels	14,685	1,841	30,454	17,818
Transport, storage and communication	304	-	105	-
Finance, insurance/takaful and business services	2,449	42	217	26
Household-retail	74,433	7,696	152,691	13,205
Others	10	158	377	-
	120,927	24,119	249,778	56,778

The reconciliation of changes in loan impairment provisions is disclosed in Note 16(ii) of the unaudited condensed interim financial statements at 30 June 2014.

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 at the reporting date are reflected in page 17. Rated and unrated exposures according to ratings by ECAIs at reporting date are as follows:-

30 June 2014

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		-	11,678,772	-	-	-	-
Total		-	11,678,772	-	-	-	-

31 December 2013

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		-	7,778,218	-	-	-	37,635
Total		-	7,778,218	-	-	-	37,635

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

1) Credit Risk (Cont'd)

i) ECAIs (Cont'd)

30 June 2014

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
	Moodys	Aaa to Aa3	A1 to A3	Baa1 to Ba3	B1 to C	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
On and Off Balance-Sheet Exposures						
Public Sector Entities (applicable for entities risk weighted based on their external ratings as corporates)		53,056	48,785	74,033	-	905,827
Corporates		1,411,254	698,596	165,056	-	22,553,622
Total		1,464,310	747,381	239,089	-	23,459,449

31 December 2013

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
	Moodys	Aaa to Aa3	A1 to A3	Baa1 to Ba3	B1 to C	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
On and Off Balance-Sheet Exposures						
Public Sector Entities (applicable for entities risk weighted based on their external ratings as corporates)		-	-	-	-	-
Corporates		1,138,927	726,132	252,782	-	23,488,470
Total		1,138,927	726,132	252,782	-	23,488,470

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

1) Credit Risk (Cont'd)

i) ECAIs (Cont'd)

30 June 2014

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	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
On and Off Balance-Sheet Exposures							
Banks, MDBs and DFIs		1,000,159	1,661,944	128,425	37,380	-	2,163,924
Total		1,000,159	1,661,944	128,425	37,380	-	2,163,924

31 December 2013

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	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
On and Off Balance-Sheet Exposures							
Banks, MDBs and DFIs		1,362,040	1,763,331	175,856	80,794	-	2,435,684
Total		1,362,040	1,763,331	175,856	80,794	-	2,435,684

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

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

30 June 2014

Group (RM'000)

Exposure Class	Exposures Before Credit Risk Mitigation	Exposures Covered by Guarantees / Credit Derivatives	Exposures Covered by Eligible Collateral
<i>Credit Risk</i>			
<i>On-Balance Sheet Exposures</i>			
Sovereigns/Central Banks	31,450,845	-	-
Public Sector Entities	724,509	-	-
Banks, Development Financial Institutions & MDBs	5,022,496	-	-
Corporates	16,655,918	171,236	770,707
Regulatory Retail	6,356,968	31,269	164,172
Residential Mortgages	18,280,268	-	24,597
Higher Risk Assets	40	-	-
Other Assets	737,864	-	-
Equity Exposure	16,908	-	-
Defaulted Exposures	653,431	6,994	17,850
Total for On-Balance Sheet Exposures	79,899,247	209,499	977,326
<i>Off-Balance Sheet Exposures</i>			
OTC Derivatives	3,588,143	-	-
Off balance sheet exposures other than OTC derivatives or credit derivatives	13,257,204	146,847	265,950
Defaulted Exposures	233,000	827	14,381
Total for Off-Balance Sheet Exposures	17,078,347	147,674	280,331
Total On and Off-Balance Sheet Exposures	96,977,594	357,173	1,257,657

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

1) Credit Risk (Cont'd)

ii) Credit risk mitigation (Cont'd)

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

31 December 2013

Group (RM'000)

Exposure Class	Exposures Before Credit Risk Mitigation	Exposures Covered by Guarantees / Credit Derivatives	Exposures Covered by Eligible Collateral
<i>Credit Risk</i>			
<i>On-Balance Sheet Exposures</i>			
Sovereigns/Central Banks	25,541,207	-	-
Public Sector Entities	88,283	-	-
Banks, Development Financial Institutions & MDBs	7,461,858	-	-
Corporates	17,243,190	173,231	705,312
Regulatory Retail	6,763,053	43,085	170,105
Residential Mortgages	17,492,155	-	24,875
Higher Risk Assets	48	-	-
Other Assets	1,141,014	-	-
Equity Exposure	16,908	-	-
Defaulted Exposures	565,927	4,004	11,851
Total for On-Balance Sheet Exposures	76,313,643	220,320	912,143
<i>Off-Balance Sheet Exposures</i>			
OTC Derivatives	4,157,766	-	-
Off balance sheet exposures other than OTC derivatives or credit derivatives	12,917,612	180,639	293,044
Defaulted Exposures	192,713	1,495	18,323
Total for Off-Balance Sheet Exposures	17,268,091	182,134	311,367
Total On and Off-Balance Sheet Exposures	93,581,734	402,454	1,223,510

Refer to Note 33 of the unaudited condensed interim financial statements at 30 June 2014 for disclosure of off-balance sheet and Note 31 for disclosure of counterparty credit risk.

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

1) Credit Risk (Cont'd)

iii) Counterparty Credit Risk

The tables below disclose the gross and net exposures, risk weighted assets ('RWAs') and capital requirements for credit risk, market risk and operational risk of the Group at the balance sheet date.

At 30 June 2014, the RWA risk absorbent profit sharing investment account in the Bank amounted to RM344,650,000. Both the principal amount and risk weighted asset are the same. This amount is reported as asset under management in the books of the Bank's Islamic Subsidiary. At the group level, the effect of the RWA risk absorbent profit sharing investment is eliminated.

30 June 2014

Group

Group (RM'000)

Exposure Class	Gross Exposures	Net Exposures	Risk Weighted Assets (RWA)	RWA Absorbed by PSIA	Total RWA after PSIA	Capital Requirement
<u>Credit Risk</u>						
<i>On-Balance Sheet Exposures</i>						
Sovereigns/Central Banks	31,450,845	31,450,845	5,711	-	5,711	457
Public Sector Entities	724,509	724,509	701,233	-	701,233	56,099
Banks, Development Financial Institutions & MDBs	5,022,496	5,022,496	1,290,497	-	1,290,497	103,240
Corporates	16,655,918	15,885,211	14,996,282	-	14,996,283	1,199,703
Regulatory Retail	6,356,968	6,192,796	4,671,639	-	4,671,639	373,731
Residential Mortgages	18,280,268	18,255,671	7,281,937	-	7,281,937	582,555
Higher Risk Assets	40	40	60	-	60	5
Other Assets	737,864	737,864	462,557	-	462,557	37,005
Equity Exposure	16,908	16,908	16,908	-	16,908	1,353
Defaulted Exposures	653,431	635,581	706,841	-	706,841	56,547
Total for On-Balance Sheet Exposures	79,899,247	78,921,921	30,133,665	-	30,133,666	2,410,695
<i>Off-Balance Sheet Exposures</i>						
OTC Derivatives	3,588,143	3,588,143	1,466,504	-	1,466,504	117,320
Off balance sheet exposures other than OTC derivatives or credit derivatives	13,257,204	12,991,254	11,058,343	-	11,058,343	884,667
Defaulted Exposures	233,000	218,619	326,953	-	326,953	26,156
Total for Off-Balance Sheet Exposures	17,078,347	16,798,016	12,851,800	-	12,851,800	1,028,143
Total On and Off-Balance Sheet Exposures	96,977,594	95,719,937	42,985,465	-	42,985,466	3,438,838
<u>Market Risk</u>						
	Long Position	Short Position				
Interest/Profit Rate Risk	68,016,738	67,675,825	340,913	1,314,392	1,314,392	105,151
Foreign Currency Risk	34,503	44,006	55,663	55,663	55,663	4,453
Option Risk	-	-	-	27,052	27,052	2,164
	68,051,241	67,719,831	396,576	1,397,107	1,397,107	111,768
Operational Risk	-	-	-	5,684,531	5,684,531	454,762
Total RWA and Capital Requirement	-	-	-	50,067,103	50,067,104	4,005,368

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

1) Credit Risk (Cont'd)

iii) Counterparty Credit Risk (Cont'd)

At 31 December 2013, the RWA risk absorbent profit sharing investment account in the Bank amounted to RM629,760,000. Both the principal amount and risk weighted asset are the same. This amount is reported as asset under management in the books of the Bank's Islamic Subsidiary. At the group level, the effect of the RWA risk absorbent profit sharing investment is eliminated.

31 December 2013

Group

Group (RM'000)

Exposure Class	Gross Exposures	Net Exposures	Risk Weighted Assets (RWA)	RWA Absorbed by PSIA	Total RWA after PSIA	Capital Requirement
<i>Credit Risk</i>						
<i>On-Balance Sheet Exposures</i>						
Sovereigns/Central Banks	25,541,207	25,541,207	-	-	-	-
Public Sector Entities	88,283	88,283	19,216	-	19,216	1,537
Banks, Development Financial Institutions & MDBs	7,461,858	7,461,858	1,763,883	-	1,763,883	141,111
Corporates	17,243,190	16,537,877	15,661,549	-	15,661,549	1,252,924
Regulatory Retail	6,763,053	6,592,947	4,976,168	-	4,976,168	398,093
Residential Mortgages	17,492,155	17,467,280	6,965,913	-	6,965,913	557,273
Higher Risk Assets	48	48	72	-	72	6
Other Assets	1,141,014	1,141,014	823,278	-	823,278	65,862
Equity Exposure	16,908	16,908	16,908	-	16,908	1,353
Defaulted Exposures	565,927	554,076	577,322	-	577,322	46,186
Total for On-Balance Sheet Exposures	76,313,643	75,401,498	30,804,309	-	30,804,309	2,464,345
<i>Off-Balance Sheet Exposures</i>						
OTC Derivatives	4,157,766	4,157,766	1,862,980	-	1,862,980	149,038
Off balance sheet exposures other than OTC derivatives or credit derivatives	12,917,612	12,624,568	10,694,514	-	10,694,514	855,561
Defaulted Exposures	192,713	174,391	259,702	-	259,702	20,776
Total for Off-Balance Sheet Exposures	17,268,091	16,956,725	12,817,196	-	12,817,196	1,025,375
Total On and Off-Balance Sheet Exposures	93,581,734	92,358,223	43,621,505	-	43,621,505	3,489,720
<i>Market Risk</i>						
	<u>Long Position</u>	<u>Short Position</u>				
Interest/Profit Rate Risk	74,737,558	74,066,002	671,556	1,666,143	-	1,666,143
Foreign Currency Risk	68,331	61,926	68,331	68,331	-	68,331
Option Risk	-	-	-	335,417	-	335,417
	74,805,889	74,127,928	739,887	2,069,891	-	2,069,891
Operational Risk	-	-	-	5,632,809	-	5,632,809
Total RWA and Capital Requirement	-	-	-	51,324,205	51,324,205	4,105,936

Note:

MDBs - Multilateral Development Banks

OTC - Over the counter

Refer to Note 33 of the unaudited condensed interim financial statements at 30 June 2014 for disclosure of off-balance sheet and Note 31 for disclosure of counterparty credit risk.

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

1) Credit Risk (Cont'd)

iii) Counterparty Credit Risk (Cont'd)

The tables below are disclosures on credit risk by risk weights of the Group at balance sheet date.

30 June 2014

Group

Group (RM'000)

Risk Weights	Exposures after Netting and Credit Risk Mitigation									Total Exposures after Netting & Credit Risk Mitigation	Total Risk Weighted Assets
	Sovereigns & Central Banks	PSEs	Banks, MDBs and DFIs	Corporates	Regulatory Retail	Residential Mortgages	Higher Risk Assets	Other Assets	Equity		
0%	31,422,292	-	-	8,289	17,724	-	-	275,356	-	31,723,661	-
20%	28,553	144,437	6,458,830	1,502,246	20,839	-	-	-	-	8,154,905	1,630,981
35%	-	-	-	-	-	15,451,501	-	-	-	15,451,501	5,408,026
50%	-	25,799	1,978,599	468,165	8,407	1,269,764	-	-	-	3,750,734	1,875,365
75%	-	-	-	1,200	7,944,785	3,100,721	-	-	-	11,046,706	8,285,030
100%	-	967,837	245,604	21,903,328	370,511	1,238,565	-	462,504	16,908	25,205,257	25,205,257
150%	-	11,853	127,907	181,874	58,322	7,091	122	-	-	387,169	580,753
1250.0%	-	-	-	-	-	-	-	4	-	4	53
Total Risk Weight										95,719,937	42,985,465
Average Risk Weight	0%	89%	31%	94%	76%	46%	150%	63%	100%	45%	

31 December 2013

Group

Group (RM'000)

Risk Weights	Exposures after Netting and Credit Risk Mitigation									Total Exposures after Netting & Credit Risk Mitigation	Total Risk Weighted Assets
	Sovereigns & Central Banks	PSEs	Banks, MDBs and DFIs	Corporates	Regulatory Retail	Residential Mortgages	Higher Risk Assets	Other Assets	Equity		
0%	25,551,118	-	-	8,299	17,747	-	-	317,735	-	25,894,899	-
20%	-	92,104	9,281,178	1,302,431	49,600	-	-	-	-	10,725,313	2,145,063
35%	-	-	-	-	-	14,881,558	-	-	-	14,881,558	5,208,545
50%	-	-	2,015,630	585,844	11,938	1,133,367	-	-	-	3,746,779	1,873,390
75%	-	-	-	1,528	8,287,389	3,072,845	-	-	-	11,361,762	8,521,321
100%	-	3,034	197,515	22,896,138	419,666	1,140,824	-	823,278	16,908	25,497,363	25,497,363
150%	-	-	34,041	194,744	12,769	8,855	140	-	-	250,549	375,823
Total Risk Weight										92,358,223	43,621,505
Average Risk Weight	0%	23%	27%	95%	76%	46%	150%	72%	100%	47%	

Note:

MDBs - Multilateral Development Banks

DFIs - Development Financial Institutions

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

2) Interest rate risk / profit rate risk

A summary of the Value at Risk (VAR) position of the Bank and its fully owned subsidiary, HSBC Amanah Malaysia Berhad's trading portfolios at the reporting date is as follows:-

Bank (RM'000)	At 30 Jun 2014	Average	Maximum	Minimum
Foreign currency risk	339	659	3,708	204
Interest rate risk	6,632	5,052	12,984	3,144
Credit spread risk	442	523	860	378
Overall	6,462	5,087	13,057	2,884
HSBC Amanah Malaysia Berhad (RM'000)	At 30 Jun 2014	Average	Maximum	Minimum
Foreign currency risk	80	52	157	6
Profit rate risk	29	46	100	27
Credit spread risk	-	2	134	-
Overall	73	71	186	30

Bank (RM'000)	At 31 Dec 2013	Average	Maximum	Minimum
Foreign currency risk	501	852	2,272	280
Interest rate risk	4,654	5,496	8,247	2,933
Credit spread risk	770	1,015	1,615	284
Overall	4,300	5,534	8,503	2,813
HSBC Amanah Malaysia Berhad (RM'000)	At 31 Dec 2013	Average	Maximum	Minimum
Foreign currency risk	130	65	279	7
Profit rate risk	84	141	336	83
Credit spread risk				
Overall	176	147	328	89

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

2) Interest rate risk / profit rate 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-14	31-Dec-13
	RM'000	RM'000
+100 basis points parallel shift in yield curves	263,612	269,486
-100 basis points parallel shift in yield curves	(311,348)	(255,496)
+25 basis points at the beginning of each quarter	189,995	175,741
-25 basis points at the beginning of each quarter	(201,243)	(173,386)

The sensitivity of reported reserves in "other comprehensive income" to interest/profit rate movements is 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-14	31-Dec-13
	RM'000	RM'000
+100 basis points parallel shift in yield curves	(102,672)	(74,472)
-100 basis points parallel shift in yield curves	102,672	74,472

The increase or decline in economic value for upward and downward rate shocks for measuring interest rate risk/rate of return risk in the banking book are as follows:

Change in projected economic value of equity arising from a shift in interest/profit rates of:	30-Jun-14	31-Dec-13
	RM'000	RM'000
+200 basis points parallel shift in yield curves	589,641	680,057
-200 basis points parallel shift in yield curves	(502,219)	(632,513)

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

3) Shariah Governance (for HSBC Amanah Malaysia Berhad only)

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 HSBC Amanah Malaysia Berhad ("HBMS"), a fully owned Islamic subsidiary 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 Bank Negara Malaysia ('BNM') and Securities Commission 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 HBMS 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 HBMS.

b. Shariah Committee

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

c. CEO and Management

To be responsible for 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 on the internal control system for Shariah compliance.

e. Shariah Department

i) Shariah Review

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

To ensure that all procedural guidelines, rules and regulations issued by BNM 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.

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

3) Shariah Governance (Cont'd)

Qualitative Disclosures - Key Components and Core Shariah Functions in Implementing and Monitoring the Shariah Governance Practices as per SGF (Cont'd)

e. Shariah Department (Cont'd)

ii) Shariah Advisory

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 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.

v) Knowledge and Skills Management

To monitor the level of Shariah related knowledge and skills by the staff involved in the cycle of HBMS's products.

Quantitative Disclosure

During the half financial year ended 30 June 2014, the following transactions are recorded in the Shariah Penalty & Impure Income Account (the Account):

- (i) The amount of MYR14,564 in the Account was carried forward from 2013 pending distribution in 2014.
- (ii) Income from inadvertent Shariah non-compliant activities identified by HBMS's management amounting to MYR48,702 in 2014 (as at 30 June 2014) has been reversed to the Account.

Other than the above, there were no other Shariah non-compliance income or other transactions which occurred during the half year ended 30 June 2014.