KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD
(672174-T)
(Incorporated in Malaysia)

Directors' Report and Audited Financial Statements as at 31 December 2012

Registered Office:
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1 PERFORMANCE OVERVIEW

The Group and the Bank registered a profit before tax of RM90.4 million and RM93.3 million respectively for the financial year ended 31 December 2012. The Group operating revenue increased by 7.6% in 2012 to RM494.4 million.

The Group's Risk Weighted Capital Ratio and Core Capital Ratio as 31 December 2012 stood at a commendable 19.45% and 15.44% respectively.

2 STATEMENT OF CORPORATE GOVERNANCE

(i) Board responsibility and oversight

Kuwait Finance House (Malaysia) Berhad (hereinafter referred to as "the Bank") acknowledges that good corporate governance practices form the cornerstone of an effective and responsible organisation. The Bank continuously pursues its efforts in implementing a corporate governance framework and structure which ensures protection of shareholder’s rights as well as recognition of the rights of all other stakeholders ranging from customers, creditors, suppliers, employees, regulators and the community.

Roles and Responsibilities of the Board

As a custodian of corporate governance, the Board provides strategic direction and effective control of the Bank with a view to preserve the Bank's long term viability whereby the Board reviews and evaluates the strategic planning process and monitors the implementation of the strategy carried out by the management.

In safeguarding the Bank’s assets, shareholder’s investment and stakeholders' interest, the Board also ensures that the Bank is equipped with an effective system of internal control, and that there is a satisfactory framework of reporting on internal financial controls and regulatory compliance, as well as an effective risk management system, which effectively monitors and manages the principal risks of the business.

Accountability is part and parcel of governance in the Bank as whilst the Board is accountable to the shareholder, the management is accountable to the Board. The Board ensures that the management acts in the best interests of the Bank and its shareholder, by working to enhance the Bank's performance.

The Board oversees the conduct of the Bank’s businesses by ensuring that the business is properly managed by a management team of the highest calibre.
2 STATEMENT OF CORPORATE GOVERNANCE (Cont'd.)

(i) Board responsibility and oversight (Cont'd.)

There is a clear division of responsibility between the Board and the management. The Chief Executive Officer is supported by her team of senior management who are responsible for the implementation of Board resolutions, overall responsibilities of the day-to-day operations of the Bank's business and operational efficiency.

Board Balance

The Board currently has eight (8) members, comprising four (4) independent non-executive directors, four (4) non-independent non-executive directors.

Directors' Profile

Dr. Nabeel A E A Al-Mannae
Chairman
Independent non-executive director

(63 years of age – Kuwaiti) PhD. in Economics from the University of Miami (1987), Florida, Masters of Arts (Economics) from Florida International University (1983) and a Degree in Commerce (Economics) from the Kuwait University.

Dr. Nabeel had served at the Central Bank of Kuwait in a career that spanned 21 years from 1987 to 2008, held numerous key positions including as the Deputy Governor for a period of 10 years.

He had also been the Board Member for various corporations in Kuwait and Member of various national and international specialized committees. He joined Kuwait Finance House as Vice Chairman on 14 March 2011.

He was appointed as Director and Chairman of the Bank on 5 September 2011.

Shaheen H A KH SH Alghanem
Deputy Chairman
Non-Independent non-executive director

(45 years of age - Kuwaiti) Master of Business Administration, General Management Program, Certified Management Accountants, Bachelor of Commercial in Accountancy.

Mr. Shaheen was with Kuwait National Petroleum Company (Oil Refinery) and International Investor in the State of Kuwait before joining Kuwait Finance House, as Manager in the Financial Control Department. He is now a Deputy Assistant General Manager in the Investment Sector of Kuwait Finance House.

He was appointed as Director of the Bank on 18 March 2007 and was the Chairman of the Bank from 6 August 2007 until 5 September 2011. He was redesignated as the Deputy Chairman of the Bank since 5 September 2011 to be in line with the requirements of BNM GPI-T.
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2 STATEMENT OF CORPORATE GOVERNANCE (Cont’d.)

(i) Board responsibility and oversight (Cont’d.)

_Dato’ Sri Abdul Hamidy Abdul Hafiz_
_Member_
_Independent non-executive director_

(57 years of age - Malaysian) Bachelor’s Degree in Business Administration and Master of Business Administration from Ohio University, USA.

_Dato’ Sri Hamidy has an extensive 30 years of experience in the Banking Industry. Dato’ Sri Hamidy was previously the Chief Executive Officer of Affin Bank Berhad. Currently, Dato’ Sri Hamidy is the Chairman of Credit Guarantee Corporation. Dato’ Sri Hamidy has also served on the Boards of several public listed companies in financial services and advisory panels._

_Dato’ Sri Hamidy was appointed as Director of the Bank on 11 June 2012._

_Khalid Sufat_
_Member_
_Independent non-executive director_

(57 years of age - Malaysian) Malaysian Institute of Certified Public Accountants ("MICPA"), Chartered Association of Certified Accountants (UK).

_En Khalid was appointed to the Board of the Bank on 3 January 2011. He is an Accountant by profession and a member of the Malaysian Institute of Accountants (MIA). He is also a Fellow of the Chartered Association of Certified Accountants, UK and also a member of the MICPA._

_He had considerable experience in the banking industry having held several senior positions, namely Managing Director of Bank Kerjasama Rakyat Malaysia Berhad, General Manager, Consumer Banking of Malayan Banking Berhad and Executive Director of United Merchant Finance Berhad._

_He had previously managed three listed companies, namely as Executive Director of Tronoh Mines Malaysia Berhad, as Deputy Executive Chairman of Furqan Business Organisation Berhad and as Group Managing Director of Seacera Tiles Berhad._

_His directorships in other public listed companies include Bina Puri Holdings Bhd, Tradewinds (M) Bhd, UMW Holdings Berhad and Chemical Company of Malaysia Berhad._
2 STATEMENT OF CORPORATE GOVERNANCE (Cont'd.)

(i) Board responsibility and oversight (Cont'd.)

**Gopala Krishnan A/L K Sundaram**  
**Member**  
**Independent non-executive director**

(58 years of age - Malaysian) Bachelor of Law L.L.B. (Hons.) (Mal) from Universiti Malaya, Kuala Lumpur.

Mr Gopala has served Bank Negara Malaysia for 30 years as a Project Advisor and Assistant Governor as well as held various senior positions in the Central Bank's Legal Department. During his tenure with BNM, he was extensively involved with legislative drafting, financial crises management, resolution of ailing financial institution and international technical assistance, among others.

He was appointed as Director of the Bank on 11 June 2012.

**Dr Paul Quigley**  
**Member**  
**Non-independent non-executive director**

(55 years of age - Irish) PhD. in Finance from University of Birmingham, United Kingdom.

Dr Quigley joined Kuwait Finance House, Kuwait as Chief Risk Officer in July 2011. Prior to that, he was the Chief Executive Officer of the Institute of Bankers in Ireland. He had also served as the General Manager, Risk Management and Architecture at AIB Group.

He was appointed as Director of the Bank on 13 December 2012.

**Mohamed Zaheer Mohamed Azreen**  
**Member**  
**Non-independent non-executive director**

(43 years of age – Sri Lankan) Chartered Institute of Management Accountants (CIMA) UK, Institute of Chartered Accountants (ICASL) of Sri Lanka, Institute of Certified Management Accountants (ICMA) of Sri Lanka, Certified Risk Analyst (CRA) US.

Mr Azreen was appointed to the Board of the Bank on 10 April 2011. He is an Associate Member of CIMA UK, an Associate Member of ICASL of Sri Lanka, a Fellow Member of ICMA of Sri Lanka and Charter holder of CRA.

Mr Azreen started his career as article clerk and then promoted as Manager Audit and Consultancy at KPMG Ford Rhodes Thornton & Co in Colombo, Sri Lanka in 1991. He then joined Messrs Ernst & Young (EY), Bahrain Office in October 1996 as the Senior Accountant and was assigned the responsibilities of managing business community training unit which provide in house training to EY employees and its clients on various accounting and finance disciplines. He then joined Kuwait Finance House, Kuwait (KFHK) in 1999 as Investment Manager, Direct Investment Department. He is currently the Senior Investment Manager, Direct Investment Department whereby he is responsible in managing a portfolio in excess of USD2billion distributed in different sectors and geographies.
2 STATEMENT OF CORPORATE GOVERNANCE (Cont’d.)

(i) Board responsibility and oversight (Cont’d.)

*Abdul Wahab I.A.A AlRushood*

*Member*

*Non-independent non-executive director*

(49 years of age – Kuwaiti) B.S Mathematics

Mr. Abdul Wahab worked with the Treasury Department of Gulf Bank for 14 years before joining the Treasury Department of Kuwait Finance House, Kuwait in 2002. He was appointed as Director of the Bank on 29 August 2007.

**Board Meetings**

During the financial year ended 31 December 2012, eighteen (18) Board meetings were held and attended by the directors. In the said Board meetings, reports on the progress of the Bank’s business operations, budgets, evaluation of business propositions and corporate proposals and other matters were tabled for deliberation, approval, endorsement and reviewed by members of the Board.

The agenda for every Board meeting together with management reports, proposals and supporting documents were circulated to all directors in advance prior to the scheduled Board meetings for their perusal.

Minutes of every Board meeting were also circulated to all directors for their perusal prior to confirmation of the minutes at the following Board meeting.

**Board Committees**

The Board is assisted by seven (7) Board Committees with specific terms of reference and functions, as follows:

**Board Audit Committee**

The Board Audit Committee ("BAC") consists of three (3) independent non-executive directors and two (2) non-independent non-executive director twelve (12) BAC meetings were held during the financial year. The members are as follows:

Khalid Sufat - Chairman
Mohamed Zaheer Mohamed Azreen
Shaheen H A KH SH Alghanem - Member (Appointed on 25 July 2012)
Dato’ Sri Abdul Hamidy Abdul Hafiz - Member (Appointed on 25 July 2012)
Gopala Krishnan A/L K Sundaram - Member (Appointed on 25 July 2012)
Professor Mohamed Ismail Mohamed Shariff - (Resigned on 11 June 2012)
Haji Ismail Ibrahim - (Resigned on 1 April 2012)
2 STATEMENT OF CORPORATE GOVERNANCE (Cont’d.)

(i) Board responsibility and oversight (Cont’d.)

**Board Audit Committee (Cont’d.)**

The roles and responsibilities of the BAC are to assist the Board in discharging its oversight duties and oversee the financial reporting process to ensure the balance, transparency and integrity of its published financial information. The BAC also reviews the effectiveness of the Bank’s internal financial control and risk management system, the internal audit function, the independent audit process including the appointment and assessing the performance of the external auditor, the process for monitoring compliance with laws and regulations affecting financial reporting and its code of business conduct.

**Board Risk Management Committee**

The Board Risk Management Committee (BRMC) consists of three (3) independent non-executive directors and one (1) non-independent non-executive director, seven (7) BRMC meetings and were held during the financial year. The members are as follows:

Dato’ Sri Abdul Hamidy Abdul Hafiz - Chairman (Appointed on 25 July 2012)
Khalid Sufat - Member
Mohamed Zaheer Mohamed Azreen - Member
Gopala Krishnan A/L K Sundaram - Member (Appointed on 25 July 2012)
Shaheen H A KH SH Alghanem - (Resigned on 25 July 2012)
Haji Ismail Ibrahim - (Resigned on 1 April 2012)

The roles and responsibilities of the BRMC are to oversee the senior management officers’ activities in managing credit, market, operational and other risks and to ensure that the risk management framework and process are robust and functions effectively. The BRMC also oversees the formulation of risk strategies on an on-going basis and addresses issues arising from changes in both the external business environment and internal operating conditions. The Risk Management function is overseen by the Chief Risk Officer, who reports to the BRMC.

In addition, the BRMC assists the Board in ensuring the effectiveness of the Bank’s daily operations so that the Bank’s operations are in accordance with the corporate objectives, strategies, annual budget as well as the approved policies and business directions.
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2 STATEMENT OF CORPORATE GOVERNANCE (Cont'd.)

(i) Board responsibility and oversight (Cont’d.)

Nominating Committee

The Nominating Committee ("NC") consists of three (3) independent non-executive directors and two (2) non-independent non-executive directors. Six (6) NC meetings were held during the financial year. The members are as follows:

Dr. Nabeel A E A Al-Mannae - Chairman
Shaheen H A KH SH Alghanem - Member
Abdul Wahab I.A.A. AlRushood - Member
Khalid Sufat - Member
Dato' Sri Abdul Hamidy Abdul Hafiz - Member (Appointed on 25 July 2012)
Mohamed Zaheer Mohamed Azreen - (Appointed on 17 May 2012 and Resigned on 25 July 2012)
Professor Mohamed Ismail Mohamed Shariff - (Resigned on 11 June 2012)
Haji Ismail Ibrahim - (Resigned on 1 April 2012)

The roles and responsibilities of the NC are to provide a formal and transparent procedure for the appointment of directors, Chief Executive Officer and key senior management personal, as well as assessment of the effectiveness of individual directors, the Board as a whole and the performance of the Chief Executive Officer and key senior management personnel.

Board Transformation Sub-Committee

The Board Transformation Sub-Committee ("BTSC") consists of one (1) non-independent non executive director and two (2) independent non-executive directors. Eight (8) BTSC meetings were held during the financial year. The BTSC was established on 22 March 2012 and its members are as follows:

Mohamed Zaheer Mohamed Azreen - Chairman
Khalid Sufat - Member
Gopala Krishnan A/l. K Sundaram - Member (Appointed on 25 July 2012)

The roles and responsibilities of the BTSC are to provide independent oversight for the implementation of the Bank's transformation plan as a whole.
2 STATEMENT OF CORPORATE GOVERNANCE (Cont’d.)

(i) Board responsibility and oversight (Cont’d.)

Remuneration Committee

The Remuneration Committee ("RC") consists of two (2) independent non-executive directors and two (2) non-independent non-executive directors. Six (6) RC meetings were held during the financial year. The members are as follows:

Dr. Nabeel A E A Al-Mannaee - Chairman (Appointed on 25 July 2012)
Abdul Wahab I.A.A. AlRushood - Member
Mohamed Zaheer Mohamed Azreen - Member
Gopala Krishnan A/L K Sundaram - Member (Appointed on 25 July 2012)
Professor Mohamed Ismail Mohamed Shariff - (Resigned on 11 June 2012)
Khalid Sufat - Member (Resigned on 25 July 2012)

The roles and responsibilities of the RC are to provide a formal and transparent procedure for developing remuneration policy for directors, Chief Executive Officer and key management personnel as well as to ensure that the Bank’s compensation packages are competitive and consistent with the Bank’s culture, objectives and strategies.

Board Credit & Investment Committee

The Board Credit & Investment Committee ("BCIC") consists of three (3) non-independent non-executive directors and one (1) independent non-executive director. Seventeen (17) BCIC meetings were held during the financial year. The members are as follows:

Shaheen H A KH SH Alghanem - Chairman
Abdul Wahab I.A.A. AlRushood - Member
Mohamed Zaheer Mohamed Azreen - Member
Dato’ Sri Abdul Hamidy Abdul Hafiz - Member (Appointed on 25 July 2012)
Haji Ismail Ibrahim - Member (Resigned on 1 April 2012)

The roles and responsibilities of the BCIC are primarily to oversee the approval of credit and Treasury’s investment proposals, reviews, restructuring, collections and recovery matters, and other operational and administrative requests that exceeds the authority delegated to the Management Credit Committees and Treasury Investment Committee.
2 STATEMENT OF CORPORATE GOVERNANCE (Cont'd.)

(i) Board responsibility and oversight (Cont'd.)

**Board Recovery Committee**

The Board Recovery Committee ("BRC") consists of one (1) non-independent non-executive director and two (2) independent non-executive directors. Five (5) BRC meetings were held during the financial year. The BRC was established on 13 September 2012 and its members are as follows:

Dato' Sri Abdul Hamidy Abdul Hafiz - Chairman
Gopala Krishnan A/L K Sundaram - Member
Mohamed Zaheer Mohamed Azreen - Member

The main objectives of the BRC are to optimize collections and recovery actions with a view to maximize returns to the Bank, to protect the Bank's interest and reputation and to provide guidance and direction to the Special Asset Management team.

(ii) Internal audit and internal control activities

The Board is responsible for the Bank's system of internal controls and its effectiveness. Such a system is designed to manage the Bank's risks within an acceptable risk level and profile, rather than to eliminate all risk of failure, as well as to achieve the policies and business objectives of the Bank. Accordingly, it provides reasonable assurance and not absolute assurance against material misstatement of management and financial information and records or against financial losses or fraud.

**Internal controls**

The key processes below have been established in reviewing the adequacy and integrity of the system of internal controls.

The Internal Audit Division examines the Bank and its subsidiaries for compliance with policies, procedures, applicable law, rules and regulations and assesses the effectiveness of the internal control systems, highlighting findings that carry significant financial and non-financial impact to the Bank. Status of implementation of action plans to address the findings are closely monitored and reported to the Board Audit Committee ("BAC"). The annual audit plan, prioritised based on risks associated with key business processes is reviewed and approved by the BAC.

The Internal Audit Division is also responsible for the identification of internal control and corporate governance issues, in addition to the findings by the external auditors, regulatory authorities and management as well as evaluating the adequacy and effectiveness of the Bank's risk management and internal control systems. The Internal Audit Division is monitored by the BAC with particular emphasis on the scope of audits, quality of internal audits, audit implementation and independence of the Internal Audit Division of the Bank.
2 STATEMENT OF CORPORATE GOVERNANCE (Cont'd.)

(ii) Internal audit and internal control activities (Cont'd.)

*Internal controls (Cont'd.)*

Operational Committees that have been established include the Human Resource Committee, Information Technology Steering Committee, Management Audit Committee, Operational Risk Management Committee, Tender Committee and Business Continuity Management Committee.

The effectiveness of the Bank's daily operations is monitored and reviewed by the Board Risk Management Committee ("BRMC") so that the Bank's operations are in accordance with the corporate objectives, strategies, annual budget as well as approved policies and business directions.

An on-going process of identifying, evaluating and managing the significant risks faced by the Bank is monitored by the BRMC, which includes updating the system of internal controls when there are changes to the business environment or regulatory guidelines. The process is also regularly reviewed by the Board in order to comply with the regulatory guidelines for directors on internal control, Islamic financial institutions and the Statement on Internal Control.

*Management reports*

Management reports are presented to and reviewed by the Board on a regular basis. In addition to the financial statements, other reports tabled before the Board at periodical meetings include the reports on monitoring of compliance with banking laws and other Bank Negara Malaysia's guidelines on financing, capital adequacy and other regulatory requirements, as well as monthly progress reports on business operations.

The annual business plan and budgets that are prepared by the Bank's business units are also reviewed and approved by the Board.

The Bank has also put in place policies, guidelines and authority limits imposed on Executive/ Managing Director and management within the Bank in respect of the day-to-day banking and financing operations, extension of credits, investments, acquisitions and disposal of assets.

In addition, proper policies and guidelines are in place within the Bank in relation to hiring and termination of employees, formal training programmes for employees, annual/ semi-annual performance appraisals and other relevant procedures to ensure the employees are competent and adequately trained in carrying out their responsibilities.
2 STATEMENT OF CORPORATE GOVERNANCE (Cont’d.)

(iii) Risk Management

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Risk management disclosures provided in line with the requirements of the Financial Reporting Standard ("MFRS") 7 Financial Instruments: Disclosures, and disclosures on capital management as required by MFRS 101 Presentation of Financial Statements (Revised) form part of the financial statements audited by the Bank's independent auditors Ernst & Young. This information (the audited texts and tables) is marked by a bar on the left-hand side throughout this report and incorporated by cross-reference into the financial statements of this report.

Highlights of major achievements

The Bank has been taking proactive measures to manage various risks posed by the rapidly changing business environment. These risks, which include credit risk, market risk, liquidity risk, reputational risk, business risk, strategic risk and operational risk are systematically managed within the Bank's risk governance, infrastructure and tools.

During the year under review, the Bank has successfully implemented and/or developed few major initiatives to address the above risks. The major achievements of the Bank include:

- The Bank has implemented a robust Integrated Risk Management Solution (IRMS) system to calculate Pillar 2 and stress testing capital requirements for future events that could have impact on the organisation, particularly in a volatile environment.

- The Bank has formally established risk appetite statements and embedded it in the strategic business plan and annual budget formulation process.

- The Bank had formulated a liquidity crisis framework and a robust Contingency Funding Liquidity Blueprint, in addition to the existing Contingency Funding Plan, by outlining more detail action plans to address any potential liquidity crisis.

- The Bank commenced the calculation of Basel III liquidity ratios i.e. liquidity coverage ratio, net stable funding requirement and leverage ratio from June 2012.

- The Bank adopted PV01, a measurement tool for profit rate risk for trading of sukuk and Net Open Position limit to mitigate potential loss arising from market risk.
2 STATEMENT OF CORPORATE GOVERNANCE (Cont'd.)

(iii) Risk Management (Cont'd.)

**Highlights of major achievements (Cont'd.)**

- The Bank employed a sophisticated business intelligence tool to produce more granular portfolio reports for management and decision making process.

- The Bank continued to pro-actively review its credit policies and guidelines to effectively address various risks inherent in the Bank's business activities.

- The Bank strengthened the ability of collating more operational risk data with implementation of an enhanced Operational Risk Management System.

- The Bank further refined the ERASE anti-money laundering system with better efficiency in detecting and capturing potential money laundering activities.

**Moving on FY2013**

As part of the long term Transformation Program initiatives, the Bank has embarked on long term risk management enhancement initiatives with the objective to build for the Bank a robust risk management infrastructure with capabilities that commensurate with the business sophistication and later for new business areas.

**Risk Management Framework**

The Board has delegated the responsibility of reviewing the effectiveness of risk management to the Board Risk Management Committee ("BRMC"). The BRMC assists the Board to review and oversee the effectiveness of the risk management of the Bank whilst the Risk Management Department would facilitate to institutionalise the continuous monitoring and evaluating of the bank's risk management practices. Any policy and framework formulated to identify, measure, and monitor various risk components would be reviewed and recommended by the BRMC to the Board for approval.

The BRMC also reviews and assesses the adequacy of these risks management policies and ensures sufficient infrastructure, resources and systems are in place for risk management. The risk management principles, policies, procedures and practices are updated regularly to ensure relevance and compliance with current/ applicable laws, regulations, and changes in business environment and are made available to all employees.
2 STATEMENT OF CORPORATE GOVERNANCE (Cont'd.)

(iii) Risk Management (Cont'd.)

Three Lines of Defence Concept

The Bank adopts the concept of three (3) lines of defence i.e. risk taking units, risk control units and internal audit. The risk taking units responsible for the day-to-day management of risks assumed by them in their business activities while the risk control units are responsible for provision of specialised resources for setting the risk management framework and developing appropriate risk management tools and methodologies. Additionally, internal audit complements the concept by providing independent assurance of the effectiveness of the risk management process and approaches implemented by the Bank.

Credit Risk Management

The Bank defines credit risk as the risk of potential loss arising from a customer defaulting on its obligation to the Bank. In 2012, the corporate and commercial financing segment continues to contribute major share of the Bank's financing and investment assets. In addition, the retail and consumer financing segment has also grown from 19% of the Bank's total financing assets in 2011 to 25% of the Bank's total financing assets in 2012 as a result of the business initiatives and strategies that were implemented to grow the retail and consumer banking segment.

Credit risk is restricted by exposure limits set at individual customers, customer group levels and at portfolio level. The financing and investment limit structure provides the approval matrix for all types of financing and investment sanctioned by the Bank which are monitored by Credit Risk Management and by the Management Credit and Investment Committee.

The Credit Management team, consisting of independent full time credit personnel, plays a central role in analyzing, reviewing and monitoring transactional credits pertaining to corporate, commercial and retail financing activities. Counterparty risk is restricted and monitored at the customer level which is in accordance to the BNM/GPS definition and internal practice.

The Bank's credit risk policies and guidelines set the principles, by which the Bank and its related subsidiaries conduct their credit risk management activities. It ensures credit risk underwriting consistency across the Bank and provides guidance in the formulation of supplementary credit policies and practices specific to business units.

The Credit Risk Management team has made progress in ensuring that more relevant and granular reports are presented to the Management by using the latest business intelligence tools. The team has also made the business intelligence tools available to the Retail and Consumer Banking Department and the Retail Credit Management Department. This will allow the users to physically make changes and customize different forms of analysis right at their fingertips, which will be extremely useful for performance monitoring and identification of business credit risks and opportunities.
2 STATEMENT OF CORPORATE GOVERNANCE (Cont'd.)

(iii) Risk Management (Cont'd.)

Market Risk Management

The objective of market risk management is to ensure that all activities which expose the Bank to market risks are properly controlled, managed and monitored.

Market risk is defined as the risk of losses or reduction in values in on- and off-balance sheet positions arising from movements in market prices. Specifically, the following positions may be exposed to market risk:

- Financial instruments (including hedging financial instruments);
- Foreign exchange including gold;
- Inventories; and
- Commodities.

Liquidity Risk Management

Liquidity risk is defined as inability of the Bank to meet cash flow obligations in a timely and cost-effective manner. It arises when the Bank does not have sufficient maturing assets to cover maturing liabilities that are not rolled over. The Bank adopts the BNM's New Liquidity Framework as a foundation in managing its liquidity. The objective of liquidity risk management is to ensure that cash needs can always be met at reasonable cost, either by:

- Maturity or sale of assets; or
- Acquisition of deposits or additional funding from the Islamic money markets.

The Bank has also adopted 3-days Liquidity Coverage Ratio as a liquidity risk management tool to ensure the next 3 days cashflow obligations is sufficient.

Liquidity risk management function is overseen by Asset and Liability Committee ("ALCO"), which is guided by the Bank's Asset and Liability Management Policy.
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2 STATEMENT OF CORPORATE GOVERNANCE (Cont’d.)

(iii) Risk Management (Cont’d.)

Profit Rate (Rate of Return) Risk Management

Profit rate risk refers to movements in profit rates that can expose the Bank to higher funding costs or lower investment and financing yields. Due to the nature of the Bank’s business, changes in profit rates can adversely affect the Bank in the form of lower net revenue depending on the mix and form of assets and liabilities.

The profit rate risk management function is overseen by ALCO chaired by Chief Executive Officer with members comprising the senior management representing major business units, Finance Division and Risk Management Department.

The primary aim of profit rate risk management is to maintain the Bank’s profit rate risk exposure within acceptable parameters when there is a change in the market profit rate. Profit rate risk limits shall provide the means for achieving this objective.

ALCO had set the limits for the following ratios:

• The total of non rate sensitive financing over the Bank’s total financing; and

• The 3 months rate sensitive assets over the 3 months rate sensitive liabilities.

Operational Risk Management ("ORM")

The Bank emphasises high importance of having sufficient and effective processes and procedures to regularly identify, assess, monitor and control the operational risk inherent in the Bank’s daily business and operational activities. The ORM Policy has been established aiming at managing the operational risk throughout the Bank and is aligned with the Bank’s business strategy. Operational risk is defined as the risk of losses resulting from either inadequate or failed internal processes, people and systems or from external events which includes legal risk, reputational risk and Shariah compliance risk but excludes strategic risk.

Various operational risk tools have been implemented by the Bank namely Risk Event/ Incident Reporting, Risk Assessment Scorecard and Risk Control Self Assessment. The infrastructure of collecting and monitoring operational risk data is further strengthened with the implementation of Operational Risk Management System. The system enables the Bank to capture and monitor all operational risk information in a single platform.

Additionally, as the function of Shariah risk management also resides within the ORM function, the ORM is also responsible to systematically identify, measure, monitor and control the Shariah non-compliance risks with an objective to mitigate the recurrence of shariah non-compliance incidence. This function is performed with the cooperation of Shariah Division to ensure it is properly managed.
2 STATEMENT OF CORPORATE GOVERNANCE (Cont'd.)

(iii) Risk Management (Cont'd.)

Operational Risk Management (ORM) (Cont'd.)

All operational risk related issues are escalated to Operational Risk Management and Compliance Committee ("ORMCC"). ORMCC deliberates and provides directions on the appropriate actions to be implemented in order to mitigate the recurrence of such risks.

Effective from Q4 2012, in order to promote the high standards of the overall corporate governance practices within the Bank, the governance related function of maintaining and reviewing the terms of reference of the Bank’s committees and delegated discretionary powers have been centralised under the ORM.

In addition, new and variation of existing products and services are subjected to risk review by ORM and sign-off by the Chief Risk Officer. This is to ensure that all the inherent risks arising from the Bank’s products and services are properly identified and effective control measures are implemented.

Regulatory & Anti-Money Laundering Compliance ("RAC")

Under the Bank’s Compliance Policy, the line management plays an important role in cultivating a compliance culture within the organisation. The Bank has appointed Business Unit Compliance Officers ("BUCOs") at divisional/ departmental level who are responsible to identify applicable regulatory requirements at their respective divisions/ departments and to keep RAC informed on an ongoing basis of the quality of compliance, compliance deficiencies, gaps in work processes and the status of any corrective actions.

As a fully licensed Islamic Bank, KFHM has a legal obligation to deter money laundering and counter financing of terrorism within the ambit of the Anti-Money Laundering and Anti-Terrorism Financing Act 2001 ("AMLATFA"). As such, the Bank is at the forefront of the Government and BNM’s continuous initiatives in the prevention of the use of the banking system at any point for the money laundering or terrorist financing activities.

The Bank has demonstrated its full commitment of compliance with the Anti-Money Laundering/Counter Financing of Terrorism ("AML/CFT") requirements by establishing a robust and comprehensive framework, policies, procedures, processes and systems for the prevention and detection of money laundering and terrorist financing activities. Key measures undertaken by the Bank to mitigate the AML/CFT risks include:
2 STATEMENT OF CORPORATE GOVERNANCE (Cont'd.)

(iii) Risk Management (Cont'd.)

Regulatory & Anti-Money Laundering Compliance (RAC) (Cont'd.)

- Establishing Know Your Customer ("KYC") policy and procedures to address the establishment of new business relationship with customers.

- Implementing the ERASE anti-money laundering system since 15 July 2008. The system has enabled the Bank to effectively conduct ongoing monitoring on customer transactions through a dedicated Management Information System ("MIS") for prompt detection and reporting of suspicious transactions.

- Record keeping procedures in accordance with the statutory requirements.

- Conducting regular AML/CFT training sessions to ensure high level of staff awareness. In 2012, the Bank has conducted 35 training sessions for the staff inclusive of 2 training sessions for the Senior Management personnel and 1 training session for the Board of Directors.

- Updating the Management and BRMC on AMLCFT trend of the Bank.

The above measures especially with the implementation of a dedicated MIS to systematically conduct ongoing customer due diligence and to monitor the customers' transactions on a daily basis, demonstrate that the Bank including KFH Group has shown strong commitment in ensuring compliance to the relevant AML legislations.

Capital Adequacy Framework Initiatives

The Bank views with great importance having in place sound practices in managing the range of risks facing the Bank and its potential impacts on the Bank’s capital. Hence, the Capital Planning Unit has continued to complement the risk management practices that is carried out in the Bank. The Unit is also tasked to ensure the successful adoption of Pillar 1, 2 and 3 under BNM Capital Adequacy Framework for Islamic Bank ("CAFIB").

Pillar 1

Under BNM CAFIB which specifies the risk measurement methodologies to calculate minimum capital requirements to be held by Islamic banks, the Bank has adopted the following approaches:

- Credit Risk Charge – Standardised Approach
- Market Risk Charge – Standardised Approach
- Operational Risk Charge – Basic Indicator Approach
2 STATEMENT OF CORPORATE GOVERNANCE (Cont'd.)

(iii) Risk Management (Cont'd.)

Capital Adequacy Framework Initiatives (Cont'd.)

The Bank was in compliance with all regulatory capital ratios prescribed under Pillar 1 throughout the year.

Pillar 2 (Internal Capital Adequacy Assessment Process – ICAAP)

The Bank is currently undergoing an ICAAP implementation process as per BNM CAFIB – Internal Capital Adequacy Assessment Process (Pillar 2), as part of its effort to ensure adequate capital is available to support its activities and operations at all times which is in line with BNM guidelines and international best practices.

The Bank has carried out a comprehensive assessment of its existing capital and risk management practices against expectations set forth in the BNM Guideline. The Bank's ICAAP framework is very much aligned to KFH Group’s ICAAP implementation inclusive of these rationalised efforts:

- Adoption of KFH Group Risk Appetite Framework;
- Implementation of KFH Group IRMS which provides standardised risk assessment system for the Group; and
- Participation in and support of KFH Group’s 5-year Capital Plan.

The Bank will use ICAAP in assessing the overall capital adequacy in relation to its risk profile and take necessary steps to strengthen the risk and capital management capability. To achieve that, a comprehensive Capital Plan is being developed under the ICAAP framework for submission to BNM by Q1 2013.

Pillar 3

The Bank is also in compliance with the BNM CAFIB – Disclosure Requirements (Pillar 3) which specifies the disclosure requirements for credit, market and operational risks.

Stress Test

The stress test and scenario analysis serves as an important tool to assess the financial risks and management capability of the Bank, to continue operating effectively under stressed scenarios. The stress test and scenario analysis assists the BRMC and the Bank’s senior management in:
2 STATEMENT OF CORPORATE GOVERNANCE (Cont'd.)

(iii) Risk Management (Cont'd.)

Capital Adequacy Framework Initiatives (Cont'd.)

Stress Test (Cont'd.)

- Evaluating the optimal capitalisation level for the Bank to weather extreme banking scenarios;
- Understanding the nature and key risk profiles of the Bank;
- Developing adequate contingency plans and strategies; and
- Assessing the effectiveness of established risk mitigants.

The first results of Pillar 2 and stress test based on data as at Q1 2012 has been approved by the Board and submitted to BNM together with the IRMS methodology used in preparing the report. The IRMS report consists of Pillar 2 calculation and stress test results and is based on a predefined scenarios which are as follows:

- Economic Recession Scenario;
- Generalised Credit Quality Deterioration and Asset Price Devaluation Scenario; and
- Severe Liquidity Stress and Run on the Bank.
The directors have pleasure in presenting their report together with the audited financial statements of the Group and the Bank for the financial year ended 31 December 2012.

PRINCIPAL ACTIVITIES

The Bank is principally engaged in the Islamic banking business as allowed under the Islamic Banking Act, 1983.

The principal activities of the subsidiaries are the provisions of offshore banking, nominees services, fund management and asset management.

There have been no significant changes in the nature of the principal activities during the financial year.

RESULTS

<table>
<thead>
<tr>
<th></th>
<th>Group RM'000</th>
<th>Bank RM'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net profit for the year</td>
<td>60,494</td>
<td>63,490</td>
</tr>
</tbody>
</table>

There were no material transfers to or from reserves or provisions during the financial year other than those as disclosed in Notes 9, 30, 31 and the statements of changes in equity of the financial statements.

In the opinion of the directors, the results of the operations of the Group and the Bank during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature other than the first-time adoption of Malaysian Financial Reporting Standards ("MFRS") Framework and changes in accounting policies as disclosed in Note 3.2 to the financial statements.

The MFRS Framework as issued by the Malaysian Accounting Standards Board ("MASB") is fully compliant with International Financial Reporting Standards ("IFRS") that comprises standards as issued by the International Accounting Standards Board ("IASB") that are effective on 1 January 2012.

DIVIDENDS

No dividend has been paid or declared by the Bank since the end of the previous financial year. The directors do not recommend any dividend payment for the current financial year.
DIRECTORS

The names of the directors of the Bank in office since the date of the last report and at the date of this reporting period are as follows:

Dr. Nabeel A E A Al-Mannae (Chairman)
Shaheen H A KH SH Alghanem (Deputy Chairman)
Abdul Wahab I.A.A. AlRushood
Khalid Sufat
Mohamed Zaheer Mohamed Azreen
Dato’ Sri Abdul Hamidy Abdul Hafiz (Appointed on 11 June 2012)
Gopala Krishnan A/L K Sundaram (Appointed on 11 June 2012)
Dr Paul Quigley (Appointed on 13 December 2012)
Professor Mohamed Ismail Mohamed Shariff (Resigned on 11 June 2012)
Haji Ismail Ibrahim (Resigned on 1 April 2012)

DIRECTORS’ BENEFITS

Neither at the end of the financial year, nor at any time during that financial year, did there subsist any arrangements to which the Bank is a party whereby directors might acquire benefits by means of the acquisition of shares in, or debenture of the Bank or any other body corporate.

Since the end of the previous financial year, no director of the Bank has received or become entitled to receive any benefit (other than directors’ remuneration as disclosed in Note 36 of the financial statements) by reason of a contract made by the Bank or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has substantial financial interest except for those transactions arising in the ordinary course of business as disclosed in Note 39 to the financial statements.

DIRECTORS’ INTERESTS

According to the register of directors’ shareholdings, none of the directors held shares in the Bank and its related corporations during the financial year ended 31 December 2012.

ISSUE OF SHARES

There were no changes to the authorised, issued and paid-up capital of the Bank during the financial year.
RESERVES, PROVISIONS AND ALLOWANCES

There were no material transfers to or from reserves or provisions or allowances during the year other than those disclosed in the financial statements.

COMPLIANCE WITH BANK NEGARA MALAYSIA’S EXPECTATIONS ON FINANCIAL REPORTING

In preparation of the financial statements, the Directors have taken reasonable steps to ensure that Bank Negara Malaysia’s expectations on financial reporting have been complied with, including those as set out in Guidelines on Financial Reporting for Financial Institutions and the Guidelines on Classification and Impairment Provisions for Loans/Financing.

OTHER STATUTORY INFORMATION

(a) Before the income statements and statements of financial position of the Group and the Bank were made out, the directors took reasonable steps:

(i) to ascertain that proper actions had been taken in relation to the writing off of bad debts and the making of allowances for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate allowances had been made for doubtful debts; and

(ii) to ensure that any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.

(b) At the date of this report, the directors are not aware of any circumstances which would render:

(i) the amount written-off for bad debts or the amount of allowances for bad debts in the financial statements of the Group and the Bank inadequate to any substantial extent; and

(ii) the values attributed to the current assets in the financial statements of the Group and of the Bank misleading.

(c) At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuations of assets or liabilities of the Group and of the Bank misleading or inappropriate.

(d) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements of the Group and of the Bank which would render any amount stated in the financial statements misleading.
OTHER STATUTORY INFORMATION (Cont’d.)

(e) As at the date of this report, there does not exist:

(i) any charge on the assets of the Group or of the Bank which has arisen since the end of the financial year which secures the liabilities of any other person; or

(ii) any contingent liability of the Group and of the Bank which has arisen since the end of the financial year other than those arising in the normal course of business of the Group and of the Bank.

(f) In the opinion of the directors:

(i) no contingent liability or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group and of the Bank to meet its obligations as and when they fall due; and

(ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group or of the Bank for the financial year in which this report is made.

BUSINESS PLAN FOR 2013

Initiating the implementation of the Bank’s Strategic Business Plan, the Bank commenced its transformation agenda in second quarter of 2012 and continues to propel the implementation of the business plan in 2013 with a number of initiatives that will be implemented for the next two years until 2015. The Bank expects to achieve the same objective in 2013 by continuing to focus on four strategic thrusts namely balance sheet realignment, building internal capability, business growth and cost optimisation.

For 2013, the Bank will further build and strengthen its internal capability by introducing new business lines, enhancing existing IT infrastructure, core processes and human resource practices. The enhancement of existing IT infrastructure will be done through initiatives that are in line with the Bank’s new IT Strategic Plan to support the business. The key initiatives include upgrading the core banking system through enhancement or implementing new system. The Bank expects to benefit from the implementation of new credit process which will be implemented in the first quarter of 2013. Human Resource Transformation Plan is set to continue to strengthen the human resource of the Bank.

With these focused initiatives the Bank believes the customers will be better served and further heightened the competitiveness of the Bank. The Bank expects better performance in 2013.
OUTLOOK FOR 2013

The Malaysian economy is forecasted to grow between 4.5% to 5.5% y-o-y in 2013, from a forecast of 4.5% to 5.0% in 2012, supported by improving exports and strong domestic demand on the assumption that global growth will pick up, especially in the second half of 2013.

Consumer price inflation is expected to average about 2.2% in 2013, compared with an averaged 1.6% in 2012. The strengthening of the ringgit against US dollar, together with moderating in global food and fuel prices will help to contain inflationary pressure in 2013. It is expected that the central bank, Bank Negara Malaysia (BNM) will keep its main policy overnight policy rate ("OPR") unchanged at 3% in 2013. On the exchange rate, it is expected that the ringgit will stabilise in 2013 and stronger macroeconomic fundamentals expected in the second half of the year will push up the value against US dollar.

However, as it stands, Malaysia's economy remains vulnerable to external shocks. The global economy is still struggling to grapple with lingering concerns over the problems in the Eurozone and the recovery in the US economy as well as China. It is expected that the successful implementation of government initiatives will be crucial in sustaining the country's economic growth.

RATING BY EXTERNAL RATING AGENCY

<table>
<thead>
<tr>
<th>Rating Agency</th>
<th>Date</th>
<th>Current Rating</th>
<th>Outlook</th>
</tr>
</thead>
<tbody>
<tr>
<td>Malaysian Rating Corporation Berhad (MARC)</td>
<td>27 November 2012</td>
<td>AA+ / MARC-1</td>
<td>Stable</td>
</tr>
</tbody>
</table>

DISCLOSURE OF SHARIAH COMMITTEE

The Bank's business activities are subject to the Shariah compliance and conformation as advised by the Shariah Committee. Eight (8) Shariah Committee meetings were held and twenty five (25) Notes were issued during the financial year. The Shariah Committee comprises of five (5) qualified Shariah scholars who are appointed by the Board for a two-year term as follows:

(a) Sheikh Prof. Dr. Mohammad Abdul Razaq Al-Tabtabae (Chairman)
(b) Sheikh Dr. Anwar Shuaib Abdulsalam (Member)
(c) Sheikh Dr. Adnan Ali Ibrahim Al-Mulla (Member)
(d) Sheikh Isa Abdulla Yusuf Dowaishan (Member)
(e) Sheikh Dr. Engku Muhammad Tajuddin Engku Ali (Member)
DISCLOSURE OF SHARIAH COMMITTEE (Cont’d.)

The duties and responsibilities of the Shariah Committee among others are as follows:

(a) To advise the Board of Directors on Shariah matters in order to ensure that the business operations of the Bank comply with the Shariah principles at all times;

(b) To evaluate and endorse sample of contracts, agreements of the Bank's transactions;

(c) To clarify Shariah rulings in relation to the Bank's transactions as observed by the Committee based on what was referred to them by the Board of Directors, the Chairman or the Shariah Division;

(d) To present Shariah's views to the Board of Directors in relation to any matter raised in regards to the transactions of the Bank;

(e) To confirm that the Bank’s transactions and contracts are in compliance with Shariah via reports submitted by the Shariah Advisor/Shariah Division to the Shariah Committee on a periodic basis, explaining the activities and the implementation of the fatwa and rulings issued by the Shariah Committee. The Shariah Committee shall rectify any shortcomings to ensure its conformity to Shariah;

(f) To provide written Shariah opinion. The Shariah Committee is required to record any opinion given. In particular, the Shariah Committee shall prepare written Shariah opinions in the following

(i) when the Bank makes reference to the Shariah Advisory Council (“SAC”) of Bank Negara Malaysia for advice; and

(ii) when the Bank submits applications to Bank Negara Malaysia for the approval of new products in accordance with guidelines on product approval issued by Bank Negara Malaysia;

(g) To review annual financial statements of the Bank.

ZAKAT OBLIGATIONS

Kuwait Finance House K.S.C who is the shareholder of Kuwait Finance House (Malaysia) Berhad paid zakat on behalf of the Bank. The Bank does not pay zakat on behalf of the shareholder or depositors.
The auditors, Ernst & Young, have expressed their willingness to continue in office.

Signed on behalf of the Board in accordance with a resolution of the directors dated 21 February 2013.

KHALID BIN SUFAT
Director

MOHAMED ZAHEER MOHAMED AZREEN
Director
We, Khalid bin Sufat and Mohamed Zaheer Mohamed Azreen, being two of the directors of Kuwait Finance House (Malaysia) Berhad, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 34 to 249 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Bank as at 31 December 2012 and of the results and the cash flows of the Group and of the Bank for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors dated 21 February 2013.

KHALID BIN SUFAT
Director

MOHAMED ZAHEER MOHAMED AZREEN
Director
I, Khalid bin Sufat, being the director primarily responsible for the financial management of Kuwait Finance House (Malaysia) Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 34 to 249, are in my opinion correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed Khalid bin Sufat at Kuala Lumpur, in the Federal Territory on 21 February 2013

BEFORE ME:

Commissioner for Oaths
In the name of Allah, the most Beneficent, the most Merciful.

Praise to Allah, the Lord of the Worlds and peace and blessings be upon our Prophet Muhammad, and on his scion and companions.

Assalamualaikum Warahmatullahi Wabarakatuh.

In compliance with the Guidelines on the Shariah Committee of Kuwait Finance House (Malaysia) Berhad we are required to submit the following report:

We have reviewed and approved the policies, products and the contracts relating to the transactions and applications undertaken by Kuwait Finance House (Malaysia) Berhad and its subsidiaries (“the Group”) during the year ended 31 December 2012. We have also conducted our review to form an opinion as to whether Kuwait Finance House (Malaysia) Berhad has complied with Shariah rules and principles and also with the Shariah rulings issued by us.

Kuwait Finance House (Malaysia) Berhad’s Management is responsible for ensuring that the Bank conducts its business in accordance with Shariah rules and principles. It is our responsibility to form our independent opinion, based on our review of the operations of Kuwait Finance House (Malaysia) Berhad, and to report to you.

We conducted our review through Shariah Division and approved samples of contracts, agreements and reviewed operations related to the transactions of Kuwait Finance House (Malaysia) Berhad's with shareholder, investors and others. This has been done by selecting random samples according to the annual Shariah Review Plan on all departments, and by regular reports submitted by Shariah Division regarding the review process, field visits, conduct of business and proper implementation of decisions issued by the Committee.

We obtained all information and explanations which we consider necessary in order to provide us with sufficient evidence to give reasonable assurance that Kuwait Finance House (Malaysia) Berhad has not violated the Shariah rules and principles in all transactions that had been presented to us.

In our opinion:

(a) the contracts, transactions and dealings entered into by Kuwait Finance House (Malaysia) Berhad and the Group during the year ended 31 December 2012 that we have reviewed are in compliance with Shariah rules and principles;

(b) the allocation of profits and losses relating to investment accounts conform to the basis that had been approved by us in accordance with Shariah rules and principles;

(c) all earnings that have been realised from sources or by means prohibited by Shariah rules and principles, have been put aside in a separate account and disposed of to charitable causes; and

(d) the calculation of Zakat is in compliance with Shariah rules and principles.
This opinion is rendered based on what has been presented to us by the Management of Kuwait Finance House (Malaysia) Berhad and its Shariah Division.

We pray to Allah the Almighty to grant us success and the path of straight-forwardness.

Wassalamualaikum Wa Rahmatullahi Wabarakatuh.

Sheikh Prof. Dr. Mohammad Abdul Razaq Al-Tabtabae

Chairman

Signature:

Date: 21 February 2013

Sheikh Dr. Anwar Shuaib Abdulsalam

Member

Signature:

Date: 21 February 2013

Sheikh Dr. Adnan Ali Ibrahim Al-Mulla

Member

Signature:

Date: 21 February 2013

Sheikh Isa Abdulla Yusuf Dowaishan

Member

Signature:

Date: 21 February 2013

Sheikh Dr. Engku Muhammad Tajuddin Engku Ali

Member

Signature:

Date: 21 February 2013

Kuala Lumpur, Malaysia
Independent auditors' report to the member of
Kuwait Finance House (Malaysia) Berhad
(Incorporated in Malaysia)

We have audited the financial statements of Kuwait Finance House (Malaysia) Berhad, which
comprise statements of financial position as at 31 December 2012 of the Group and of the Bank,
and income statements, statements of comprehensive income, statements of changes in equity
and statements of cash flows of the Group and of the Bank for the year then ended, and a
summary of significant accounting policies and other explanatory information, as set out on pages
34 to 249.

Directors’ responsibility for the financial statements

The directors of the Bank are responsible for the preparation of financial statements so as to give a
true and fair view in accordance with Malaysian Financial Reporting Standards, International
Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The
directors are also responsible for such internal control as the directors determine is necessary to
enable the preparation of financial statements that are free from material misstatement, whether
due to fraud or error.

Auditors’ responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We
conducted our audit in accordance with approved standards on auditing in Malaysia. Those
standards require that we comply with ethical requirements and plan and perform the audit to
obtain reasonable assurance about whether the financial statements are free from material
misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and
disclosures in the financial statements. The procedures selected depend on our judgment,
including the assessment of risks of material misstatement of the financial statements, whether due
to fraud or error. In making those risk assessments, we consider internal control relevant to the
Bank’s preparation of financial statements that give a true and fair view in order to design audit
procedures that are appropriate in the circumstances, but not for the purpose of expressing an
opinion on the effectiveness of the Bank’s internal control. An audit also includes evaluating the
appropriateness of accounting policies used and the reasonableness of accounting estimates
made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a
basis for our audit opinion.
Independent auditors' report to the member of
Kuwait Finance House (Malaysia) Berhad (Cont'd.)
(Incorporated in Malaysia)

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the
Group and of the Bank as at 31 December 2012 and of their financial performance and cash flows
for the year then ended in accordance with Malaysian Financial Reporting Standards, International
Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

Report on other legal and regulatory requirements

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the
following:

(a) In our opinion, the accounting and other records and the registers required by the Act to be
kept by the Bank and its subsidiaries of which we have acted as auditors have been properly
kept in accordance with the provisions of the Act.

(b) We have considered the financial statements and the auditors’ report of the subsidiary of
which we have not acted as auditors, which are indicated in Note 14 to the financial
statements, being financial statements that have been included in the consolidated financial
statements.

(c) We are satisfied that the financial statements of the subsidiaries that have been consolidated
with the financial statements of the Bank are in form and content appropriate and proper for
the purposes of the preparation of the consolidated financial statements and we have received
satisfactory information and explanations required by us for those purposes.

(d) The auditors’ reports on the financial statements of the subsidiaries were not subject to any
qualification and in respect of the subsidiaries incorporated in Malaysia, did not include any
comment required to be made under Section 174(3) of the Act.
Independent auditors' report to the member of
Kuwait Finance House (Malaysia) Berhad (Cont'd.)
(Incorporated in Malaysia)

Other matters

This report is made solely to the members of the Bank, as a body, in accordance with Section 174
of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume
responsibility to any other person for the content of this report.

Ernst & Young
AF: 0039
Chartered Accountants

Kuala Lumpur, Malaysia
21 February 2013
# STATEMENTS OF FINANCIAL POSITION

KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD
(672174-T)
(Incorporated in Malaysia)

## ASSETS

<table>
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<tbody>
<tr>
<td>4</td>
<td>Cash and short-term funds</td>
<td>1,400,684</td>
<td>1,973,012</td>
<td>2,651,695</td>
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<td>5</td>
<td>Deposits and placements with banks</td>
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<td></td>
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<tr>
<td>6</td>
<td>Securities held-for-trading</td>
<td>79,493</td>
<td>90,216</td>
<td>110,083</td>
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<tr>
<td>11</td>
<td>Hedging financial instruments</td>
<td>21,470</td>
<td>43,688</td>
<td>80,632</td>
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<tr>
<td>7</td>
<td>Securities available-for-sale</td>
<td>955,830</td>
<td>1,096,340</td>
<td>1,053,506</td>
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<tr>
<td>8</td>
<td>Securities held-to-maturity</td>
<td>81,493</td>
<td>47,125</td>
<td>46,266</td>
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<tr>
<td>9</td>
<td>Financing, advances and other receivables</td>
<td>5,288,745</td>
<td>5,197,764</td>
<td>5,931,615</td>
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<tr>
<td>10</td>
<td>Other assets</td>
<td>481,381</td>
<td>411,762</td>
<td>385,714</td>
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<tr>
<td>12</td>
<td>Statutory deposits with Bank Negara Malaysia</td>
<td>191,717</td>
<td>180,200</td>
<td>44,854</td>
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<tr>
<td>13</td>
<td>Musyarakah capital investment</td>
<td>5,898</td>
<td>5,898</td>
<td>5,898</td>
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<tr>
<td>15</td>
<td>Investment in jointly controlled entity</td>
<td></td>
<td></td>
<td>932</td>
</tr>
<tr>
<td>16</td>
<td>Property and equipment</td>
<td>37,352</td>
<td>23,855</td>
<td>27,340</td>
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<tr>
<td>17</td>
<td>Intangible assets</td>
<td>21,840</td>
<td>23,422</td>
<td>27,529</td>
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<tr>
<td>18</td>
<td>Deferred tax assets</td>
<td>286,641</td>
<td>293,911</td>
<td>125,557</td>
</tr>
</tbody>
</table>

**TOTAL ASSETS** | **9,096,691** | **10,122,166** | **10,766,713** |

## LIABILITIES

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<tr>
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<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>19</td>
<td>Deposits from customers</td>
<td>5,370,265</td>
<td>4,717,854</td>
<td>4,560,037</td>
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<tr>
<td>20</td>
<td>Deposits and placements of banks</td>
<td></td>
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<tr>
<td>11</td>
<td>Hedging financial instruments</td>
<td>16,754</td>
<td>72,655</td>
<td>39,789</td>
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<td>23</td>
<td>Murabahah bank financing</td>
<td>-</td>
<td>-</td>
<td>23,233</td>
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<tr>
<td>24</td>
<td>Subordinated Murabahah Tawarruq</td>
<td>374,054</td>
<td>373,589</td>
<td>350,797</td>
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<tr>
<td>21</td>
<td>Other liabilities</td>
<td>491,847</td>
<td>365,785</td>
<td>398,002</td>
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<tr>
<td>22</td>
<td>Provision for zakat</td>
<td>-</td>
<td>3,740</td>
<td>3,740</td>
</tr>
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</table>

**TOTAL LIABILITIES** | **7,577,396** | **8,668,195** | **8,854,287** |

## SHAREHOLDER'S EQUITY

<table>
<thead>
<tr>
<th></th>
<th></th>
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<tbody>
<tr>
<td>25</td>
<td>Share capital</td>
<td>2,266,125</td>
<td>2,266,125</td>
<td>2,266,125</td>
</tr>
<tr>
<td>26</td>
<td>Reserves</td>
<td>(746,830)</td>
<td>(812,154)</td>
<td>(353,699)</td>
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</table>

**TOTAL SHAREHOLDER'S EQUITY** | **1,519,295** | **1,453,971** | **1,912,426** |

**TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY** | **9,096,691** | **10,122,166** | **10,766,713** |
The accompanying notes form an integral part of the financial statements.
<table>
<thead>
<tr>
<th>Note</th>
<th>31.12.2012 RM'000</th>
<th>31.12.2011 RM'000</th>
<th>01.01.2011 RM'000</th>
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<td></td>
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<tr>
<td>and other financial institutions</td>
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<td>228,838</td>
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<td>Securities held-for-trading</td>
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<td>83,776</td>
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<td>977,255</td>
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<td>Financing, advances and other receivables</td>
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<td>5,197,764</td>
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<td>406,980</td>
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<td>180,200</td>
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<td>Musyarakah capital investment</td>
<td>13</td>
<td>5,898</td>
<td>5,898</td>
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<tr>
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<td>30,952</td>
<td>30,952</td>
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<td>36,491</td>
<td>23,624</td>
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<td>21,169</td>
<td>23,403</td>
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<td>Deferred tax assets</td>
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<td>286,538</td>
<td>293,824</td>
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<td>10,125,749</td>
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<td><strong>LIABILITIES</strong></td>
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<td></td>
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<td>4,719,586</td>
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<td>Deposits and placements of banks</td>
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<tr>
<td>and other financial institutions</td>
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<td>3,152,042</td>
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<td>72,655</td>
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<td>Murabahah bank financing</td>
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<td>Subordinated Murabahah Tawarruq</td>
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<td>374,054</td>
<td>373,589</td>
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<td>Other liabilities</td>
<td>21</td>
<td>491,004</td>
<td>364,588</td>
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<td>Provision for zakat</td>
<td>22</td>
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<td><strong>TOTAL LIABILITIES</strong></td>
<td></td>
<td>7,463,341</td>
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<tr>
<td>Share capital</td>
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<td>2,266,125</td>
<td>2,266,125</td>
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<tr>
<td>Reserves</td>
<td>26</td>
<td>(758,626)</td>
<td>(826,576)</td>
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<td><strong>TOTAL SHAREHOLDER'S EQUITY</strong></td>
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<td>1,507,499</td>
<td>1,439,549</td>
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<tr>
<td><strong>TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY</strong></td>
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<td>8,970,840</td>
<td>10,125,749</td>
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KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD
(672174-T)
(Incorporated in Malaysia)
### COMMITMENTS AND CONTINGENCIES

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<tr>
<th></th>
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</thead>
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<td></td>
<td>RM'000</td>
<td>RM'000</td>
<td>RM'000</td>
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<td>41</td>
<td>2,120,234</td>
<td>3,516,405</td>
<td>4,052,245</td>
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### CAPITAL ADEQUACY

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<th></th>
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<tbody>
<tr>
<td>Core capital ratio</td>
<td>43</td>
<td>15.41%</td>
<td>13.71%</td>
<td>18.36%</td>
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<tr>
<td>Risk-weighted capital ratio</td>
<td>43</td>
<td>18.89%</td>
<td>17.86%</td>
<td>23.59%</td>
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### NET ASSETS PER SHARE (RM)

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</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>RM'000</td>
<td>RM'000</td>
<td>RM'000</td>
</tr>
<tr>
<td>0.67</td>
<td>0.64</td>
<td>0.83</td>
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</table>

The accompanying notes form an integral part of the financial statements.
## INCOME STATEMENTS

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<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>RM'000</td>
<td>RM'000</td>
<td>RM'000</td>
<td>RM'000</td>
</tr>
<tr>
<td>27</td>
<td>Operating revenue</td>
<td>494,405</td>
<td>459,788</td>
<td>485,695</td>
</tr>
<tr>
<td>28</td>
<td>Income derived from investment of depositors’ funds and others</td>
<td>383,841</td>
<td>342,673</td>
<td>377,207</td>
</tr>
<tr>
<td>29</td>
<td>Income derived from investment of shareholder’s equity</td>
<td>110,564</td>
<td>117,115</td>
<td>108,488</td>
</tr>
<tr>
<td></td>
<td>Total gross income</td>
<td>494,405</td>
<td>459,788</td>
<td>485,695</td>
</tr>
<tr>
<td>30</td>
<td>Impairment write back/ (allowances) on financing, advances and other receivables</td>
<td>14,464</td>
<td>(676,921)</td>
<td>14,464</td>
</tr>
<tr>
<td>31</td>
<td>Impairment loss and allowances on investments</td>
<td>(4,949)</td>
<td>(20,000)</td>
<td>(1,507)</td>
</tr>
<tr>
<td></td>
<td>Total distributable income/ (loss)</td>
<td>503,920</td>
<td>(237,133)</td>
<td>498,652</td>
</tr>
<tr>
<td>32</td>
<td>Income attributable to the depositors</td>
<td>(193,596)</td>
<td>(208,486)</td>
<td>(193,409)</td>
</tr>
<tr>
<td></td>
<td>Total net income/ (loss)</td>
<td>310,324</td>
<td>(445,619)</td>
<td>305,243</td>
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<tr>
<td>33</td>
<td>Personnel expenses</td>
<td>(101,352)</td>
<td>(94,843)</td>
<td>(97,753)</td>
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<td>34</td>
<td>Other overheads and expenditures</td>
<td>(105,027)</td>
<td>(91,032)</td>
<td>(100,598)</td>
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<tr>
<td>35</td>
<td>Finance cost</td>
<td>(13,551)</td>
<td>(12,949)</td>
<td>(13,551)</td>
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<tr>
<td></td>
<td>Profit/ (Loss) before zakat and taxation</td>
<td>90,394</td>
<td>(644,443)</td>
<td>93,341</td>
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<tr>
<td>37</td>
<td>Taxation</td>
<td>(29,900)</td>
<td>172,834</td>
<td>(29,851)</td>
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<tr>
<td></td>
<td>Net profit/ (loss) for the year</td>
<td>60,494</td>
<td>(471,609)</td>
<td>63,490</td>
</tr>
<tr>
<td></td>
<td>Attributable to:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Equity holder of the Bank</td>
<td>60,494</td>
<td>(471,609)</td>
<td>63,490</td>
</tr>
<tr>
<td>38</td>
<td>Earning/ (loss) per share (sen)</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td></td>
<td>- Basic/Diluted</td>
<td>2.67</td>
<td>(20.81)</td>
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</table>
KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD  
(Incorporated in Malaysia)  

STATEMENTS OF COMPREHENSIVE INCOME

<table>
<thead>
<tr>
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</thead>
<tbody>
<tr>
<td></td>
<td>RM’000</td>
<td>RM’000</td>
<td>RM’000</td>
<td>RM’000</td>
</tr>
<tr>
<td>Net profit/ (loss) for the year</td>
<td>60,494</td>
<td>(471,609)</td>
<td>63,490</td>
<td>(452,837)</td>
</tr>
<tr>
<td>Other comprehensive income/ (loss):</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Securities available-for-sale:</td>
<td></td>
<td></td>
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<tr>
<td>Net gain taken to equity</td>
<td>4,890</td>
<td>18,327</td>
<td>3,469</td>
<td>18,386</td>
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<tr>
<td>Exchange differences on translation of foreign operations:</td>
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<td></td>
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<td></td>
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<tr>
<td>Net (loss)/ gain taken to equity</td>
<td>(1,051)</td>
<td>1,306</td>
<td>-</td>
<td>-</td>
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<tr>
<td>Income tax relating to components of other comprehensive income / (loss) (Note 18)</td>
<td>991</td>
<td>(6,479)</td>
<td>991</td>
<td>(6,542)</td>
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<td>Other comprehensive income for the year, net of tax</td>
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<td>13,154</td>
<td>4,460</td>
<td>11,844</td>
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<tr>
<td>Total comprehensive income/ (loss) for the year</td>
<td>65,324</td>
<td>(458,455)</td>
<td>67,950</td>
<td>(440,993)</td>
</tr>
<tr>
<td>Total comprehensive income/ (loss) for the year attributable to equity holder of the Bank</td>
<td>65,324</td>
<td>(458,455)</td>
<td>67,950</td>
<td>(440,993)</td>
</tr>
</tbody>
</table>

The accompanying notes form an integral part of the financial statements.
<table>
<thead>
<tr>
<th></th>
<th>Share Capital RM'000</th>
<th>Statutory Reserve RM'000</th>
<th>Exchange Fluctuation Reserve RM'000</th>
<th>Available-For-Sale Reserve RM'000</th>
<th>Accumulated Losses RM'000</th>
<th>Total RM'000</th>
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<td><strong>Group</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>At 1 January 2012</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>- as previously stated</td>
<td>2,266,125</td>
<td>34,952</td>
<td>(6,061)</td>
<td>(3,307)</td>
<td>(821,168)</td>
<td>1,470,541</td>
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<tr>
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<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(16,570)</td>
</tr>
<tr>
<td>At 1 January 2012, as restated</td>
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<td>34,952</td>
<td>(6,061)</td>
<td>(3,307)</td>
<td>(837,738)</td>
<td>1,453,971</td>
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<td>Total comprehensive (loss) / income</td>
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<td>-</td>
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<td>5,881</td>
<td>60,494</td>
<td>65,324</td>
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<td>31,745</td>
<td>-</td>
<td>-</td>
<td>(31,745)</td>
<td>-</td>
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<td>2,574</td>
<td>(808,989)</td>
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<tr>
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<td>(7,367)</td>
<td>(15,155)</td>
<td>(224,960)</td>
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<td>-</td>
<td>-</td>
<td>-</td>
<td>(141,169)</td>
<td>(141,169)</td>
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<td>At 1 January 2011, as restated</td>
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<td>(15,155)</td>
<td>(366,129)</td>
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<td>(458,455)</td>
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<td>(6,061)</td>
<td>(3,307)</td>
<td>(837,738)</td>
<td>1,453,971</td>
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<tr>
<td><strong>Bank</strong></td>
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</tr>
<tr>
<td>At 1 January 2012</td>
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<td></td>
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<tr>
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<td>(840,853)</td>
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<td>-</td>
<td>(16,570)</td>
<td>(16,570)</td>
</tr>
<tr>
<td>At 1 January 2012, as restated</td>
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<td>-</td>
<td>(4,105)</td>
<td>(857,423)</td>
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<td>63,490</td>
<td>67,950</td>
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<td>31,745</td>
<td>-</td>
<td>(31,745)</td>
<td>-</td>
<td></td>
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<td>At 31 December 2012</td>
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<td>355</td>
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<td>(263,417)</td>
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<td>-</td>
<td>-</td>
<td>-</td>
<td>(141,169)</td>
<td>(141,169)</td>
</tr>
<tr>
<td>At 1 January 2011, as restated</td>
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<td>-</td>
<td>(15,949)</td>
<td>(404,586)</td>
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<td>Total comprehensive income / (loss)</td>
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<td>-</td>
<td>11,844</td>
<td>(452,837)</td>
<td>(440,993)</td>
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<tr>
<td>At 31 December 2011</td>
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<td>34,952</td>
<td>-</td>
<td>(4,105)</td>
<td>(857,423)</td>
<td>1,439,549</td>
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</table>

The accompanying notes form an integral part of the financial statements.
## STATEMENTS OF CASH FLOWS

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<tr>
<td><strong>CASH FLOWS FROM OPERATING ACTIVITIES</strong></td>
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<tr>
<td>Profit/ (Loss) before zakat and taxation</td>
<td>90,394</td>
<td>(644,443)</td>
<td>93,341</td>
<td>(626,095)</td>
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<td><strong>Adjustments for:</strong></td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Impairment (write back)/ allowances on financing, advances and other receivables (Note 30)</td>
<td>(4,307)</td>
<td>677,187</td>
<td>(4,307)</td>
<td>677,187</td>
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<td>Amortisation of premium less accretion of discounts (Notes 28 and 29)</td>
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<td>1,081</td>
<td>5,066</td>
<td>1,081</td>
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<td>Finance cost (Note 35)</td>
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<td>12,949</td>
<td>13,551</td>
<td>12,949</td>
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<tr>
<td>Depreciation of property and equipment (Note 34)</td>
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<td>11,631</td>
<td>11,902</td>
<td>11,422</td>
</tr>
<tr>
<td>Amortisation of intangible assets (Note 34)</td>
<td>8,672</td>
<td>8,192</td>
<td>8,516</td>
<td>8,185</td>
</tr>
<tr>
<td>Loss on disposal of property and equipment (Note 29)</td>
<td>-</td>
<td>14</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Write-offs of property and equipment (Note 16)</td>
<td>-</td>
<td>45</td>
<td>-</td>
<td>45</td>
</tr>
<tr>
<td>Net gains on sale of securities available-for-sale (Notes 28 and 29)</td>
<td>(20,309)</td>
<td>(914)</td>
<td>(19,915)</td>
<td>(914)</td>
</tr>
<tr>
<td>Net gains on sale of securities held-for-trading (Notes 28 and 29)</td>
<td>(3,485)</td>
<td>(847)</td>
<td>(3,508)</td>
<td>(777)</td>
</tr>
<tr>
<td>Short-term accumulated compensated absences</td>
<td>-</td>
<td>61</td>
<td>-</td>
<td>61</td>
</tr>
<tr>
<td>Impairment allowance on securities available-for-sale (Note 31)</td>
<td>4,949</td>
<td>19,150</td>
<td>1,507</td>
<td>1,368</td>
</tr>
<tr>
<td>Impairment on jointly controlled entity (Note 31)</td>
<td>-</td>
<td>850</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Impairment on subsidiaries (Note 31)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1,465</td>
</tr>
<tr>
<td>Unrealised loss/ (gain) on foreign translations</td>
<td>19,404</td>
<td>(17,456)</td>
<td>19,409</td>
<td>(16,997)</td>
</tr>
<tr>
<td>Unrealised (gain)/ loss on securities held-for-trading, and hedging financial instruments</td>
<td>(33,902)</td>
<td>70,550</td>
<td>(33,902)</td>
<td>70,653</td>
</tr>
<tr>
<td>Operating profit before working capital changes</td>
<td>92,116</td>
<td>138,050</td>
<td>91,660</td>
<td>139,633</td>
</tr>
<tr>
<td><strong>Decrease/ (Increase) in operating assets</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deposits and placements with banks and other financial institutions</td>
<td>490,826</td>
<td>(459,880)</td>
<td>506,135</td>
<td>(459,880)</td>
</tr>
<tr>
<td>Financing, advances and other receivables</td>
<td>(86,674)</td>
<td>56,664</td>
<td>(86,674)</td>
<td>56,664</td>
</tr>
<tr>
<td>Other assets</td>
<td>(124,613)</td>
<td>(2,936)</td>
<td>(137,542)</td>
<td>(24,936)</td>
</tr>
<tr>
<td>Statutory deposits with Bank Negara Malaysia</td>
<td>(11,517)</td>
<td>(135,346)</td>
<td>(11,517)</td>
<td>(135,346)</td>
</tr>
</tbody>
</table>
**CASH FLOWS FROM OPERATING ACTIVITIES**

(Cont’d.)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Increase/ (decrease) in operating liabilities</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deposits from customers</td>
<td>652,410</td>
<td>157,818</td>
<td>657,451</td>
<td>157,977</td>
</tr>
<tr>
<td>Deposits and placements of banks and other financial institutions</td>
<td>(1,810,096)</td>
<td>(344,117)</td>
<td>(1,947,551)</td>
<td>(334,602)</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>127,054</td>
<td>(38,819)</td>
<td>127,407</td>
<td>(38,947)</td>
</tr>
<tr>
<td>Cash used in operations</td>
<td>(670,494)</td>
<td>(628,566)</td>
<td>(800,631)</td>
<td>(639,437)</td>
</tr>
<tr>
<td>Tax refunded</td>
<td>8,163</td>
<td>15,784</td>
<td>8,215</td>
<td>15,855</td>
</tr>
<tr>
<td>Zakat paid</td>
<td>(3,740)</td>
<td></td>
<td>(3,740)</td>
<td></td>
</tr>
<tr>
<td>Net cash used in operating activities</td>
<td>(666,071)</td>
<td>(612,782)</td>
<td>(796,156)</td>
<td>(623,582)</td>
</tr>
</tbody>
</table>

**CASH FLOWS FROM INVESTING ACTIVITIES**

<table>
<thead>
<tr>
<th>Description</th>
<th>Group</th>
<th>Bank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net proceeds from sales and purchases of securities</td>
<td>133,525</td>
<td>121,087</td>
</tr>
<tr>
<td>Repayment of advances jointly controlled entity</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Proceeds from disposal of property and equipment</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Purchase of property and equipment (Note 16)</td>
<td>(30,224)</td>
<td>(29,413)</td>
</tr>
<tr>
<td>Purchase of intangible assets (Note 17)</td>
<td>(2,446)</td>
<td>(1,638)</td>
</tr>
<tr>
<td>Net cash generated from/ (used in) investing activities</td>
<td>100,855</td>
<td>90,036</td>
</tr>
</tbody>
</table>

**CASH FLOWS FROM FINANCING ACTIVITIES**

<table>
<thead>
<tr>
<th>Description</th>
<th>Group</th>
<th>Bank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Repayment of Murabahah bank financing</td>
<td>-</td>
<td>(23,233)</td>
</tr>
<tr>
<td>Net cash used in financing activities</td>
<td>-</td>
<td>(23,233)</td>
</tr>
</tbody>
</table>

Net decrease in cash and cash equivalents | (565,216) | (706,120) |

Cash and cash equivalents at beginning of year | 1,973,012 | 2,076,287 |

Exchange differences on translation of opening balances | (7,112) | (6,061) |

Cash and cash equivalents at end of year (Note 4) | 1,400,684 | 1,370,167 | 2,076,287 |

The accompanying notes form an integral part of the financial statements.
1 PRINCIPAL ACTIVITIES AND GENERAL INFORMATION

The Bank is engaged in Islamic banking business as allowed under the Islamic Banking Act, 1983. The principal activities of the subsidiaries are the provisions of offshore banking, nominees services, fund management and asset management, as set out in Note 14. There have been no significant changes in the nature of the principal activities during the financial year.

The Bank is a licensed Islamic Bank under the Islamic Banking Act 1983, incorporated and domiciled in Malaysia. The registered office of the Bank is located at Level 26, Menara Prestige, No. 1, Jalan Pinang, P.O Box 10103, 50450 Kuala Lumpur, Malaysia.

The holding company of the Bank is Kuwait Finance House K.S.C., a public limited liability company, incorporated in Kuwait on 23 March 1977 and is registered as an Islamic Bank with the Central Bank of Kuwait. The registered office of Kuwait Finance House K.S.C. is located at 13110, Abdulla Al-Mubarak Street, Murqab, Kuwait.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 21 February 2013.

2 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements of the Group and of the Bank have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act, 1965 in Malaysia.

For all periods up to and including the previous year ended 31 December 2011, the Group and the Bank prepared their financial statements in accordance with Financial Reporting Standards ("FRS") in Malaysia as modified by Bank Negara Malaysia ("BNM") Guidelines. The financial statements for the year ended 31 December 2012 are the first the Group and the Bank have prepared in accordance with MFRS. The effects of the first-time adoption of MFRS Framework are disclosed in Notes 3.2 and 40.

The financial statements of the Group and of the Bank have been prepared under the historical cost basis unless otherwise indicated in the summary of significant accounting policies as disclosed in Note 3.1.
2 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (Cont'd.)

The Group and the Bank present the statements of financial position in order of liquidity. An analysis regarding the recovery of settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in Note 50.

Certain qualitative disclosures under MFRS 7 Financial Instruments: Disclosures about the nature and extent of risks and capital management disclosures under MFRS 101 Presentation of Financial Statements (Revised) have been included in the audited parts of the "Risk Management" section in the Statement of Corporate Governance.

The financial statements are presented in Ringgit Malaysia (RM) and all values are rounded to the nearest thousand (RM'000) except where otherwise indicated.

3 SIGNIFICANT ACCOUNTING POLICIES

3.1 Summary of Significant Accounting Policies

(a) Basis of Accounting

The financial statements of the Group and the Bank have been prepared on the historical cost basis unless otherwise disclosed in the accounting policies below.

(b) Subsidiaries and Basis of Consolidation

(i) Subsidiaries

Subsidiaries are entities over which the Group has the ability to control the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has such power over another entity.

In the Bank's separate financial statements, investment in subsidiaries is stated at cost less impairment losses. On disposal of such investment, the difference between the net disposal proceeds and their carrying amount is included in profit or loss.

(ii) Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Bank and its subsidiaries as at the reporting date. The financial statements of the subsidiaries are prepared for the same reporting date as the Bank.
3 SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

3.1 Summary of Significant Accounting Policies (Cont'd.)

(b) Subsidiaries and Basis of Consolidation (Cont'd.)

(ii) Basis of Consolidation

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. In preparing the consolidated financial statements, intragroup balances, transactions and unrealised gains or losses are eliminated in full. Uniform accounting policies are adopted in the consolidated financial statements for like transactions and events in similar circumstances.

Non-controlling interests ("NCI") represent the portion of profit or loss and net assets in subsidiaries not owned, directly or indirectly by the Bank. NCI are presented separately in the consolidated income statements and statements of comprehensive income and within equity in the consolidated statement of financial position, but separate from parent shareholders' equity. Total comprehensive income is allocated against the interest of NCI, even if this results in a deficit balance. Acquisition of NCI are accounted for using the parent entity extension method, whereby the difference between the consideration and the fair value of the share of the net assets acquired is recognised as equity.

A change in the ownership interest of a subsidiary, without loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derogates the assets (including goodwill) and liabilities of the subsidiary at their carrying amounts;
- Derogates the carrying amount of any non-controlling interest in the former subsidiary;
- Derogates the cumulative foreign exchange translation differences recorded in equity;
- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained in the former subsidiary;
- Recognises any surplus or deficit in the profit or loss; and
- Reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, if required in accordance with other MFRSs.

All of the above will be accounted for from the date when control is lost.
3 SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

3.1 Summary of Significant Accounting Policies (Cont'd.)

(c) Financial assets

Financial assets are recognised in the statements of financial position when the Group and the Bank become a party to the contractual provisions of the financial instruments.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

Classification of financial assets are determined at initial recognition, which is described below.

(i) Financial assets at fair value through profit and loss ("FVTPL")

Financial assets at FVTPL consist of investment in securities held-for-trading and hedging financial instruments.

Securities held-for-trading are acquired or incurred principally for the purpose of selling or repurchasing in the near term or they are part of a portfolio of identified securities that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. Securities classified as held-for-trading are stated at fair value and any gain or loss arising from a change in the fair value are recognised in the profit and loss.

Profit from securities held-for-trading calculated using the effective yield rate method, is recognised in the profit and loss.

The estimated fair values for securities held-for-trading are based on quoted and observable market prices at the balance sheet date. Where such quoted and observable market prices are not available, fair value is estimated using pricing models or discounted cash flow techniques. Where discounted cash flow technique is used, the estimated future cash flows are discounted based on current market rates for similar instruments at the balance sheet date.

The accounting policies in relation to hedging financial instruments are disclosed in Note 3.1 (c).
3 SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

3.1 Summary of Significant Accounting Policies (Cont'd.)

(c) Financial assets (Cont'd.)

(ii) Financing, advances and other receivables

Financing, advances and other receivables are recognised when cash is disbursed to customers. They are initially stated at fair value including any direct transaction cost and are subsequently measured at amortised cost using the effective yield rate method. Gains and losses are recognised in profit or loss when the financing, advances and other receivables are derecognised or impaired, and through the amortisation process.

(ii) Financing, advances and other receivables

The Group and the Bank assess at each reporting date whether there is any objective evidence that financing, advances and other receivables are impaired. Financing, advances and other receivables are classified as impaired when:

(i) where the principal or profit or both is past due for more than 90 days or 3 months;

(ii) where the amount is past due for 3 months or less, the financing exhibits certain credit weaknesses;

(iii) where repayments are scheduled on intervals of 3 months or longer, the financing is classified as impaired as soon as a default occurs, unless it does not exhibit any weakness; and

(iv) rescheduled and restructured facilities can only be reclassified as non-impaired when repayments based on the revised or restructured terms have been observed continuously for a minimum period of six months.

To determine whether there is objective evidence that an impairment loss has been incurred, the Group and the Bank consider factors such as significant financial difficulties of the customer and default or significant delay in repayments.

The amount of impairment loss is measured as the difference between the carrying amount of the financing and the present value of estimated future cash flows discounted at the financing's original effective yield rate. The impairment loss is recognised in income statement.
3 SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

3.1 Summary of Significant Accounting Policies (Cont'd.)

(c) Financial assets (Cont'd.)

(ii) Financing, advances and other receivables (Cont'd.)

The carrying amount of the financial asset is reduced by the impairment loss through the use of an impairment allowance account. When a financing becomes uncollectible, it is written off against the allowance account.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in income statement.

As allowed by MFRS 139, the collective assessment for impairment for the Group and the Bank are estimated with reference to publically available peer group experience for comparable segments for each financing portfolio. The peer group historical loss experience used by the Group and the Bank are Probability of Default ("PD") and Loss Given Default ("LGD") estimates. These estimates are mapped and calibrated to the Group's and the Bank's financing portfolios using equivalent and comparable credit ratings as references.

(iii) Securities held-to-maturity

Securities held-to-maturity are securities with fixed or determinable payments and fixed maturity that the Group and the Bank have the positive intention and ability to hold the investment to maturity. These investments are measured at amortised cost using the effective yield rate method. A gain or loss is recognised in the profit and loss when the securities are derecognised or impaired, and through the amortisation process.

The impairment loss, for investments held at amortised cost, is measured as the difference between the securities' carrying amount and the present value of estimated future cash flows discounted at its original effective yield rate on initial recognition. The carrying amount of the securities shall be reduced either directly or through use of an allowance account.

If, in subsequent periods, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss will be reversed either directly or by adjusting the allowance account. The reversal will not result in the carrying amount of securities exceeding what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal will be recognised in the profit and loss.
3 SIGNIFICANT ACCOUNTING POLICIES (Cont’d.)

3.1 Summary of Significant Accounting Policies (Cont’d.)

(c) Financial assets (Cont’d.)

(iv) Securities available-for-sale

Securities available-for-sale are securities that are not classified as held-for-trading or held-to-maturity investments and are measured at fair value. Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are stated at cost less impairment. Any gain or loss arising from a change in the fair value are recognised in other comprehensive income, except for impairment losses, foreign exchange gains or losses and profit calculated using the effective yield rate method are recognised in profit and loss.

Profit from securities available-for-sale, calculated using the effective yield rate method, is recognised in the profit and loss while dividends on equity instruments available-for-sale and property funds are recognised in the profit and loss when the Group's and the Bank's right to receive payment is established.

In the event of any objective evidence that the securities are impaired, the cumulative loss that had been recognised in other comprehensive income will be removed and recognised in the profit and loss even though the securities have not been derecognised. The amount of cumulative loss is measured as the difference between the acquisition cost (net of any principal repayment or amortisation) and current fair value, less any impairment loss on that securities previously recognised in the profit and loss.

For equity instruments and other securities stated at cost, the amount of impairment loss is measured as the difference between the carrying amount of securities and the present value of estimated future cash flows discounted at the current market rate of return for similar securities. Such impairment loss shall not be reversed.

For financing converted into debt or equity instruments, the Bank will measure the security or equity instruments received at its fair value. The difference between the net book value of the restructured financing (outstanding amount of financing net of individual impairment) and the fair value of the security or equity instruments will be the gain or loss from the conversion scheme.
3 SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

3.1 Summary of Significant Accounting Policies (Cont'd.)

(c) Financial assets (Cont'd.)

(iv) Securities available-for-sale (Cont'd.)

(iii.i) where the net book value of the restructured financing is higher than the fair value of the debt or equity instruments, the loss shall be recognised in the profit and loss in the current reporting period.

(iii.ii) where the fair value of the debt or equity instruments is higher than the net book value of the restructured financing, the gain from the conversion scheme is transferred to the "Impairment loss" account, which would be netted off from the "Securities" account in the statements of financial position.

The estimated fair values for securities available-for-sale are based on quoted and observable market prices at the reporting date. Where such quoted and observable market prices are not available, fair value is estimated using pricing models or discounted cash flow techniques. Where discounted cash flow technique is used, the estimated future cash flows are discounted based on current market rates for similar instruments at the reporting date.

A financial asset is derecognised when the contractual right to receive the cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned. All regular way purchases and sales of financial assets are recognised or derecognised on the trade date i.e., the date that the Group and the Bank commit to purchase or sell the asset.

(d) Financial liabilities

Financial liabilities are recognised in the statement of financial position when the Group and the Bank become a party to the contractual provisions of the financial instrument. Financial liabilities are initially recognised at fair value plus directly attributable transaction costs, and subsequently measured at amortised cost using the effective yield method.

Deposits from customers, deposits and placements of banks and financial institutions and Subordinated Murabahah Tawarruq are measured at amortised cost. With the exception of hedging financial instruments, the Group and the Bank do not have any financial liabilities designated at fair value through profit and loss.
3 SIGNIFICANT ACCOUNTING POLICIES (Cont’d.)

3.1 Summary of Significant Accounting Policies (Cont’d.)

(e) Property and Equipment, and Depreciation

All items of property and equipment are initially recorded at cost. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the Bank and the cost of the item can be measured reliably. The carrying amount of the replaced parts is derecognised. All other repairs and maintenance are charged to the profit and loss during the financial period in which they are incurred.

Subsequent to recognition, property and equipment except for work-in-progress are stated at cost less accumulated depreciation and any accumulated impairment losses.

Work-in-progress are not depreciated as these assets are not available for use. Depreciation of other property and equipment is provided for on a straight-line-basis to write off the cost of each asset to its residual value over the estimated useful life, as follows:

<table>
<thead>
<tr>
<th>Asset</th>
<th>Useful Life</th>
</tr>
</thead>
<tbody>
<tr>
<td>Renovation</td>
<td>5 years</td>
</tr>
<tr>
<td>Furniture and fittings</td>
<td>5 years</td>
</tr>
<tr>
<td>Office equipment</td>
<td>5 years</td>
</tr>
<tr>
<td>Computer equipment hardware</td>
<td>5 years</td>
</tr>
<tr>
<td>Motor vehicles</td>
<td>5 years</td>
</tr>
</tbody>
</table>

The residual values, useful life and depreciation method are reviewed at each financial year-end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property and equipment.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any and the net carrying amount is recognised in profit or loss.

(f) Intangible Assets

(i) Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of business combination over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities. Following the initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is not amortised but instead, it is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.
3 SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

3.1 Summary of Significant Accounting Policies (Cont'd.)

(f) Intangible Assets (Cont'd.)

(ii) Other Intangible Assets

Intangible assets acquired separately are measured initially at cost. The cost of intangible assets acquired in a business combination is their fair values as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. The useful lives of intangible assets are assessed to be either finite or infinite. Intangible assets with finite lives are amortised on a straight-line basis over the estimated economic useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each reporting date.

Intangible assets with indefinite useful lives are not amortised but tested for impairment annually or more frequently if the events or changes in circumstances indicate that the carrying value may be impaired either individually or at the cash-generating unit level. The useful life of an intangible asset with an indefinite life is also reviewed annually to determine whether the useful life assessment continues to be supportable.

Intangible asset for computer software is amortised over the useful lives of 5 years.

(g) Murabahah Trading Automobile

Murabahah trading automobile is carried at the lower of cost and market value determined on an individual basis.

(h) Other Assets

Other assets are carried at anticipated realisable values. Bad debts are written off when identified. An estimate is made for doubtful debts based on a review of all outstanding amounts as at the reporting date.

(i) Musyarakah Capital Investment and Musyarakah Financing

The Bank grants Musyarakah financing as part of the Bank's activities in accordance with the principles of Shariah. The equity participation that forms part of the financing structure is called Musyarakah capital investment. Musyarakah capital investment is carried at cost less any impairment loss. Under the principle of Musyarakah, the Bank and its partners shall contribute a portion of capital and the proportion of profit to be distributed between the partners must be mutually pre-agreed upon inception of the contract. In view of the Bank acting as a financier to the project, Musyarakah financing is carried as financing receivable in the financial statements of the Bank. The profit on Musyarakah financing is recognised over the term of the contract based on estimated internal rate of return of the project.
3 SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

3.1 Summary of Significant Accounting Policies (Cont'd.)

(j) Provision for Liabilities

Provision for liabilities are recognised when the Group and the Bank have a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of the provision is the present value of the expenditure expected to be required to settle the obligation.

(k) Income Tax

(i) Current tax

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Current taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity.

(ii) Deferred tax

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.
Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.
3 SIGNIFICANT ACCOUNTING POLICIES (Cont’d.)

3.1 Summary of Significant Accounting Policies (Cont’d.)

(i) Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the Bank and the revenue can be reliably measured. The following specific criteria must also be met before revenue is recognised:

(i) Finance Income Recognition

Finance income is recognised on an effective yield basis. Income on cash line, house and term financing are accounted for by reference to the rest periods as stipulated in the financing agreement, which are either daily or monthly. Income on Musyarakah and Mudharabah financing are recognised based on estimated internal rate of return.

Customers' accounts are classified as impaired where repayments are in arrears for more than three months from the first day of default for financing and one month after maturity date for trade bills and other instruments of similar nature.

(ii) Fee and Other Income Recognition

Financing arrangement, management and participation fees, underwriting commissions and brokerage fees are recognised as income based on contractual arrangements. Due to the short term nature of financial guarantees issued by the Group and the Bank, guarantee fee (administrative fee) is recognised as income upon issuance of the guarantee. Fees from advisory and corporate finance activities are recognised net of service taxes and discounts on completion of each stage of the assignment. Other fees and commissions on services and facilities extended to customers are recognised on inception of such transactions.

Dividend income from subsidiary and other investments are recognised when the Group's and the Bank's right to receive payment is established.

(iii) Profit from Murabahah Trading Automobile

Profit is recognised based on sales proceeds less purchase price.
3 SIGNIFICANT ACCOUNTING POLICIES (Cont’d.)

3.1 Summary of Significant Accounting Policies (Cont’d.)

(m) Profit Expense Recognition

Attributable profit expense on deposits and financing of the Group and the Bank are recognised on an accrual basis.

(n) Foreign Currencies

(i) Functional and Presentational Currency

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Ringgit Malaysia (RM), which is also the Bank's functional currency.

(ii) Foreign Currency Transactions

In preparing the financial statements of the individual entities, transactions in currencies other than the Bank's functional currency (foreign currencies) are recorded in the functional currencies using the exchange rates prevailing at the dates of the transactions. At each reporting date, monetary items denominated in foreign currencies are translated at the rates prevailing on the reporting date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not translated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are included in income statement for the period except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operation. These are initially taken directly to the foreign currency translation reserve within equity until the disposal of the foreign operations, at which time they are recognised in income statement. Exchange differences arising on monetary items that form part of the Bank's net investment in foreign operation are recognised in income statement in the Bank's separate financial statements or the individual financial statements of the foreign operation, as appropriate.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the period except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised directly in equity. Exchange differences arising from such non-monetary items are also recognised directly in equity.
3 SIGNIFICANT ACCOUNTING POLICIES (Cont’d.)

3.1 Summary of Significant Accounting Policies (Cont’d.)

(n) Foreign Currencies (Cont’d.)

(iii) Foreign Operations

The results and financial position of the subsidiaries that have functional currencies different from the presentation currency (RM) of the consolidated financial statements are translated into RM as follows:

(a) Assets and liabilities for each statement of financial position presented are translated at the closing rates prevailing at the reporting date;

(b) Income and expenses for each income statement are translated at month-end exchange rates, which approximates the exchange rates at the dates of the transactions; and

(c) All resulting exchange differences are taken to the foreign currency translation reserve in other comprehensive income.

(o) Hedging financial instruments

The initial recognition of hedging financial instruments is at fair value, and subsequently remeasured at fair value with the resulting gain or loss recognised in the profit and loss. Hedging financial instruments with positive fair values are classified as financial assets and as financial liabilities when their fair values are negative.

(i) Foreign Exchange Contracts

Foreign exchange trading positions, including spot and forward contracts, are revalued at prevailing market rates at the reporting date and the resultant gains and losses are recognised in the profit and loss.

(ii) Profit Rate, Foreign Currency and Ijarah Rental Swaps

These financial instruments are measured at fair value and are carried as assets when the fair value is positive and as liabilities when the fair value is negative. Any gain or loss arising from a change in the fair value of these financial instruments is recognised in the profit and loss unless they are part of a hedging relationship which qualifies for hedge accounting where the gain or loss is recognised as follows:
3 SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

3.1 Summary of Significant Accounting Policies (Cont’d.)

(o) Hedging financial instruments (Cont’d.)

(ii) Profit Rate, Foreign Currency and Ijarah Rental Swaps (Cont’d.)

Fair value hedge

Where a financial instrument hedges the changes in fair value of a recognised asset or liability, any gain or loss on the hedging instrument is recognised in the profit and loss. The hedged item is also stated at fair value in respect of the risk being hedged, with any gain or loss being recognised in the profit and loss.

Cash flow hedge

Gains and losses on the hedging instrument, to the extent that the hedge is effective, are deferred in a separate component of equity. The ineffective part of any gain or loss is recognised in the profit and loss. The deferred gains and losses are released to the income statement in the periods when the hedged item affects the income statement.

(p) Employee Benefits

(i) Short-Term Benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the financial year in which the associated services are rendered by employees of the Group and the Bank. Short-term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increases their entitlement to future compensated absences. Short-term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

(ii) Defined Contribution Plan

Defined contribution plan is a post-employment benefit plan under which the Group and the Bank pay fixed contributions into separate entities or funds and will have no legal or constructive obligation to pay further contributions if any of the funds do not hold sufficient assets to pay all employee benefits relating to employee services in the current and preceding financial years. Such contributions are recognised as an expense in the profit or loss when incurred. As required by law, companies in Malaysia make such contributions to the Employees Provident Fund ("EPF").
3 SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

3.1 Summary of Significant Accounting Policies (Cont'd.)

(q) Zakat

This represents business zakat. It is an obligatory amount payable by the Bank to comply with the principles of Shariah. Zakat would be paid by Kuwait Finance House K.S.C who is the main shareholder of Kuwait Finance House (Malaysia) Berhad.

(r) Profit Equalisation Reserves ("PER")

PER is the amount appropriated out of the total gross income in order to maintain a certain level of return to depositors in conformity with BNM's "The Framework of the Rate of Return" (BNM/GP2-1). PER is appropriated from and written back to the total gross income in deriving the net distributable gross income. This amount appropriated is shared by the depositors and the Group. The PER is deducted at a rate which does not exceed the maximum amount of the total of 15% of monthly gross income, monthly net trading income, other income and irregular income. PER is maintained up to the maximum of 30% of total capital fund.

The Bank does not maintain PER as the Bank has been utilising income from shareholder's funds to stabilise the rate of return to depositor.

(s) Impairment of Non-Financial Assets

The carrying amounts of assets (other than investment in subsidiaries, associated companies and deferred tax assets) are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated to determine the amount of impairment loss.

For the purpose of impairment testing of these assets, recoverable amount is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, recoverable amount is determined for the cash-generating unit (CGU) to which the asset belongs to. Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's CGUs, or groups of CGUs, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.
3 SIGNIFICANT ACCOUNTING POLICIES (Cont’d.)

3.1 Summary of Significant Accounting Policies (Cont’d.)

(s) Impairment of Non-Financial Assets (Cont’d.)

An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

An impairment loss is recognised in income statement in the period in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for as a revaluation decrease to the extent that the impairment loss does not exceed the amount held in the asset revaluation reserve for the same asset.

(t) Financial Instruments

Financial instruments are recognised in the statements of financial position when the Group and the Bank have become a party to the contractual provisions of the financial instrument. The accounting policies on recognition and measurement of these items are disclosed in their respective accounting policies.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Profits, dividends and gains or losses relating to a financial instrument classified as a liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity. Financial instruments are offset when the Group and the Bank have a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

(u) Cash and Cash Equivalents

Cash and cash equivalents include cash and bank balances and short-term deposits with remaining maturities of less than one month.
3 SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

3.1 Summary of Significant Accounting Policies (Cont'd.)

(v) Financial Risk Management Objective and Policies

The Group's and the Bank's financial risk management policy seek to ensure that adequate financial resources are available for the development of the Group's and the Bank's business whilst managing its profit rate risks (both fair value and cash flow), liquidity risk and credit risk. The Board reviews and agrees policies for managing each of these risks as disclosed in the Statement of Corporate Governance.

(w) Operating Lease

Under the operating lease, the Group and the Bank act as a lessee. The operating lease payments are accounted for on a straight-line basis over the lease term and included in "Other overheads and expenditures".

3.2 First-time adoption of Malaysian Financial Reporting Standards ("MFRS")

The adoption of the MFRS Framework as issued by the Malaysian Accounting Standards Board ("MASB") as at 1 January 2012 by the Group and the Bank requires the Group and Bank's financial statements to also be fully compliant with IFRS Framework. The financial statements of the Group and the Bank for the year ended 31 December 2012 are the first set of financial statements prepared in accordance with MFRS including the application of MFRS 1 First-time Adoption of Malaysian Financial Reporting Standards ("MFRS 1").

For periods up to and including the previous year ended 31 December 2011, the Group and the Bank have prepared the financial statements in accordance with FRS in Malaysia as modified by BNM Guidelines.

Accordingly, the Group and the Bank have prepared financial statements which comply with MFRS applicable for periods ending on or after 31 December 2012, together with the comparative period information as at and for the period ended 31 December 2011, as described in the summary of significant accounting policies.

In preparing these financial statements, the Group's and the Bank's opening statements of financial position was prepared as at 1 January 2011, being the Group's and the Bank's date of transition to MFRS. This note explains the principal adjustments made by the Group and the Bank in restating its statements of financial position as at 1 January 2011 and its previously published financial statements as at and for the year ended 31 December 2011, both of which was prepared in accordance with FRS in Malaysia as modified by BNM Guidelines.
3 SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

3.2 First-time adoption of Malaysian Financial Reporting Standards ("MFRS") (Cont'd.)

An explanation of how the transition from FRS in Malaysia as modified by BNM Guidelines to MFRS has affected the Group and the Bank’s financial position, financial performance and cash flows is set out in Note 40. This note includes reconciliation of statements of financial position and total comprehensive income for comparative periods and of equity at the date of transition reported under FRS in Malaysia as modified by BNM Guidelines to those reported for those periods and at the date of transition under MFRS.

The transition from FRS in Malaysia as modified by BNM Guidelines to MFRS did not have a material impact on the statements of cash flows.

(i) Optional exemption adopted

MFRS 1 allows first-time adopters certain exemptions from the retrospective application of certain requirements under MFRS. The Group and the Bank have applied the following exemptions:

(a) Business combination

MFRS 1 allows a first-time adopter not to apply MFRS 3 Business Combinations retrospectively to business combinations that occurred before the date of transition to MFRS.

The Group and the Bank have elected not to restate business combinations that took place prior to the 1 January 2011. In respect of acquisitions prior to the date of transition:

- The classification of business combinations that occurred before 1 January 2011 is maintained;
- No re-measurement exercise was undertaken in relation to the original fair values as previously determined at the time of business combination (date of acquisition); and
- The carrying amount of goodwill recognised under FRS in Malaysia as modified by BNM Guidelines was not adjusted.

(b) Investments in subsidiaries, jointly controlled entities and associates

MFRS 1 allows a first-time adopter that subsequently measures its investment in subsidiaries, jointly controlled entities and associates at cost, to measure such investments at cost (as determined in accordance with MFRS 127 Consolidated and Separate Financial Statements) or deemed cost (at fair value or carrying amount stated in accordance with FRS in Malaysia as modified by BNM Guidelines) in its separate opening MFRS statement of financial position.

The Bank has elected to measure all of its investment in subsidiaries and associates at deemed cost based on their carrying amounts stated in accordance with FRS in Malaysia as modified by BNM Guidelines in its separate opening MFRS statement of financial position.

Other optional exemptions available under MFRS 1, which are not discussed here, are not applicable to the Group and the Bank.
3 SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

3.2 First-time adoption of Malaysian Financial Reporting Standards ("MFRS") (Cont'd.)

(ii) Significant change in accounting policy following the adoption of MFRS Framework

Prior to the transition to MFRS 139, the Bank had maintained collective assessment allowance at 1.5% of total outstanding financing, advances and other receivable, net of individual assessment allowance, in parallel with BNM’s transitional provisions under its Guidelines on Classification and Impairment Provisions for Loan/Financing. Upon the transition to MFRS 139 on 1 January 2012, these transitional provisions, which were allowed under the previous FRS framework, were removed and the Bank has applied the requirements of MFRS 139 in the determination of collective assessment allowance.

Under MFRS 139, collective assessment is performed on financing, advances and other receivable which are not individually significant based on the incurred loss approach. Financing, advances and other receivable which are individually assessed and where there is no objective evidence of impairment are also included in the group of financing, advances and other receivable for collective assessment. These financing, advances and other receivable are pooled into groups with similar credit risk characteristics and the future cash flows for each group is estimated on the basis of the historical loss experience for such assets and discounted to present value. Collective assessment allowance is made on any shortfall in these discounted cash flows against the carrying value of the group of financing, advances and other receivable.

As allowed by MFRS 139, the collective assessment for impairment for the Group and the Bank are estimated with reference to publically available peer group experience for comparable segments for each financing portfolio. The peer group historical loss experience used by the Group and the Bank are Probability of Default ("PD") and Loss Given Default ("LGD") estimates. These estimates are mapped and calibrated to the Group’s and the Bank’s financing portfolios using equivalent and comparable credit ratings as references.

(iii) Estimates

The estimates at 1 January 2011 and at 31 December 2011 are consistent with those made for the same dates in accordance with FRS in Malaysia as modified by BNM Guidelines. The estimates used by the Group and the Bank to present these amounts in accordance with MFRS reflect conditions at 1 January 2011, the date transition to MFRS and as of 31 December 2011.
3 SIGNIFICANT ACCOUNTING POLICIES (Cont’d.)

3.3 Standards issued but not yet effective

The standards and interpretations that are issued but not yet effective up to the date of issuance of the Group’s and the Bank’s financial statements are disclosed below. The Group and the Bank intend to adopt these standards, if applicable, when they become effective.

<table>
<thead>
<tr>
<th>MFRSs, Amendments to MFRSs and Interpretations</th>
<th>Effective for financial period beginning on or after</th>
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<tr>
<td>MFRS 101 Presentation of Items of Other Comprehensive Income (Amendments to MFRS 101)</td>
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<tr>
<td>Amendments to MFRS 101: Presentation of Financial Statements (Annual Improvements 2009-2011 Cycle)</td>
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<tr>
<td>MFRS 3 Business Combinations (IFRS 3 Business Combinations issued by IASB in March 2004)</td>
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<td>MFRS 11 Joint Arrangements</td>
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<td>MFRS 12 Disclosure of Interests in Other Entities</td>
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<td>MFRS 13 Fair Value Measurement</td>
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<td>MFRS 119 Employee Benefits</td>
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<tr>
<td>MFRS 127 Separate Financial Statements</td>
<td>1 January 2013</td>
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<td>MFRS 128 Investment in Associate and Joint Ventures</td>
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<tr>
<td>MFRS 127 Consolidated and Separate Financial Statements (IAS 27 as revised by IASB in December 2003)</td>
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</tr>
<tr>
<td>Amendment to IC Interpretation 2 Members' Shares in Co-operative Entities and Similar Instruments (Annual improvements 2009-2011 Cycle)</td>
<td>1 January 2013</td>
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<tr>
<td>IC Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine</td>
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<td>Amendments to MFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities</td>
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<td>Amendments to MFRS 1: First-time Adoption of Malaysian Financial Reporting Standards – Government Loans</td>
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<td>Amendments to MFRS 116: Property, Plant and Equipment (Annual Improvements 2009-2011 Cycle)</td>
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<td>Amendments to MFRS 10: Consolidated Financial Statements: Transition Guidance</td>
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<td>Amendments to MFRS 11: Joint Arrangements: Transition Guidance</td>
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<td>Amendments to MFRS 12: Disclosure of Interests in Other Entities: Transition Guidance</td>
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<tr>
<td>MFRS 9 Financial Instruments</td>
<td>1 January 2015</td>
</tr>
</tbody>
</table>
3 SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

3.3 Standards issued but not yet effective (Cont'd.)

The Group and the Bank plan to apply the abovementioned standards when they become effective:

**MFRS 10 Consolidated Financial Statements**

MFRS 10 replaces part of MFRS 127 Consolidated and Separate Financial Statements that deals with consolidated financial statements and IC Interpretation 112 Consolidation – Special Purpose Entities.

Under MFRS 10, an investor controls an investee when (a) the investor has power over an investee, (b) the investor has exposure, or rights, to variable returns from its involvement with the investee, and (c) the investor has ability to use its power over the investee to affect the amount of the investor's returns. Under MFRS 127 Consolidated and Separate Financial Statements, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

MFRS 10 includes detailed guidance to explain when an investor has control over the investee. MFRS 10 requires the investor to take into account all relevant facts and circumstances. The Group and the Bank are currently assessing the impact of adopting MFRS 10. The impact of the new standard will be affected by the financial position and performance of the entity to be consolidated until the effective date of the new standard and by any possible change in the standard until such date.

**MFRS 11 Joint Arrangements**

MFRS 11 replaces MFRS 131 Interests in Joint Ventures and IC Interpretation 113 Jointly-Controlled Entities – Non-monetary Contributions by Venturers.

The classification of joint arrangements under MFRS 11 is determined based on the rights and obligations of the parties to the joint arrangements by considering the structure, the legal form, the contractual terms agreed by the parties to the arrangement and when relevant, other facts and circumstances. Under MFRS 11, joint arrangements are classified as either joint operations or joint ventures.

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

MFRS 11 removes the option to account for jointly controlled entities ("JCE") using proportionate consolidation. Instead, JCE that meet the definition of a joint venture must be accounted for using the equity method.

The adoption of MFRS 11 is not expected to have a significant impact on the accounting treatment of investments currently held by the Group and the Bank.
3 SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

3.3 Standards issued but not yet effective (Cont'd.)

The Group and the Bank plan to apply the abovementioned standards when they become effective (cont'd.):

**MFRS 12 Disclosures of Interests in Other Entities**

MFRS 12 includes all disclosure requirements for interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are required. This standard affects disclosures only and has no impact on the Group's financial position or performance.

The Group and the Bank will need to disclose more information about the consolidated and unconsolidated structured entities with which it is involved or has sponsored. However, the standard will not have any significant impact on the financial position or performance of the Group and the Bank.

**MFRS 13 Fair Value Measurement**

MFRS 13 establishes a single source of guidance under MFRS for all fair value measurements. MFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under MFRS when fair value is required or permitted. There are also additional disclosure requirements.

Adoption of the standard is not expected to have a material impact on the financial position or performance of the Group and the Bank.

**MFRS 119 Employee Benefits**

The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in fair value of plan assets when they occur, and hence eliminate the "corridor approach" as permitted under the previous version of MFRS 119 and accelerate the recognition of past service costs. The amendments require all actuarial gains and losses to be recognised immediately through other comprehensive income in order for the net pension asset or liability recognised in the consolidated statement of financial position to reflect the full value of the plan deficit or surplus.

The amendments to MFRS 119 require retrospective application with certain exceptions. The directors anticipate that the application is not expected to have any significant impact on the financial position or performance of the Group and the Bank.
3.3 Standards issued but not yet effective (Cont'd.)

The Group and the Bank plan to apply the abovementioned standards when they become effective (cont'd.).

**MFRS 127 Separate Financial Statements**

As a consequence of the new MFRS 10 and MFRS 12, MFRS 127 is limited to accounting for subsidiaries, jointly controlled entities and associates in separate financial statements.

**MFRS 128 Investments in Associates and Joint Ventures**

As a consequence of the new MFRS 11 and MFRS 12, MFRS 128 is renamed as MFRS 128 Investments in Associates and Joint Ventures. This new standard describes the application of the equity method to investments in joint ventures in addition to associates.

**MFRS 3 Business Combinations (IFRS 3 Business Combinations issued by IASB in March 2004) and MFRS 127 Consolidated and Separate Financial Statements (IAS 27 as revised by IASB in December 2003)**

An entity shall apply these earlier versions of MFRS 3 and MFRS 127 only if the entity has elected to do so as allowed in MFRS 10 Consolidated Financial Statements. The adoptions of these standards are not expected to have any significant impact to the Group and the Bank.

**Amendments to MFRS 101: Presentation of Financial Statements (Annual Improvements 2009-2011 Cycle)**

The amendments to MFRS 101 change the grouping of items presented in other comprehensive income. Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, exchange differences on translation of foreign operations and net loss or gain on available-for-sale financial assets) would be presented separately from items which will never be reclassified (for example, actuarial gains and losses on defined benefit plans and revaluation of land and buildings). The amendment affects presentation only and has no impact on the Group's and the Bank's financial position and performance.

**Amendments to MFRS 132 Offsetting Financial Assets and Financial Liabilities**

These amendments clarify the meaning of "currently has a legally enforceable right to set-off". It will be necessary to assess the impact to the Group and the Bank by reviewing settlement procedures and legal documentation to ensure that offsetting is still possible in cases where it has been achieved in the past. In certain cases, offsetting may no longer be achieved. In other cases, contracts may have to be renegotiated. The requirement that the right of set-off be available for all counterparties to the netting agreement may prove to be a challenge for contracts where only one party has the right to offset in the event of default.
3 SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

3.3 Standards issued but not yet effective (Cont'd.)

The Group and the Bank plan to apply the abovementioned standards when they become effective (cont'd.).

Amendments to MFRS 132 Offsetting Financial Assets and Financial Liabilities (Cont’d.)

The amendments also clarify the application of the MFRS 132 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. Offsetting on the grounds of simultaneous settlement is particularly relevant for the Group and the Bank as to where it engages in large numbers of sale and repurchase transactions. Currently, transactions settled through clearing systems are, in most cases, deemed to achieve simultaneous settlement. While many settlement systems are expected to meet the new criteria, some may not. Any changes in offsetting are expected to impact leverage ratios, regulatory capital requirements, etc. As the impact of the adoption depends on the Bank’s examination of the operational procedures applied by the central clearing houses and settlement systems it deals with to determine if they meet the new criteria, it is not practical to quantify the effects. These amendments become effective for annual periods beginning on or after 1 January 2014.

MFRS 9 Financial Instruments: Classification and Measurement

MFRS 9, as issued, reflects the first phase of the IASB’s work though the adoption date is subject to the recently issued Exposure Draft on the replacement of MFRS 139 and applies to classification and measurement of financial assets and liabilities as defined in MFRS 139. The standard was initially effective for annual periods beginning on or after 1 January 2013, but Amendments to MFRS 9 Mandatory Effective Date of MFRS 9 and Transition Disclosures, issued in December 2011, moved the mandatory effective date to 1 January 2015. In subsequent phases, the IASB will address impairment and hedge accounting. The Group and the Bank will quantify the effect of the adoption of the first phase of MFRS 9 in conjunction with the other phases, when issued, to present a comprehensive picture.

3.4 Significant Accounting Estimates and Judgments

The preparation of the financial statements involved making certain estimates, assumptions and judgments that affect the accounting policies applied and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the financial statements in the period in which the estimate is revised and in any future periods affected. Significant areas of estimation, uncertainty and critical judgments used in applying accounting policies that have significant effect on the amount recognised in the financial statements include the following:
3 SIGNIFICANT ACCOUNTING POLICIES (Cont’d.)

3.4 Significant Accounting Estimates and Judgments (Cont’d.)

(a) Fair value estimation of securities and profit rate related contracts

As disclosed in Note 3.1(c), where the quoted and observable market prices of certain securities are not available, fair value is estimated using pricing models or discounted cash flow techniques. The usage of these models and techniques require the Group to make certain estimates and assumptions, including but not limited to estimated future cash flows and discount rates.

(b) Deferred tax and income taxes

Significant judgment is required in estimating the provision for income taxes. There are many transactions and interpretations of tax law for which the final outcome will not be established until some time later. Liabilities for taxation are recognised based on estimates of whether additional taxes will be payable. The estimation process includes seeking advice on tax treatments where appropriate. Where the final liability for taxation is different from the amounts that were initially recorded, the differences will affect the income tax and deferred tax provisions in the period in which the estimate is revised or the final liability is established.

Deferred tax assets are measured and recognised based on the tax rates that are expected to apply in the period when the asset is realised. Estimates are made as to the amount of taxable profits in these periods which will enable the deferred tax assets to be realised.

(c) Income recognition on Musyarakah and Mudharabah financing

Musyarakah and Mudharabah financing income are recognised based on estimated internal rate of return which is revised periodically over the duration of the financing.
### 4 CASH AND SHORT-TERM FUNDS

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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and balances with banks and other financial institutions</td>
<td>84,852</td>
<td>71,835</td>
<td>280,855</td>
<td>84,037</td>
<td>70,851</td>
<td>279,078</td>
</tr>
<tr>
<td>Money at call and interbank placements with remaining maturity less than one month</td>
<td>1,315,832</td>
<td>1,901,177</td>
<td>2,370,840</td>
<td>1,286,130</td>
<td>2,005,436</td>
<td>2,465,358</td>
</tr>
<tr>
<td></td>
<td>1,400,684</td>
<td>1,973,012</td>
<td>2,651,695</td>
<td>1,370,167</td>
<td>2,076,287</td>
<td>2,744,436</td>
</tr>
</tbody>
</table>

### 5 DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

<table>
<thead>
<tr>
<th></th>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Licensed Islamic banks</td>
<td>65,365</td>
<td>267,453</td>
<td>78,531</td>
<td>50,056</td>
<td>267,453</td>
<td>78,531</td>
</tr>
<tr>
<td>Other financial institutions</td>
<td>178,782</td>
<td>467,520</td>
<td>196,561</td>
<td>178,782</td>
<td>467,520</td>
<td>196,561</td>
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<tr>
<td></td>
<td>244,147</td>
<td>734,973</td>
<td>275,092</td>
<td>228,838</td>
<td>734,973</td>
<td>275,092</td>
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</table>

### 6 SECURITIES HELD-FOR-TRADING

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>At fair value</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unquoted Islamic private debt securities/ sukuk</td>
<td>79,493</td>
<td>90,216</td>
<td>110,083</td>
<td>79,493</td>
<td>83,776</td>
<td>110,083</td>
</tr>
</tbody>
</table>

### 7 SECURITIES AVAILABLE-FOR-SALE

<table>
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<tr>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>At fair value</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bank Negara Malaysia Ijarah sukuk</td>
<td>-</td>
<td>-</td>
<td>121,106</td>
<td>-</td>
<td>-</td>
<td>121,106</td>
</tr>
<tr>
<td>Unquoted securities</td>
<td>896,623</td>
<td>1,076,569</td>
<td>913,400</td>
<td>787,407</td>
<td>957,484</td>
<td>785,827</td>
</tr>
<tr>
<td>Islamic private debt securities/ sukuk</td>
<td>425,320</td>
<td>898,677</td>
<td>749,752</td>
<td>365,264</td>
<td>850,522</td>
<td>721,731</td>
</tr>
<tr>
<td>Malaysian Government sukuk</td>
<td>435,181</td>
<td>123,466</td>
<td>77,341</td>
<td>422,143</td>
<td>106,962</td>
<td>64,096</td>
</tr>
<tr>
<td>Property funds</td>
<td>36,122</td>
<td>54,426</td>
<td>86,307</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>896,623</td>
<td>1,076,569</td>
<td>1,034,506</td>
<td>787,407</td>
<td>957,484</td>
<td>906,933</td>
</tr>
<tr>
<td>At cost</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unquoted shares in Malaysia</td>
<td>59,207</td>
<td>19,771</td>
<td>19,000</td>
<td>59,207</td>
<td>19,771</td>
<td>19,000</td>
</tr>
<tr>
<td></td>
<td>955,830</td>
<td>1,096,340</td>
<td>1,053,506</td>
<td>846,614</td>
<td>977,255</td>
<td>925,933</td>
</tr>
</tbody>
</table>
NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2012

8 SEcurities held-to-maturity

<table>
<thead>
<tr>
<th></th>
<th></th>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>RM'000</td>
<td>RM'000</td>
<td>RM'000</td>
</tr>
<tr>
<td>At amortised cost</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unquoted securities:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Islamic private debt securities/ sukuk</td>
<td>81,493</td>
<td>47,125</td>
<td>46,266</td>
</tr>
</tbody>
</table>

9 Financing, Advances and Other Receivables

(i) At amortised cost

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>RM'000</td>
<td>RM'000</td>
<td>RM'000</td>
</tr>
<tr>
<td>Term financing</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- House financing</td>
<td>52,221</td>
<td>209,006</td>
<td>166,513</td>
</tr>
<tr>
<td>- Personal financing</td>
<td>1,205,805</td>
<td>951,632</td>
<td>3,771</td>
</tr>
<tr>
<td>- Leasing financing</td>
<td>105,228</td>
<td>140,194</td>
<td>197,611</td>
</tr>
<tr>
<td>- Syndicated financing</td>
<td>320,841</td>
<td>320,522</td>
<td>479,286</td>
</tr>
<tr>
<td>- Hire purchase receivables</td>
<td>125,107</td>
<td>47,635</td>
<td>47,600</td>
</tr>
<tr>
<td>- Other term financing</td>
<td>4,155,913</td>
<td>4,749,394</td>
<td>5,694,104</td>
</tr>
<tr>
<td>Staff financing</td>
<td>9,054</td>
<td>10,125</td>
<td>14,387</td>
</tr>
<tr>
<td>Less: Impairment allowances on financing</td>
<td>(138,600)</td>
<td>(140,866)</td>
<td>(259,942)</td>
</tr>
<tr>
<td>- Collective assessment</td>
<td>(546,824)</td>
<td>(1,089,878)</td>
<td>(411,715)</td>
</tr>
<tr>
<td>Net financing, advances and other receivables</td>
<td>5,288,745</td>
<td>5,197,764</td>
<td>5,931,615</td>
</tr>
</tbody>
</table>

(ii) By contract

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>RM'000</td>
<td>RM'000</td>
<td>RM'000</td>
</tr>
<tr>
<td>Ijarah Muntahia Bittamlık/ Al-Ijarah Thumma</td>
<td>1,696,868</td>
<td>1,908,174</td>
<td>2,055,618</td>
</tr>
<tr>
<td>Al-Bai’i (lease ended with ownership)</td>
<td>3,804,411</td>
<td>4,022,022</td>
<td>3,927,781</td>
</tr>
<tr>
<td>Murabahah (cost-plus)</td>
<td>80,814</td>
<td>85,770</td>
<td>117,887</td>
</tr>
<tr>
<td>Mudharabah (profit sharing)</td>
<td>385,158</td>
<td>394,289</td>
<td>451,858</td>
</tr>
<tr>
<td>Musyarakah (profit and loss sharing)</td>
<td>899</td>
<td>1,030</td>
<td>32,530</td>
</tr>
<tr>
<td>Qard (benevolent financing)</td>
<td>6,019</td>
<td>10,455</td>
<td>17,598</td>
</tr>
<tr>
<td>Istisna’</td>
<td>-</td>
<td>6,768</td>
<td>-</td>
</tr>
<tr>
<td>Wakalah</td>
<td>5,974,169</td>
<td>6,428,508</td>
<td>6,603,272</td>
</tr>
</tbody>
</table>

71
## FINANCING, ADVANCES AND OTHER RECEIVABLES (Cont’d.)

### (iii) By type of customer

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Domestic business enterprises</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Small medium enterprises</td>
<td>767,997</td>
<td>756,610</td>
<td>1,135,776</td>
</tr>
<tr>
<td>- Others</td>
<td>3,002,869</td>
<td>3,274,786</td>
<td>3,849,198</td>
</tr>
<tr>
<td>Individuals</td>
<td>1,679,217</td>
<td>1,324,218</td>
<td>204,778</td>
</tr>
<tr>
<td>Other domestic entities</td>
<td>121,897</td>
<td>107,058</td>
<td>86,446</td>
</tr>
<tr>
<td>Foreign entities</td>
<td>294,242</td>
<td>856,713</td>
<td>1,238,677</td>
</tr>
<tr>
<td>Domestic non-bank financial institutions</td>
<td>107,947</td>
<td>109,123</td>
<td>88,397</td>
</tr>
<tr>
<td></td>
<td>5,974,169</td>
<td>6,428,508</td>
<td>6,603,272</td>
</tr>
</tbody>
</table>

### (iv) By residual contractual maturity

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Maturity within one year</td>
<td>3,679,744</td>
<td>4,024,086</td>
<td>4,960,303</td>
</tr>
<tr>
<td>More than one year to three years</td>
<td>231,391</td>
<td>399,950</td>
<td>541,515</td>
</tr>
<tr>
<td>More than three years to five years</td>
<td>93,142</td>
<td>318,089</td>
<td>415,985</td>
</tr>
<tr>
<td>More than five years</td>
<td>1,969,892</td>
<td>1,686,383</td>
<td>685,469</td>
</tr>
<tr>
<td></td>
<td>5,974,169</td>
<td>6,428,508</td>
<td>6,603,272</td>
</tr>
</tbody>
</table>

### (v) By geographical distribution

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Malaysia</td>
<td>5,832,956</td>
<td>6,014,971</td>
<td>5,750,012</td>
</tr>
<tr>
<td>Middle East</td>
<td>19,287</td>
<td>116,278</td>
<td>367,086</td>
</tr>
<tr>
<td>Other countries</td>
<td>121,926</td>
<td>297,259</td>
<td>486,174</td>
</tr>
<tr>
<td></td>
<td>5,974,169</td>
<td>6,428,508</td>
<td>6,603,272</td>
</tr>
</tbody>
</table>

### (vi) By profit rate sensitivity

<table>
<thead>
<tr>
<th>Rate</th>
<th>31.12.2012 RM’000</th>
<th>31.12.2011 RM’000</th>
<th>01.01.2011 RM’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fixed rate</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- House financing</td>
<td>12,547</td>
<td>27,952</td>
<td>99,053</td>
</tr>
<tr>
<td>- Hire purchase receivables</td>
<td>84,466</td>
<td>52,878</td>
<td>6,990</td>
</tr>
<tr>
<td>- Syndicated financing</td>
<td>320,841</td>
<td>320,522</td>
<td>479,286</td>
</tr>
<tr>
<td>- Term financing</td>
<td>3,927,759</td>
<td>2,231,079</td>
<td>1,626,858</td>
</tr>
<tr>
<td>Variable</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- House financing</td>
<td>282,899</td>
<td>201,385</td>
<td>128,594</td>
</tr>
<tr>
<td>- Term financing</td>
<td>1,745,658</td>
<td>3,594,692</td>
<td>4,262,579</td>
</tr>
<tr>
<td></td>
<td>5,974,169</td>
<td>6,428,508</td>
<td>6,603,272</td>
</tr>
</tbody>
</table>
9 FINANCING, ADVANCES AND OTHER RECEIVABLES (Cont’d.)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>RM'000</td>
<td>RM'000</td>
<td>RM'000</td>
</tr>
<tr>
<td>Construction</td>
<td>211,000</td>
<td>250,153</td>
<td>500,568</td>
</tr>
<tr>
<td>Electricity, gas and water</td>
<td>126,300</td>
<td>151,341</td>
<td>273,136</td>
</tr>
<tr>
<td>Finance, insurance and business services</td>
<td>263,398</td>
<td>473,949</td>
<td>696,682</td>
</tr>
<tr>
<td>Household</td>
<td>1,698,953</td>
<td>1,348,749</td>
<td>232,440</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>959,776</td>
<td>829,907</td>
<td>1,063,816</td>
</tr>
<tr>
<td>Mining and quarrying</td>
<td>308,149</td>
<td>416,667</td>
<td>443,073</td>
</tr>
<tr>
<td>Agriculture, hunting, forestry &amp; fishing</td>
<td>69,674</td>
<td>122,684</td>
<td>203,019</td>
</tr>
<tr>
<td>Real Estate</td>
<td>1,237,321</td>
<td>1,412,501</td>
<td>1,599,608</td>
</tr>
<tr>
<td>Transports, storage and communication</td>
<td>260,489</td>
<td>630,003</td>
<td>721,796</td>
</tr>
<tr>
<td>Wholesale &amp; retail trade</td>
<td>358,710</td>
<td>558,581</td>
<td>575,865</td>
</tr>
<tr>
<td>and restaurants &amp; hotels</td>
<td>480,399</td>
<td>233,973</td>
<td>293,269</td>
</tr>
<tr>
<td>Others</td>
<td>5,974,169</td>
<td>6,428,508</td>
<td>6,603,272</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>RM'000</td>
<td>RM'000</td>
<td>RM'000</td>
</tr>
<tr>
<td>Purchase of securities</td>
<td>180,234</td>
<td>160,894</td>
<td>201,250</td>
</tr>
<tr>
<td>Purchase of transport vehicles</td>
<td>287,156</td>
<td>284,366</td>
<td>274,650</td>
</tr>
<tr>
<td>Purchase of landed properties</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- residential</td>
<td>398,497</td>
<td>488,957</td>
<td>393,797</td>
</tr>
<tr>
<td>- non-residential</td>
<td>318,278</td>
<td>364,322</td>
<td>627,279</td>
</tr>
<tr>
<td>Purchase of fixed assets</td>
<td>474,134</td>
<td>662,781</td>
<td>739,596</td>
</tr>
<tr>
<td>Working capital</td>
<td>2,176,891</td>
<td>2,566,387</td>
<td>3,154,599</td>
</tr>
<tr>
<td>Construction</td>
<td>469,266</td>
<td>351,066</td>
<td>594,854</td>
</tr>
<tr>
<td>Personal use</td>
<td>1,198,725</td>
<td>946,348</td>
<td>2,519</td>
</tr>
<tr>
<td>Other purposes</td>
<td>470,988</td>
<td>603,387</td>
<td>614,728</td>
</tr>
<tr>
<td></td>
<td>5,974,169</td>
<td>6,428,508</td>
<td>6,603,272</td>
</tr>
</tbody>
</table>

| advances and other receivables                      | RM'000     | RM'000     | RM'000     |
|                                                     |            |            |            |
| At 1 January                                        | 1,493,648  | 793,987    | 1,082,316  |
| - Impaired during the year                          | 241,451    | 1,062,316  |            |
| - Reclassified to performing during the year        | (34,483)   | (140,414)  |            |
| - Amount recovered                                  | (213,608)  | (131,514)  |            |
| - Amount written off                                 | (553,454)  | (110,727)  |            |
| At 31 December                                      | 933,554    | 1,493,648  |            |
9 FINANCING, ADVANCES AND OTHER RECEIVABLES (Cont'd.)

(ix) Movements in impaired financing, advances and other receivables (Cont'd.)

<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>RM'000</td>
<td>RM'000</td>
</tr>
<tr>
<td>Ratio of net impaired financing, advances and other receivables to gross financing, advances and other receivables less individual impairment allowance</td>
<td>7.13%</td>
</tr>
</tbody>
</table>

(x) Movements in impairment allowances on financing, advances and other receivables

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>RM'000</td>
<td>RM'000</td>
</tr>
<tr>
<td>Collective assessment</td>
<td></td>
<td></td>
</tr>
<tr>
<td>At 1 January</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- As previously stated</td>
<td>140,866</td>
<td>118,773</td>
</tr>
<tr>
<td>- MFRS 139 as at 1 January</td>
<td>-</td>
<td>141,169</td>
</tr>
<tr>
<td>At 1 January</td>
<td>140,866</td>
<td>259,942</td>
</tr>
<tr>
<td>Allowance reversed during the year (Note 30)</td>
<td>(2,266)</td>
<td>(119,076)</td>
</tr>
<tr>
<td>At 31 December</td>
<td>138,600</td>
<td>140,866</td>
</tr>
<tr>
<td>As % of total gross financing, advances and other receivables less individual impairment allowance</td>
<td>2.55%</td>
<td>2.64%</td>
</tr>
</tbody>
</table>

Individual assessment

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>RM'000</td>
<td>RM'000</td>
</tr>
<tr>
<td>At 1 January</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Allowance made during the year (Note 30)</td>
<td>1,089,878</td>
<td>411,715</td>
</tr>
<tr>
<td>- Allowance charged during the period</td>
<td>3,554</td>
<td>796,263</td>
</tr>
<tr>
<td>- Allowance written-back during the period</td>
<td>134,599</td>
<td>950,387</td>
</tr>
<tr>
<td>(131,045)</td>
<td>(154,124)</td>
<td></td>
</tr>
<tr>
<td>Amount written off</td>
<td>(546,608)</td>
<td>(110,727)</td>
</tr>
<tr>
<td>Exchange difference</td>
<td>-</td>
<td>(7,373)</td>
</tr>
<tr>
<td>At 31 December</td>
<td>546,824</td>
<td>1,089,878</td>
</tr>
</tbody>
</table>
### FINANCING, ADVANCES AND OTHER RECEIVABLES (Cont’d.)

#### (xi) Impaired financing by sector

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture, hunting, forestry and fishing</td>
<td>39,764</td>
<td>94,885</td>
<td>78,094</td>
</tr>
<tr>
<td>Construction</td>
<td>31,525</td>
<td>15,947</td>
<td>57,835</td>
</tr>
<tr>
<td>Electricity, gas and water</td>
<td>18,646</td>
<td>84,271</td>
<td>-</td>
</tr>
<tr>
<td>Finance, insurance and business services</td>
<td>38,576</td>
<td>110,381</td>
<td>76,663</td>
</tr>
<tr>
<td>Household</td>
<td>12,445</td>
<td>4,142</td>
<td>135</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>306,950</td>
<td>435,188</td>
<td>55,436</td>
</tr>
<tr>
<td>Mining and quarrying</td>
<td>119,246</td>
<td>123,153</td>
<td>137,424</td>
</tr>
<tr>
<td>Real Estate</td>
<td>69,919</td>
<td>316,439</td>
<td>170,249</td>
</tr>
<tr>
<td>Transport, storage and communication</td>
<td>56,719</td>
<td>174,350</td>
<td>175,430</td>
</tr>
<tr>
<td>Wholesale &amp; retail trade and restaurants &amp; hotels</td>
<td>129,471</td>
<td>134,892</td>
<td>9,326</td>
</tr>
<tr>
<td>Others</td>
<td>110,293</td>
<td>-</td>
<td>33,395</td>
</tr>
</tbody>
</table>

#### 10 OTHER ASSETS

<table>
<thead>
<tr>
<th>Note</th>
<th>Group</th>
<th>Bank</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>RM’000</td>
<td>RM’000</td>
</tr>
<tr>
<td>Deposits and prepayments</td>
<td>17,672</td>
<td>27,083</td>
</tr>
<tr>
<td>Amount due from holding company (i)</td>
<td>294</td>
<td>288</td>
</tr>
<tr>
<td>Amount due from subsidiaries (i)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Amount due from other related parties (i)</td>
<td>1,617</td>
<td>1,615</td>
</tr>
<tr>
<td>Fee receivable</td>
<td>2,575</td>
<td>270</td>
</tr>
<tr>
<td>Sundry debtors</td>
<td>12,408</td>
<td>4,665</td>
</tr>
<tr>
<td>Murabahah trading automobile</td>
<td>32</td>
<td>32</td>
</tr>
<tr>
<td>Commodity assets</td>
<td>272,499</td>
<td>195,604</td>
</tr>
<tr>
<td>Tax recoverable</td>
<td>5,005</td>
<td>34,794</td>
</tr>
<tr>
<td>Gold depository</td>
<td>169,279</td>
<td>147,411</td>
</tr>
<tr>
<td>Total</td>
<td>481,381</td>
<td>411,762</td>
</tr>
</tbody>
</table>

(i) The amount due from holding company, subsidiaries and related parties are unsecured, profit-free and repayable on demand.
11 HEDGING FINANCIAL INSTRUMENTS

<table>
<thead>
<tr>
<th>Date</th>
<th>Description</th>
<th>Notional Amount RM'000</th>
<th>Fair Value</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>RM'000</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Assets RM'000</td>
<td>Liabilities RM'000</td>
</tr>
<tr>
<td>31.12.2012</td>
<td>Ijarah rental swap related contracts</td>
<td>278,339</td>
<td>21,470</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>278,339</td>
<td>21,470</td>
</tr>
<tr>
<td>31.12.2011</td>
<td>Forward foreign exchange related contracts</td>
<td>917,884</td>
<td>719</td>
</tr>
<tr>
<td></td>
<td>Ijarah rental swap related contracts</td>
<td>618,888</td>
<td>42,969</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>1,536,772</td>
<td>43,688</td>
</tr>
<tr>
<td>01.01.2011</td>
<td>Forward foreign exchange related contracts</td>
<td>1,128,680</td>
<td>38,760</td>
</tr>
<tr>
<td></td>
<td>Ijarah rental swap related contracts</td>
<td>690,229</td>
<td>41,872</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>1,818,909</td>
<td>80,632</td>
</tr>
</tbody>
</table>

12 STATUTORY DEPOSITS WITH BANK NEGARA MALAYSIA

The statutory deposits are maintained with Bank Negara Malaysia in compliance with Section 37(1)(c) of the Central Bank of Malaysia Act, 1958 (Revised 1994), the amounts of which are determined at set percentages of total eligible liabilities.

13 MUSYARAKAH CAPITAL INVESTMENT

The Bank grants Musyarakah financing as part of the Bank's activities in accordance with the principles of Shariah. The equity participation that forms part of the financing structure is called Musyarakah capital investment which is carried at cost less any impairment loss. The Bank's participation in these entities involved is limited to safeguarding its interest under the Musyarakah financing.

14 INVESTMENT IN SUBSIDIARIES

<table>
<thead>
<tr>
<th>Date</th>
<th>Bank</th>
<th>Unquoted shares, at cost</th>
<th>Impairment on investment in subsidiaries</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>RM'000</td>
<td>RM'000</td>
<td>RM'000</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unquoted shares, at cost</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- in Malaysia</td>
<td>30,200</td>
<td>30,200</td>
<td>30,200</td>
</tr>
<tr>
<td>- outside Malaysia</td>
<td>15,993</td>
<td>15,993</td>
<td>37,697</td>
</tr>
<tr>
<td>Impairment on investment in subsidiaries</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>46,193</td>
<td>46,193</td>
<td>67,897</td>
</tr>
<tr>
<td></td>
<td>(15,241)</td>
<td>(15,241)</td>
<td>(35,500)</td>
</tr>
<tr>
<td></td>
<td>30,952</td>
<td>30,952</td>
<td>32,397</td>
</tr>
</tbody>
</table>
14 INVESTMENT IN SUBSIDIARIES (Cont’d.)

Details of the subsidiaries are as follows:

<table>
<thead>
<tr>
<th>Company</th>
<th>Principal Activities</th>
<th>Country of Incorporation</th>
<th>Equity interest held (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kuwait Finance House (Labuan) Berhad</td>
<td>Offshore banking</td>
<td>Malaysia</td>
<td>100</td>
</tr>
<tr>
<td>KFH Nominees (Tempatan) Sdn. Bhd.</td>
<td>Nominee services</td>
<td>Malaysia</td>
<td>100</td>
</tr>
<tr>
<td>Kuwait Finance House (Singapore) Pte. Ltd. *</td>
<td>Fund management</td>
<td>Singapore</td>
<td>-</td>
</tr>
<tr>
<td>Kuwait Finance House (Australia) Pty Ltd ^</td>
<td>Fund management</td>
<td>Australia</td>
<td>100</td>
</tr>
<tr>
<td>KFH Asset Management Sdn. Bhd.</td>
<td>Asset management</td>
<td>Malaysia</td>
<td>100</td>
</tr>
</tbody>
</table>

* The name of the company was struck off from the register in Singapore on 9 March 2011
^ Audited by member firm of Ernst & Young Global in Australia

15 INVESTMENT IN JOINTLY CONTROLLED ENTITY

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Unquoted shares, at cost</td>
<td>-</td>
<td>84</td>
<td>84</td>
</tr>
<tr>
<td>Advances</td>
<td>-</td>
<td>542</td>
<td>848</td>
</tr>
<tr>
<td>Less: Accumulated impairment losses</td>
<td>-</td>
<td>(626)</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>-</td>
<td>-</td>
<td>932</td>
</tr>
</tbody>
</table>
15 INVESTMENT IN JOINTLY CONTROLLED ENTITY (Cont’d.)

The details of the jointly controlled entity held by a subsidiary of the Bank, which had a financial year end of 31 December are as follows:

<table>
<thead>
<tr>
<th>Name of Company</th>
<th>Country of Incorporation</th>
<th>Effective Interest 31.12.2012 %</th>
<th>Effective Interest 31.12.2011 %</th>
<th>Effective Interest 01.01.2011 %</th>
<th>Principal Activity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Global Shipping Investment Fund</td>
<td>Cayman Island</td>
<td>-</td>
<td>50</td>
<td>50</td>
<td>Fund Management</td>
</tr>
<tr>
<td>Management Limited</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The aggregate share of the current assets, non-current assets, current liabilities, non-current liabilities, income and expenses of the jointly controlled entities was as follows:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Current assets, representing total assets</td>
<td>-</td>
<td>-</td>
<td>740</td>
</tr>
<tr>
<td>Current liabilities, representing total liabilities</td>
<td>-</td>
<td>1,084</td>
<td>1,697</td>
</tr>
<tr>
<td>Revenue</td>
<td>-</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Expenses, including finance costs and taxation</td>
<td>-</td>
<td>33</td>
<td>1.112</td>
</tr>
</tbody>
</table>
### 16 PROPERTY AND EQUIPMENT

<table>
<thead>
<tr>
<th>Group</th>
<th>Renovation</th>
<th>Furniture &amp; fittings</th>
<th>Office equipment</th>
<th>Computer</th>
<th>Motor</th>
<th>Work-in-progress</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>31.12.2012</td>
<td>RM'000</td>
<td>RM'000</td>
<td>RM'000</td>
<td>RM'000</td>
<td>RM'000</td>
<td>RM'000</td>
<td>RM'000</td>
</tr>
<tr>
<td>Cost</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>At 1 January</td>
<td>18,714</td>
<td>11,097</td>
<td>12,614</td>
<td>24,048</td>
<td>1,321</td>
<td>1,487</td>
<td>69,281</td>
</tr>
<tr>
<td>Additions</td>
<td>1,500</td>
<td>975</td>
<td>1,928</td>
<td>2,464</td>
<td>-</td>
<td>23,357</td>
<td>30,224</td>
</tr>
<tr>
<td>Write-offs</td>
<td>(575)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(575)</td>
<td>(575)</td>
</tr>
<tr>
<td>Transfers</td>
<td>10,125</td>
<td>5,290</td>
<td>1,693</td>
<td>1,273</td>
<td>-</td>
<td>(23,025)</td>
<td>(4,644)</td>
</tr>
<tr>
<td>Exchange difference</td>
<td>(2)</td>
<td>(1)</td>
<td>-</td>
<td>(2)</td>
<td>-</td>
<td>-</td>
<td>(6)</td>
</tr>
<tr>
<td>At 31 December</td>
<td>29,762</td>
<td>17,361</td>
<td>16,235</td>
<td>27,783</td>
<td>1,321</td>
<td>1,819</td>
<td>94,281</td>
</tr>
<tr>
<td>Accumulated depreciation</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>At 1 January</td>
<td>13,690</td>
<td>7,856</td>
<td>8,560</td>
<td>14,584</td>
<td>736</td>
<td>-</td>
<td>45,426</td>
</tr>
<tr>
<td>Charge for the year (Note 34)</td>
<td>3,622</td>
<td>2,138</td>
<td>1,959</td>
<td>4,140</td>
<td>225</td>
<td>-</td>
<td>12,084</td>
</tr>
<tr>
<td>Write-off</td>
<td>(575)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(575)</td>
<td>(575)</td>
</tr>
<tr>
<td>Exchange difference</td>
<td>(2)</td>
<td>(2)</td>
<td>-</td>
<td>(2)</td>
<td>-</td>
<td>-</td>
<td>(6)</td>
</tr>
<tr>
<td>At 31 December</td>
<td>16,735</td>
<td>9,992</td>
<td>10,519</td>
<td>18,722</td>
<td>961</td>
<td>-</td>
<td>56,929</td>
</tr>
<tr>
<td>Net book value</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>At 31 December</td>
<td>13,027</td>
<td>7,369</td>
<td>5,716</td>
<td>9,061</td>
<td>360</td>
<td>1,819</td>
<td>37,352</td>
</tr>
</tbody>
</table>

#### Bank

<table>
<thead>
<tr>
<th>Group</th>
<th>Renovation</th>
<th>Furniture &amp; fittings</th>
<th>Office equipment</th>
<th>Computer</th>
<th>Motor</th>
<th>Work-in-progress</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>31.12.2012</td>
<td>RM'000</td>
<td>RM'000</td>
<td>RM'000</td>
<td>RM'000</td>
<td>RM'000</td>
<td>RM'000</td>
<td>RM'000</td>
</tr>
<tr>
<td>Cost</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>At 1 January</td>
<td>18,338</td>
<td>11,049</td>
<td>12,569</td>
<td>23,779</td>
<td>1,321</td>
<td>1,487</td>
<td>68,543</td>
</tr>
<tr>
<td>Additions</td>
<td>1,209</td>
<td>834</td>
<td>1,897</td>
<td>2,377</td>
<td>-</td>
<td>23,096</td>
<td>29,413</td>
</tr>
<tr>
<td>Write-offs</td>
<td>(538)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(538)</td>
<td>(538)</td>
</tr>
<tr>
<td>Transfers</td>
<td>10,125</td>
<td>5,290</td>
<td>1,693</td>
<td>1,273</td>
<td>-</td>
<td>(23,025)</td>
<td>(4,644)</td>
</tr>
<tr>
<td>At 31 December</td>
<td>29,134</td>
<td>17,173</td>
<td>16,159</td>
<td>27,429</td>
<td>1,321</td>
<td>1,558</td>
<td>92,774</td>
</tr>
<tr>
<td>Accumulated depreciation</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>At 1 January</td>
<td>13,419</td>
<td>7,800</td>
<td>8,533</td>
<td>14,431</td>
<td>736</td>
<td>-</td>
<td>44,919</td>
</tr>
<tr>
<td>Charge for the year (Note 34)</td>
<td>3,535</td>
<td>2,101</td>
<td>1,948</td>
<td>4,093</td>
<td>225</td>
<td>-</td>
<td>11,902</td>
</tr>
<tr>
<td>Write-off</td>
<td>(538)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(538)</td>
<td>(538)</td>
</tr>
<tr>
<td>At 31 December</td>
<td>16,416</td>
<td>9,901</td>
<td>10,481</td>
<td>18,524</td>
<td>961</td>
<td>-</td>
<td>56,283</td>
</tr>
<tr>
<td>Net book value</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>At 31 December</td>
<td>12,718</td>
<td>7,272</td>
<td>5,678</td>
<td>8,905</td>
<td>360</td>
<td>1,558</td>
<td>36,491</td>
</tr>
</tbody>
</table>

The additions for the year in respect of renovation include accrued restoration cost for the Group of RM70,200 (2011: RM553,691; 2010: RM372,138) and the Bank of RM Nil (2011: RM520,000; 2010: RM246,437).
## 16 PROPERTY AND EQUIPMENT (Cont'd.)

<table>
<thead>
<tr>
<th>Group</th>
<th>Renovation RM'000</th>
<th>Furniture &amp; fittings RM'000</th>
<th>Office equipment RM'000</th>
<th>Computer equipment hardware RM'000</th>
<th>Motor vehicles RM'000</th>
<th>Work-in-progress RM'000</th>
<th>Total RM'000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>31.12.2011</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Cost</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>At 1 January</td>
<td>16,994</td>
<td>9,379</td>
<td>10,631</td>
<td>21,348</td>
<td>1,321</td>
<td>1,531</td>
<td>61,204</td>
</tr>
<tr>
<td>Additions</td>
<td>849</td>
<td>1,465</td>
<td>462</td>
<td>2,099</td>
<td>-</td>
<td>6,155</td>
<td>11,030</td>
</tr>
<tr>
<td>Disposals</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(40)</td>
<td>(40)</td>
</tr>
<tr>
<td>Write-offs</td>
<td>(109)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(109)</td>
<td></td>
</tr>
<tr>
<td>Transfers</td>
<td>978</td>
<td>251</td>
<td>1,521</td>
<td>636</td>
<td>-</td>
<td>(6,199)</td>
<td>(2,813)</td>
</tr>
<tr>
<td>Exchange difference</td>
<td>2</td>
<td>2</td>
<td>5</td>
<td>-</td>
<td>-</td>
<td>9</td>
<td></td>
</tr>
<tr>
<td><strong>At 31 December</strong></td>
<td>18,714</td>
<td>11,097</td>
<td>12,614</td>
<td>24,048</td>
<td>1,321</td>
<td>1,487</td>
<td>69,281</td>
</tr>
<tr>
<td><strong>Accumulated depreciation</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>At 1 January</td>
<td>10,015</td>
<td>5,692</td>
<td>6,800</td>
<td>10,862</td>
<td>495</td>
<td>-</td>
<td>33,864</td>
</tr>
<tr>
<td>Charge for the year (Note 34)</td>
<td>3,743</td>
<td>2,179</td>
<td>1,748</td>
<td>3,720</td>
<td>241</td>
<td>-</td>
<td>11,631</td>
</tr>
<tr>
<td>Disposals</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(6)</td>
<td>-</td>
<td>-</td>
<td>(6)</td>
</tr>
<tr>
<td>Write-off</td>
<td>(64)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(64)</td>
</tr>
<tr>
<td>Transfers</td>
<td>(2)</td>
<td>(15)</td>
<td>12</td>
<td>5</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Exchange difference</td>
<td>(2)</td>
<td>-</td>
<td>3</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td><strong>At 31 December</strong></td>
<td>13,690</td>
<td>7,856</td>
<td>8,560</td>
<td>14,584</td>
<td>736</td>
<td>-</td>
<td>45,426</td>
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<tr>
<td><strong>Net book value</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>At 1 January</td>
<td>6,979</td>
<td>3,687</td>
<td>3,831</td>
<td>10,486</td>
<td>826</td>
<td>1,531</td>
<td>27,340</td>
</tr>
<tr>
<td>At 31 December</td>
<td>5,024</td>
<td>3,241</td>
<td>4,054</td>
<td>9,464</td>
<td>585</td>
<td>1,487</td>
<td>23,855</td>
</tr>
</tbody>
</table>

### Bank

| **31.12.2011** |                   |                            |                        |                                   |                       |                        |             |
| **Cost**       |                   |                            |                        |                                   |                       |                        |             |
| At 1 January   | 16,657            | 9,333                      | 10,586                 | 21,048                            | 1,321                 | 1,531                  | 60,476      |
| Additions      | 812               | 1,465                      | 462                    | 2,095                             | -                     | 6,155                  | 10,989      |
| Disposals      | -                 | -                          | -                      | -                                 | -                     | -                      | -           |
| Write-offs     | (109)             | -                          | -                      | -                                 | -                     | (109)                  |             |
| Transfers      | 978               | 251                        | 1,521                  | 636                               | -                     | (6,199)                | (2,813)     |
| **At 31 December** | 18,338           | 11,049                     | 12,569                 | 23,779                            | 1,321                 | 1,487                  | 68,543      |
| **Accumulated depreciation** |                   |                            |                        |                                   |                       |                        |             |
| At 1 January   | 9,870             | 5,668                      | 6,781                  | 10,747                            | 495                   | -                      | 33,561      |
| Charge for the year (Note 34) | 3,615          | 2,147                      | 1,740                  | 3,679                             | 241                   | -                      | 11,422      |
| Write-offs     | (64)              | -                          | -                      | -                                 | -                     | (64)                   |             |
| Transfers      | (2)               | (15)                       | 12                    | 5                                 | -                     | -                      |             |
| **At 31 December** | 13,419           | 7,800                      | 8,533                  | 14,431                            | 736                   | -                      | 44,919      |
| **Net book value** |                   |                            |                        |                                   |                       |                        |             |
| At 1 January   | 6,787             | 3,665                      | 3,805                  | 10,301                            | 826                   | 1,531                  | 26,915      |
| At 31 December | 4,919             | 3,249                      | 4,036                  | 9,348                             | 585                   | 1,487                  | 23,624      |
17  INTANGIBLE ASSETS

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>RM’000</td>
<td>RM’000</td>
<td>RM’000</td>
<td>RM’000</td>
</tr>
<tr>
<td><strong>Computer software</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cost</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>At 1 January</td>
<td>50,542</td>
<td>46,457</td>
<td>50,496</td>
<td>46,416</td>
</tr>
<tr>
<td>Additions</td>
<td>2,446</td>
<td>1,271</td>
<td>1,638</td>
<td>1,267</td>
</tr>
<tr>
<td>Transfers from property and equipments</td>
<td>4,644</td>
<td>2,813</td>
<td>4,644</td>
<td>2,813</td>
</tr>
<tr>
<td>Exchange difference</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>At 31 December</td>
<td>57,632</td>
<td>50,542</td>
<td>56,778</td>
<td>50,496</td>
</tr>
<tr>
<td><strong>Accumulated amortisation</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>At 1 January</td>
<td>27,120</td>
<td>18,928</td>
<td>27,093</td>
<td>18,908</td>
</tr>
<tr>
<td>Amortisation for the year (Note 34)</td>
<td>8,672</td>
<td>8,192</td>
<td>8,516</td>
<td>8,185</td>
</tr>
<tr>
<td>Exchange difference</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>At 31 December</td>
<td>35,792</td>
<td>27,120</td>
<td>35,609</td>
<td>27,093</td>
</tr>
<tr>
<td><strong>Carrying amount</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>At 31 December</td>
<td>21,840</td>
<td>23,422</td>
<td>21,169</td>
<td>23,403</td>
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</table>

18  DEFERRED TAXATION

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>RM’000</td>
<td>RM’000</td>
<td>RM’000</td>
<td>RM’000</td>
</tr>
<tr>
<td>At 1 January</td>
<td>293,911</td>
<td>125,557</td>
<td>293,824</td>
<td>125,175</td>
</tr>
<tr>
<td>Recognised in other comprehensive income</td>
<td>991</td>
<td>(6,479)</td>
<td>991</td>
<td>(6,542)</td>
</tr>
<tr>
<td>Recognised in profit and loss (Note 37)</td>
<td>(8,261)</td>
<td>174,833</td>
<td>(8,277)</td>
<td>175,191</td>
</tr>
<tr>
<td>At 31 December</td>
<td>286,641</td>
<td>293,911</td>
<td>286,538</td>
<td>293,824</td>
</tr>
</tbody>
</table>

Presented after appropriate offsetting as follows:

- Deferred tax assets: 293,306, 301,176, 293,203, 301,089
- Deferred tax liabilities: (6,665), (7,265), (6,665), (7,265)
- Deferred tax assets (net): 286,641, 293,911, 286,538, 293,824
The components and movements of deferred tax assets and liabilities during the financial year are as follows:

### Deferred tax assets of the Group:

<table>
<thead>
<tr>
<th></th>
<th>Impairment and allowance on financing RM'000</th>
<th>Unrealised (loss)/ gain on securities available-for-sale RM'000</th>
<th>Unused tax losses RM'000</th>
<th>Other temporary differences RM'000</th>
<th>Total RM'000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>31.12.2012</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>At 1 January</td>
<td>26,285</td>
<td>(1,225)</td>
<td>260,909</td>
<td>15,207</td>
<td>301,176</td>
</tr>
<tr>
<td>Recognised in profit and loss</td>
<td>(26,285)</td>
<td>-</td>
<td>27,525</td>
<td>(10,101)</td>
<td>(8,861)</td>
</tr>
<tr>
<td>Recognised in other comprehensive income</td>
<td>-</td>
<td>991</td>
<td>-</td>
<td>-</td>
<td>991</td>
</tr>
<tr>
<td>At 31 December</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Recognised in profit and loss</td>
<td>(234)</td>
<td>288,434</td>
<td>5,106</td>
<td></td>
<td>293,306</td>
</tr>
<tr>
<td>Recognised in other comprehensive income</td>
<td>-</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>31.12.2011</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>At 1 January</td>
<td>84,291</td>
<td>5,317</td>
<td>29,639</td>
<td>14,632</td>
<td>133,879</td>
</tr>
<tr>
<td>Recognised in profit and loss</td>
<td>(58,006)</td>
<td>-</td>
<td>231,270</td>
<td>512</td>
<td>173,776</td>
</tr>
<tr>
<td>Recognised in other comprehensive income</td>
<td>-</td>
<td>(6,542)</td>
<td>-</td>
<td>63</td>
<td>(6,479)</td>
</tr>
<tr>
<td>At 31 December</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Recognised in profit and loss</td>
<td>26,285</td>
<td>(1,225)</td>
<td>260,909</td>
<td>15,207</td>
<td>301,176</td>
</tr>
<tr>
<td>Recognised in other comprehensive income</td>
<td>-</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Deferred tax assets of the Bank:

<table>
<thead>
<tr>
<th></th>
<th>Impairment and allowance on financing RM'000</th>
<th>Unrealised (loss)/ gain on securities available-for-sale RM'000</th>
<th>Unused tax losses RM'000</th>
<th>Other temporary differences RM'000</th>
<th>Total RM'000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>31.12.2012</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>At 1 January</td>
<td>26,285</td>
<td>(1,225)</td>
<td>260,909</td>
<td>15,120</td>
<td>301,089</td>
</tr>
<tr>
<td>Recognised in profit and loss</td>
<td>(26,285)</td>
<td>-</td>
<td>27,512</td>
<td>(10,104)</td>
<td>(8,877)</td>
</tr>
<tr>
<td>Recognised in other comprehensive income</td>
<td>-</td>
<td>991</td>
<td>-</td>
<td>63</td>
<td>991</td>
</tr>
<tr>
<td>At 31 December</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Recognised in profit and loss</td>
<td>(234)</td>
<td>288,421</td>
<td>5,016</td>
<td></td>
<td>293,203</td>
</tr>
<tr>
<td>Recognised in other comprehensive income</td>
<td>-</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>31.12.2011</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>At 1 January</td>
<td>84,291</td>
<td>5,317</td>
<td>29,639</td>
<td>14,250</td>
<td>133,497</td>
</tr>
<tr>
<td>Recognised in profit and loss</td>
<td>(58,006)</td>
<td>-</td>
<td>231,270</td>
<td>870</td>
<td>174,134</td>
</tr>
<tr>
<td>Recognised in other comprehensive income</td>
<td>-</td>
<td>(6,542)</td>
<td>-</td>
<td></td>
<td>(6,542)</td>
</tr>
<tr>
<td>At 31 December</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Recognised in profit and loss</td>
<td>26,285</td>
<td>(1,225)</td>
<td>260,909</td>
<td>15,120</td>
<td>301,089</td>
</tr>
<tr>
<td>Recognised in other comprehensive income</td>
<td>-</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
18 DEFERRED TAXATION (Cont'd.)

The components and movements of deferred tax assets and liabilities during the financial year are as follows: (Cont'd.)

Deferred tax liabilities of the Group and Bank:

<table>
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<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>At 1 January,</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Recognised in profit and loss</td>
<td>(600)</td>
<td>(1,057)</td>
</tr>
<tr>
<td>At 31 December</td>
<td>6,665</td>
<td>7,265</td>
</tr>
</tbody>
</table>

Unutilised tax losses and unabsorbed capital allowance

At the reporting date, the Group and the Bank has recognised deferred tax asset on the following temporary difference:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Unutilised tax losses</td>
<td>1,153,682</td>
<td>1,043,637</td>
<td>352,018</td>
</tr>
<tr>
<td>Unabsorbed capital allowances</td>
<td>44,901</td>
<td>44,901</td>
<td></td>
</tr>
<tr>
<td></td>
<td>1,153,682</td>
<td>1,088,538</td>
<td>396,919</td>
</tr>
</tbody>
</table>

The deferred tax assets have been recognised as at 31 December 2012 as the directors are of the view that it is probable for the Bank to realise the deferred tax asset.

In evaluating the ability to realise the deferred tax assets, the Bank relies principally on forecasted taxable income using historical and projected future operating results and the reversal of existing temporary differences within a five to six years horizon.
18 DEFERRED TAXATION (Cont’d.)

Unutilised tax losses and unabsorbed capital allowance (Cont’d.)

At the reporting date the Group and the Bank has not recognised the deferred tax asset in respect of the following items:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>RM’000</td>
<td>RM’000</td>
<td>RM’000</td>
</tr>
<tr>
<td>Unutilised tax losses</td>
<td>23,022</td>
<td>177,120</td>
<td>150,526</td>
</tr>
<tr>
<td>Unabsorbed capital allowances</td>
<td>254</td>
<td>13,120</td>
<td>2,734</td>
</tr>
<tr>
<td></td>
<td>23,276</td>
<td>190,240</td>
<td>153,260</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>RM’000</td>
<td>RM’000</td>
<td>RM’000</td>
</tr>
<tr>
<td>Unutilised tax losses</td>
<td>-</td>
<td>156,538</td>
<td>133,600</td>
</tr>
<tr>
<td>Unabsorbed capital allowances</td>
<td>-</td>
<td>12,957</td>
<td>2,588</td>
</tr>
<tr>
<td></td>
<td>-</td>
<td>169,495</td>
<td>136,188</td>
</tr>
</tbody>
</table>

The unutilised tax losses and unabsorbed capital allowance above are available for offset against future taxable profits of the Bank and the subsidiaries respectively.

The availability of unutilised tax losses and unabsorbed capital allowances of the Group for offsetting against future taxable profits of the companies in which the losses arose, for which no deferred tax assets is recognised due to uncertainty in its recoverability, are subject to no substantial changes in shareholding of these subsidiaries under the Income Tax Act 1967 and other guidelines issued by the tax authority.

19 DEPOSITS FROM CUSTOMERS

(i) By type of deposit

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>RM’000</td>
<td>RM’000</td>
<td>RM’000</td>
</tr>
<tr>
<td>Non Mudharabah</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Demand deposits</td>
<td>633,640</td>
<td>465,933</td>
<td>374,023</td>
</tr>
<tr>
<td>- Gold deposits</td>
<td>165,051</td>
<td>149,578</td>
<td>29,493</td>
</tr>
<tr>
<td>- Wakalah deposits</td>
<td>834,589</td>
<td>531,609</td>
<td>11,870</td>
</tr>
<tr>
<td>Mudharabah</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Savings deposits</td>
<td>47,267</td>
<td>37,368</td>
<td>27,178</td>
</tr>
<tr>
<td>- General investment deposits</td>
<td>234,199</td>
<td>277,602</td>
<td>343,191</td>
</tr>
<tr>
<td>- Negotiable Instrument Deposit</td>
<td>717,284</td>
<td>601,716</td>
<td>-</td>
</tr>
<tr>
<td>Murabahah</td>
<td>2,738,235</td>
<td>2,654,048</td>
<td>3,774,282</td>
</tr>
<tr>
<td></td>
<td>5,370,265</td>
<td>4,717,854</td>
<td>4,560,037</td>
</tr>
</tbody>
</table>

Group

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>RM’000</td>
<td>RM’000</td>
<td>RM’000</td>
</tr>
<tr>
<td>Bank</td>
<td></td>
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<td></td>
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<tr>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
### 19 DEPOSITS FROM CUSTOMERS (Cont’d.)

#### (ii) By type of customer

<table>
<thead>
<tr>
<th>Group</th>
<th>Business enterprises</th>
<th>Individuals</th>
<th>Subsidiaries</th>
<th>Government and statutory bodies</th>
<th>Others</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>31.12.2012</td>
<td>RM’000</td>
<td>RM’000</td>
<td>RM’000</td>
<td>RM’000</td>
<td>RM’000</td>
<td>RM’000</td>
</tr>
<tr>
<td>31.12.2011</td>
<td>RM’000</td>
<td>RM’000</td>
<td>RM’000</td>
<td>RM’000</td>
<td>RM’000</td>
<td>RM’000</td>
</tr>
<tr>
<td>01.01.2011</td>
<td>RM’000</td>
<td>RM’000</td>
<td>RM’000</td>
<td>RM’000</td>
<td>RM’000</td>
<td>RM’000</td>
</tr>
</tbody>
</table>

#### (iii) By contractual maturity

<table>
<thead>
<tr>
<th>Group</th>
<th>Due within six months</th>
<th>More than six months to one year</th>
<th>More than one year to three years</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>31.12.2012</td>
<td>RM’000</td>
<td>RM’000</td>
<td>RM’000</td>
<td>RM’000</td>
</tr>
<tr>
<td>31.12.2011</td>
<td>RM’000</td>
<td>RM’000</td>
<td>RM’000</td>
<td>RM’000</td>
</tr>
<tr>
<td>01.01.2011</td>
<td>RM’000</td>
<td>RM’000</td>
<td>RM’000</td>
<td>RM’000</td>
</tr>
</tbody>
</table>

### 20 DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

#### Murabahah

<table>
<thead>
<tr>
<th>Group</th>
<th>Licensed Islamic banks</th>
<th>Bank Negara Malaysia</th>
<th>Licensed investment banks</th>
<th>Other financial institutions</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>31.12.2012</td>
<td>RM’000</td>
<td>RM’000</td>
<td>RM’000</td>
<td>RM’000</td>
<td>RM’000</td>
</tr>
<tr>
<td>31.12.2011</td>
<td>RM’000</td>
<td>RM’000</td>
<td>RM’000</td>
<td>RM’000</td>
<td>RM’000</td>
</tr>
<tr>
<td>01.01.2011</td>
<td>RM’000</td>
<td>RM’000</td>
<td>RM’000</td>
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</table>

#### Wakalah

<table>
<thead>
<tr>
<th>Group</th>
<th>Licensed Commercial banks</th>
<th>Licensed Islamic banks</th>
<th>Licensed Investment banks</th>
<th>Other financial institutions</th>
<th>Total</th>
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<td>31.12.2012</td>
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<td>RM’000</td>
<td>RM’000</td>
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<td>RM’000</td>
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<tr>
<td>31.12.2011</td>
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<td>RM’000</td>
<td>RM’000</td>
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<tr>
<td>01.01.2011</td>
<td>RM’000</td>
<td>RM’000</td>
<td>RM’000</td>
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## 21 OTHER LIABILITIES

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</thead>
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<tr>
<td>Sundry creditors (i)</td>
<td>192,968</td>
<td>138,105</td>
<td>102,233</td>
<td>192,923</td>
<td>138,096</td>
<td>102,231</td>
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<tr>
<td>Project clearing account (ii)</td>
<td>-</td>
<td>1,595</td>
<td>4,605</td>
<td>-</td>
<td>1,595</td>
<td>4,605</td>
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<tr>
<td>Amount due to agent from the purchase of commodity assets (ii)</td>
<td>272,499</td>
<td>195,604</td>
<td>260,003</td>
<td>272,499</td>
<td>195,604</td>
<td>260,003</td>
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<td>Accrued restoration cost</td>
<td>3,496</td>
<td>3,808</td>
<td>3,266</td>
<td>3,313</td>
<td>3,698</td>
<td>3,200</td>
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<td>Provision for tax (Note 18)</td>
<td>13</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Other provisions and accruals</td>
<td>22,871</td>
<td>26,673</td>
<td>27,895</td>
<td>22,269</td>
<td>25,595</td>
<td>26,894</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>491,847</td>
<td>365,785</td>
<td>398,002</td>
<td>491,004</td>
<td>364,588</td>
<td>396,933</td>
</tr>
</tbody>
</table>

(i) Included in sundry creditors relates to amount payable to holding company of RM142.8 million (2011: RM77.9 million; 2010: RM60.5 million) arising from revenue streams of Specific Profit Sharing Investment Accounts (SPSIA).

(ii) Project clearing account relates to operating account for the underwriting of apartment blocks pursuant to the Master Underwriting Agreement.

## 22 PROVISION FOR ZAKAT

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<tr>
<td>Zakat</td>
<td>-</td>
<td>3,740</td>
<td>3,740</td>
<td>-</td>
<td>3,740</td>
<td>3,740</td>
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</table>

In 2012, Zakat is calculated based on net working capital of Kuwait Finance House (Malaysia) and paid by Kuwait Finance House K.S.C who is the main shareholder of the Bank.
KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD
(672174-T)
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2012

23 MURABAHAH BANK FINANCING

The principal of Murabahah bank financing in 2010 of USD7,530,224 or equivalent RM23,233,000 was an unsecured financing facility obtained in 2008 with a tenure of two years and was fully paid in 2011. The Murabahah price was determined based on effective cost of funds.

24 SUBORDINATED MURABAHAH TAWARRUQ

The principal of subordinated Murabahah Tawarruq is a facility agreement with the holding company of the Bank, Kuwait Finance House K.S.C. The facility with principal and profit amount of USD122,319,817 or equivalent RM374,054,000 (2011: USD117,925,821 or equivalent RM373,589,000, 2010: USD113,699,478 or equivalent RM350,797,000) is unsecured with a tenure of five years and forms part of the Bank’s Tier-2 capital. The Murabahah profit is determined with reference to London Interbank Offer Rate ("LIBOR").

25 SHARE CAPITAL

<table>
<thead>
<tr>
<th></th>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>At 1 January/ At 31 December</td>
<td>RM’000</td>
<td>RM’000</td>
<td>RM’000</td>
<td>RM’000</td>
<td>RM’000</td>
<td>RM’000</td>
</tr>
<tr>
<td>3,000,000</td>
<td>3,000,000</td>
<td>3,000,000</td>
<td>3,000,000</td>
<td>3,000,000</td>
<td>3,000,000</td>
<td></td>
</tr>
<tr>
<td>Issued and fully paid:</td>
<td>2,266,125</td>
<td>2,266,125</td>
<td>2,266,125</td>
<td>2,266,125</td>
<td>2,266,125</td>
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</table>

26 RESERVES

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<tr>
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<tbody>
<tr>
<td>Note</td>
<td>RM’000</td>
<td>RM’000</td>
<td>RM’000</td>
<td>RM’000</td>
<td>RM’000</td>
<td>RM’000</td>
</tr>
<tr>
<td>Non-distributable</td>
<td>Statutory reserve</td>
<td>(i)</td>
<td>66,697</td>
<td>34,952</td>
<td>34,952</td>
<td>66,697</td>
</tr>
<tr>
<td>Exchange fluctuation reserve</td>
<td>(ii)</td>
<td>(7,112)</td>
<td>(6,061)</td>
<td>(7,367)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Available-for-sale reserve</td>
<td>(iii)</td>
<td>2,574</td>
<td>(3,307)</td>
<td>(15,155)</td>
<td>355</td>
<td>(4,105)</td>
</tr>
<tr>
<td>Distributable</td>
<td>Accumulated losses</td>
<td>(808,989)</td>
<td>(837,738)</td>
<td>(366,129)</td>
<td>(825,678)</td>
<td>(857,423)</td>
</tr>
<tr>
<td></td>
<td>(746,830)</td>
<td>(812,154)</td>
<td>(353,699)</td>
<td>(758,626)</td>
<td>(826,576)</td>
<td>(385,583)</td>
</tr>
</tbody>
</table>
The nature and purpose of each category of reserve are as follows:

(i) Statutory reserve

The statutory reserve is maintained in compliance with Section 15 of the Islamic Banking Act 1983 and is not distributable as cash dividends.

(ii) Exchange fluctuation reserve

This reserve comprises all foreign exchange differences arising from the translation of the financial statements of subsidiaries.

(iii) Available-for-sale reserve

This reserve represents the difference between fair value of the securities and their costs determined as at the statements of financial position date, excluding the amount relating to impaired securities.

Movements of the available-for-sale reserve are as follows:

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<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
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</thead>
<tbody>
<tr>
<td>Unrealised gain on securities available-for-sale</td>
<td>5,881</td>
<td>11,848</td>
<td>4,460</td>
<td>11,844</td>
</tr>
<tr>
<td>At 1 January</td>
<td>(3,307)</td>
<td>(15,155)</td>
<td>(4,105)</td>
<td>(15,949)</td>
</tr>
<tr>
<td>At 31 December</td>
<td>2,574</td>
<td>(3,307)</td>
<td>355</td>
<td>(4,105)</td>
</tr>
</tbody>
</table>
27 OPERATING REVENUE

Operating revenue of the Group comprises all types of revenue derived from the business of banking but excluding all transactions between related companies.

Operating revenue of the Bank comprises financing income, fee and commission income, investment income, trading income, gross dividends and other income derived from banking operations.

28 INCOME DERIVED FROM INVESTMENT OF DEPOSITORS' FUNDS AND OTHERS

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Income derived from investment of:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(i) General investment deposits</td>
<td>13,718</td>
<td>13,595</td>
<td>14,563</td>
<td>13,548</td>
</tr>
<tr>
<td>(ii) Other deposits</td>
<td>370,123</td>
<td>329,078</td>
<td>362,644</td>
<td>330,285</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>383,841</td>
<td>342,673</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td>377,207</td>
<td>343,833</td>
</tr>
<tr>
<td>(i) Income derived from investment of general investment deposits</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Finance income from financing, advances and other receivables</td>
<td>9,730</td>
<td>9,051</td>
<td>10,439</td>
<td>9,026</td>
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<tr>
<td>Finance income from impaired financing</td>
<td>540</td>
<td>515</td>
<td>574</td>
<td>505</td>
</tr>
<tr>
<td>Securities</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Held-for-trading</td>
<td>80</td>
<td>63</td>
<td>84</td>
<td>84</td>
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<tr>
<td>- Available-for-sale</td>
<td>1,099</td>
<td>840</td>
<td>1,078</td>
<td>781</td>
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<tr>
<td>- Held-to-maturity</td>
<td>61</td>
<td>49</td>
<td>65</td>
<td>49</td>
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<tr>
<td>Money-at-call and deposits with financial institutions</td>
<td>1,270</td>
<td>2,427</td>
<td>1,314</td>
<td>2,456</td>
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<tr>
<td>Amortisation of premium less accretion of discount</td>
<td>(146)</td>
<td>(33)</td>
<td>(154)</td>
<td>(33)</td>
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<tr>
<td>Total finance income and hibah</td>
<td>12,634</td>
<td>12,912</td>
<td>13,400</td>
<td>12,968</td>
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<td>Gain arising from sale of securities</td>
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<td>- Held-for-trading</td>
<td>108</td>
<td>26</td>
<td>121</td>
<td>25</td>
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<tr>
<td>- Available-for-sale</td>
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<td>28</td>
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<tr>
<td>Foreign exchange gain - realised</td>
<td>335</td>
<td>542</td>
<td>358</td>
<td>542</td>
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<tr>
<td>Gain on Ijarah rental swap obligations</td>
<td>40</td>
<td>85</td>
<td>43</td>
<td>85</td>
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<tr>
<td>Total</td>
<td>13,718</td>
<td>13,595</td>
<td>14,563</td>
<td>13,548</td>
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</table>
28 INCOME DERIVED FROM INVESTMENT OF DEPOSITORS’ FUNDS AND OTHERS (Cont’d.)

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<tr>
<td></td>
<td>RM’000</td>
<td>RM’000</td>
<td>RM’000</td>
<td>RM’000</td>
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<tr>
<td>(ii) Income derived from investment of other deposits</td>
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<td>Finance income from financing, advances and other receivables</td>
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<td>218,965</td>
<td>257,364</td>
<td>219,747</td>
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<td>Finance income from impaired financing</td>
<td>13,699</td>
<td>12,153</td>
<td>13,494</td>
<td>12,266</td>
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<tr>
<td>Securities</td>
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<tr>
<td>- Held-for-trading</td>
<td>2,119</td>
<td>2,008</td>
<td>2,090</td>
<td>2,015</td>
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<td>- Available-for-sale</td>
<td>30,639</td>
<td>20,477</td>
<td>28,323</td>
<td>19,158</td>
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<td>- Held-to-maturity</td>
<td>1,534</td>
<td>1,197</td>
<td>1,507</td>
<td>1,197</td>
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<td>Money-at-call and deposits with financial institutions</td>
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<td>59,400</td>
<td>35,438</td>
<td>60,450</td>
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<td>Amortisation of premium less accretion of discount</td>
<td>(4,123)</td>
<td>(833)</td>
<td>(4,080)</td>
<td>(833)</td>
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<tr>
<td>Total finance income and hibah</td>
<td>340,784</td>
<td>313,367</td>
<td>334,136</td>
<td>314,000</td>
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<tr>
<td>Gain arising from sale of securities</td>
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<td>- Held-for-trading</td>
<td>2,788</td>
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<td>2,730</td>
<td>600</td>
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<td>- Available-for-sale</td>
<td>16,406</td>
<td>694</td>
<td>15,783</td>
<td>706</td>
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<td>Foreign exchange gain - realised</td>
<td>9,053</td>
<td>13,013</td>
<td>8,920</td>
<td>13,054</td>
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<td>Gain on Ijarah rental swap obligations</td>
<td>1,092</td>
<td>1,919</td>
<td>1,075</td>
<td>1,925</td>
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<td></td>
<td>370,123</td>
<td>329,645</td>
<td>362,644</td>
<td>330,285</td>
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## 29 INCOME DERIVED FROM INVESTMENT OF SHAREHOLDER'S EQUITY

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<td></td>
<td>RM'000</td>
<td>RM'000</td>
<td>RM'000</td>
<td>RM'000</td>
</tr>
<tr>
<td>Finance income from financing, advances and other receivables</td>
<td>53,053</td>
<td>58,200</td>
<td>56,513</td>
<td>57,442</td>
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<td>Finance income from impaired financing</td>
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<td>3,286</td>
<td>3,157</td>
<td>3,184</td>
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<td>Securities</td>
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<td></td>
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<tr>
<td>- Held-for-trading</td>
<td>434</td>
<td>539</td>
<td>458</td>
<td>532</td>
</tr>
<tr>
<td>- Available-for-sale</td>
<td>5,977</td>
<td>5,419</td>
<td>5,813</td>
<td>4,989</td>
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<tr>
<td>- Held-to-maturity</td>
<td>334</td>
<td>316</td>
<td>356</td>
<td>313</td>
</tr>
<tr>
<td>Money-at-call and deposits with financial institutions</td>
<td>6,867</td>
<td>15,687</td>
<td>7,058</td>
<td>15,712</td>
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<tr>
<td>Amortisation of premium less accretion of discount</td>
<td>(796)</td>
<td>(215)</td>
<td>(832)</td>
<td>(215)</td>
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<tr>
<td>Total finance income and hibah</td>
<td>68,855</td>
<td>83,232</td>
<td>72,523</td>
<td>81,957</td>
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<tr>
<td>Fee income</td>
<td></td>
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<td></td>
<td></td>
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<tr>
<td>- Commissions</td>
<td>2,877</td>
<td>4,754</td>
<td>2,882</td>
<td>4,756</td>
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<td>- Fund management fee</td>
<td>3,349</td>
<td>7,772</td>
<td>-</td>
<td>-</td>
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<tr>
<td>- Other fee income</td>
<td>18,288</td>
<td>6,018</td>
<td>18,282</td>
<td>7,634</td>
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<tr>
<td>Gain arising from sale of securities</td>
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<td></td>
</tr>
<tr>
<td>- Held-for-trading</td>
<td>589</td>
<td>169</td>
<td>657</td>
<td>153</td>
</tr>
<tr>
<td>- Available-for-sale</td>
<td>3,302</td>
<td>190</td>
<td>3,491</td>
<td>180</td>
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<tr>
<td>Unrealised gain/ (loss) on revaluation of securities held-for-trading and Ijarah rental swap (net)</td>
<td>33,902</td>
<td>(70,550)</td>
<td>33,902</td>
<td>(70,653)</td>
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<tr>
<td>Foreign exchange (loss)/ gain</td>
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<td></td>
<td></td>
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<tr>
<td>- Realised</td>
<td>(2,824)</td>
<td>65,698</td>
<td>(2,713)</td>
<td>65,657</td>
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<tr>
<td>- Unrealised</td>
<td>(19,404)</td>
<td>17,456</td>
<td>(19,409)</td>
<td>16,997</td>
</tr>
<tr>
<td>Gain on Ijarah rental swap obligations</td>
<td>220</td>
<td>531</td>
<td>235</td>
<td>525</td>
</tr>
<tr>
<td>Gross dividend from property funds (securities available-for-sale)</td>
<td>1,178</td>
<td>1,271</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Loss on disposal of property and equipment</td>
<td>-</td>
<td>(14)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Other income</td>
<td>232</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Management fee</td>
<td>-</td>
<td>-</td>
<td>(1,362)</td>
<td>(708)</td>
</tr>
<tr>
<td></td>
<td>110,564</td>
<td>116,527</td>
<td>108,488</td>
<td>106,498</td>
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</table>
KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD
(672174-T)
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2012

30 IMPAIRMENT (WRITE BACK)/ ALLOWANCES ON
FINANCING, ADVANCES AND OTHER RECEIVABLES

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</tr>
</thead>
<tbody>
<tr>
<td>Allowances for (Note 9(x)):</td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Collective assessment</td>
<td>(2,266)</td>
<td>(119,076)</td>
<td>(2,266)</td>
<td>(119,076)</td>
</tr>
<tr>
<td>- Individual assessment</td>
<td>(2,041)</td>
<td>796,263</td>
<td>(2,041)</td>
<td>796,263</td>
</tr>
<tr>
<td>Allowing charged during the period</td>
<td>134,599</td>
<td>950,387</td>
<td>134,599</td>
<td>950,387</td>
</tr>
<tr>
<td>Allowing written-back during the period</td>
<td>(131,045)</td>
<td>(154,124)</td>
<td>(131,045)</td>
<td>(154,124)</td>
</tr>
<tr>
<td>Reversal of allowances on previously</td>
<td>(5,595)</td>
<td>-</td>
<td>(5,595)</td>
<td>-</td>
</tr>
<tr>
<td>written off financing</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bad debt recovered on financing</td>
<td>(10,157)</td>
<td>(266)</td>
<td>(10,157)</td>
<td>(266)</td>
</tr>
<tr>
<td></td>
<td>(14,464)</td>
<td>676,921</td>
<td>(14,464)</td>
<td>676,921</td>
</tr>
</tbody>
</table>

31 IMPAIRMENT LOSS AND ALLOWANCES ON
INVESTMENTS

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Securities available-for-sale</td>
<td>4,949</td>
<td>19,150</td>
<td>1,507</td>
<td>1,368</td>
</tr>
<tr>
<td>Investment in jointly control entity and</td>
<td>-</td>
<td>850</td>
<td>-</td>
<td>1,465</td>
</tr>
<tr>
<td>subsidiaries</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>4,949</td>
<td>20,000</td>
<td>1,507</td>
<td>2,833</td>
</tr>
</tbody>
</table>

32 INCOME ATTRIBUTABLE TO DEPOSITORS

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Deposits from customers</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Mudharabah</td>
<td>9,540</td>
<td>10,125</td>
<td>9,540</td>
<td>10,125</td>
</tr>
<tr>
<td>- Non Mudharabah</td>
<td>79,587</td>
<td>114,846</td>
<td>79,587</td>
<td>114,846</td>
</tr>
<tr>
<td>- Wakalah</td>
<td>11,311</td>
<td>-</td>
<td>11,311</td>
<td>-</td>
</tr>
<tr>
<td>- Negotiable Instrument Deposit</td>
<td>23,229</td>
<td>-</td>
<td>23,229</td>
<td>-</td>
</tr>
<tr>
<td>Deposits and placements of banks and</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>other financial institutions</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Murabahah and wakalah</td>
<td>69,666</td>
<td>83,515</td>
<td>69,479</td>
<td>83,715</td>
</tr>
<tr>
<td>- Others</td>
<td>263</td>
<td>-</td>
<td>263</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>193,596</td>
<td>208,486</td>
<td>193,409</td>
<td>208,686</td>
</tr>
</tbody>
</table>
NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2012

33 PERSONNEL EXPENSES

<table>
<thead>
<tr>
<th></th>
<th>Group</th>
<th>Bank</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>RM'000</td>
<td>RM'000</td>
</tr>
<tr>
<td>Salaries and wages</td>
<td>62,242</td>
<td>58,061</td>
</tr>
<tr>
<td>Social security costs</td>
<td>414</td>
<td>369</td>
</tr>
<tr>
<td>Pension costs - defined contribution plan</td>
<td>12,172</td>
<td>11,524</td>
</tr>
<tr>
<td>Other staff related costs</td>
<td>26,524</td>
<td>24,889</td>
</tr>
<tr>
<td></td>
<td>101,352</td>
<td>94,843</td>
</tr>
</tbody>
</table>

Included in personnel expenses of the Group and the Bank during the financial year are the remuneration attributable to the Chief Executive Officer of the Bank, including benefits-in-kind amounting to RM2,743,022 (2011: RM2,552,000).

34 OTHER OVERHEADS AND EXPENDITURES

<table>
<thead>
<tr>
<th></th>
<th>Group</th>
<th>Bank</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>RM'000</td>
<td>RM'000</td>
</tr>
<tr>
<td>Promotion</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Advertisement and publicity</td>
<td>9,687</td>
<td>10,924</td>
</tr>
<tr>
<td>Establishment</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rental</td>
<td>17,070</td>
<td>11,930</td>
</tr>
<tr>
<td>Depreciation of property and equipment (Note 16)</td>
<td>12,084</td>
<td>11,631</td>
</tr>
<tr>
<td>Amortisation of intangible assets (Note 17)</td>
<td>8,672</td>
<td>8,192</td>
</tr>
<tr>
<td>IT expenses</td>
<td>7,528</td>
<td>7,181</td>
</tr>
<tr>
<td>Hire of equipment</td>
<td>1,144</td>
<td>1,060</td>
</tr>
</tbody>
</table>
34. OTHER OVERHEADS AND EXPENDITURES (Cont’d.)

<table>
<thead>
<tr>
<th></th>
<th>Group</th>
<th>Bank</th>
</tr>
</thead>
<tbody>
<tr>
<td>General expenses</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Auditors remuneration</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Statutory audit:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Ernst &amp; Young Malaysia</td>
<td>296</td>
<td>227</td>
</tr>
<tr>
<td>- Other member firms of</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ernst &amp; Young Global</td>
<td>154</td>
<td>-</td>
</tr>
<tr>
<td>- Non-audit services:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Review engagements and</td>
<td></td>
<td></td>
</tr>
<tr>
<td>regulatory-related services</td>
<td>150</td>
<td>90</td>
</tr>
<tr>
<td>- Other services</td>
<td>45</td>
<td>165</td>
</tr>
<tr>
<td>Professional fees</td>
<td>6,479</td>
<td>8,767</td>
</tr>
<tr>
<td>Non executive directors' remuneration (Note 36)</td>
<td>2,375</td>
<td>2,134</td>
</tr>
<tr>
<td>Shariah Committee's remuneration (Note 36)</td>
<td>741</td>
<td>479</td>
</tr>
<tr>
<td>Murabahah agent fees</td>
<td>809</td>
<td>2,165</td>
</tr>
<tr>
<td>Subscription fees</td>
<td>5,270</td>
<td>5,022</td>
</tr>
<tr>
<td>Communication expenses</td>
<td>3,956</td>
<td>3,947</td>
</tr>
<tr>
<td>Other fees</td>
<td>11,885</td>
<td>2,829</td>
</tr>
<tr>
<td>Others</td>
<td>16,741</td>
<td>14,209</td>
</tr>
<tr>
<td></td>
<td>105,027</td>
<td>91,032</td>
</tr>
</tbody>
</table>

35 FINANCE COST

<table>
<thead>
<tr>
<th></th>
<th>Group</th>
<th>Bank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Subordinated Murabahah Tawarruq</td>
<td>13,551</td>
<td>12,914</td>
</tr>
<tr>
<td>Murabahah bank financing</td>
<td>-</td>
<td>35</td>
</tr>
<tr>
<td></td>
<td>13,551</td>
<td>12,949</td>
</tr>
</tbody>
</table>

36 DIRECTORS’ AND SHARIAH COMMITTEE’S REMUNERATION

<table>
<thead>
<tr>
<th></th>
<th>Group</th>
<th>Bank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-Executive Directors</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Directors of the Bank</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fees</td>
<td>1,354</td>
<td>1,260</td>
</tr>
<tr>
<td>Other remuneration</td>
<td>664</td>
<td>522</td>
</tr>
<tr>
<td></td>
<td>2,018</td>
<td>1,782</td>
</tr>
</tbody>
</table>
36 Directors' and Shariah Committee's Remuneration (Cont'd.)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Group</td>
<td>Bank</td>
<td>Group</td>
<td>Bank</td>
</tr>
<tr>
<td></td>
<td>RM'000</td>
<td>RM'000</td>
<td>RM'000</td>
<td>RM'000</td>
</tr>
<tr>
<td>Directors of subsidiary company</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fees</td>
<td>336</td>
<td>328</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Other remuneration</td>
<td>21</td>
<td>24</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>357</td>
<td>352</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total Non-Executive Directors</td>
<td>2,375</td>
<td>2,134</td>
<td>2,018</td>
<td>1,782</td>
</tr>
<tr>
<td>Shariah Committee</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fees</td>
<td>504</td>
<td>312</td>
<td>504</td>
<td>312</td>
</tr>
<tr>
<td>Other remuneration</td>
<td>237</td>
<td>167</td>
<td>237</td>
<td>167</td>
</tr>
<tr>
<td></td>
<td>741</td>
<td>479</td>
<td>741</td>
<td>479</td>
</tr>
</tbody>
</table>

The number of directors of the Bank whose total remuneration during the financial year fell within the following bands is analysed below:

<table>
<thead>
<tr>
<th>Bank number of directors</th>
</tr>
</thead>
<tbody>
<tr>
<td>31.12.2011</td>
</tr>
<tr>
<td>Non-Executive Directors</td>
</tr>
<tr>
<td>RM1,000 - RM100,000</td>
</tr>
<tr>
<td>RM100,001 - RM150,000</td>
</tr>
<tr>
<td>RM150,001 - RM200,000</td>
</tr>
<tr>
<td>RM200,001 - RM250,000</td>
</tr>
<tr>
<td>RM250,001 - RM300,000</td>
</tr>
<tr>
<td>RM300,001 - RM400,000</td>
</tr>
<tr>
<td>Total</td>
</tr>
</tbody>
</table>
37 TAXATION

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>RM’000</td>
<td>RM’000</td>
<td>RM’000</td>
<td>RM’000</td>
</tr>
<tr>
<td>Malaysian income tax</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Current year</td>
<td>65</td>
<td>66</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>- Under provision of income tax in prior year</td>
<td>21,574</td>
<td>1,933</td>
<td>21,574</td>
<td>1,933</td>
</tr>
<tr>
<td>Deferred tax (Note 18):</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Relating to origination and reversal of temporary differences</td>
<td>24,567</td>
<td>(150,498)</td>
<td>24,568</td>
<td>(150,475)</td>
</tr>
<tr>
<td>- Recognition of deferred tax not recognised in prior years</td>
<td>(16,306)</td>
<td>(24,335)</td>
<td>(16,291)</td>
<td>(24,716)</td>
</tr>
<tr>
<td></td>
<td>29,900</td>
<td>(172,834)</td>
<td>29,851</td>
<td>(173,258)</td>
</tr>
</tbody>
</table>

Domestic current income tax is calculated at the Malaysian statutory tax rate of 25% (2011: 25%) of the estimated assessable profit for the year. The computation of deferred tax as at 31 December 2012 have reflected these changes.

Taxation for other jurisdictions are calculated at the rates prevailing in the respective jurisdictions.

A reconciliation of income tax expense applicable to profit before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and of the Bank are as follows:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>RM’000</td>
<td>RM’000</td>
<td>RM’000</td>
<td>RM’000</td>
</tr>
<tr>
<td>Profit before taxation</td>
<td>90,394</td>
<td>(644,443)</td>
<td>93,341</td>
<td>(626,095)</td>
</tr>
<tr>
<td>Taxation at Malaysian statutory tax rate of 25% (2011: 25%)</td>
<td>22,599</td>
<td>(161,111)</td>
<td>23,335</td>
<td>(156,524)</td>
</tr>
<tr>
<td>Losses not subject to tax</td>
<td>-</td>
<td>63</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Expenses not deductible for tax purposes</td>
<td>1,439</td>
<td>6,329</td>
<td>1,233</td>
<td>2,909</td>
</tr>
<tr>
<td>Deferred tax assets not recognised on unutilised tax losses and unabsorbed capital allowances</td>
<td>595</td>
<td>4,287</td>
<td>-</td>
<td>3,140</td>
</tr>
<tr>
<td>Recognition of deferred tax not recognised in prior years</td>
<td>(16,306)</td>
<td>(24,335)</td>
<td>(16,291)</td>
<td>(24,716)</td>
</tr>
<tr>
<td>Under provision of tax expense in prior year</td>
<td>21,574</td>
<td>1,933</td>
<td>21,574</td>
<td>1,933</td>
</tr>
<tr>
<td>Tax expense for the year</td>
<td>29,900</td>
<td>(172,834)</td>
<td>29,851</td>
<td>(173,258)</td>
</tr>
</tbody>
</table>
38 EARNINGS PER SHARE

Basic and diluted earnings per share of the Group is calculated by dividing the net profit for the financial year by the weighted average number of ordinary shares in issue during the financial year.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Net profit/ (loss) for the year (RM'000)</td>
<td>60,494</td>
<td>(471,609)</td>
</tr>
<tr>
<td>Weighted average number of ordinary shares in issues ('000)</td>
<td>2,266,125</td>
<td>2,266,125</td>
</tr>
<tr>
<td>Basic/ diluted earning/ (loss) per share (sen)</td>
<td>2.67</td>
<td>(20.81)</td>
</tr>
</tbody>
</table>

39 RELATED PARTY TRANSACTIONS

The Directors are of the opinion that all transactions below have been entered into in the normal course of business and have been established on terms and conditions that are not materially different from those obtained in transactions with unrelated parties.

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions, or if one other party controls both.

The related parties of the Group and the Bank are as follows:

**Holding Company**
Details of holding company are disclosed in Note 48.

**Subsidiaries**
Details of subsidiaries are disclosed in Note 14.

**Subsidiaries of holding company**

**Key management personnel**
Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group and the Bank either directly or indirectly. The key management personnel of the Group and the Bank includes selected Heads of Divisions.

**Directors**
The identity of the directors of the Bank, are disclosed in the Director's report.
39 RELATED PARTY TRANSACTIONS (Cont’d.)

(a) Related party transactions

The significant transactions and outstanding balances of the Bank with its related parties are as follows:

<table>
<thead>
<tr>
<th></th>
<th>Holding company RM'000</th>
<th>Subsidiaries RM'000</th>
<th>Subsidiaries of holding companies RM'000</th>
<th>Key management personnel RM'000</th>
<th>Companies with common directors RM'000</th>
<th>Directors RM'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>(i) Income</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Management fees</td>
<td></td>
<td>- 780</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>- Profit income on placements</td>
<td>2</td>
<td>396</td>
<td>6,129</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>- Profit income on financing</td>
<td>59</td>
<td></td>
<td>-</td>
<td>59</td>
<td>33,720</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2</td>
<td>1,176</td>
<td>6,129</td>
<td>59</td>
<td>33,720</td>
</tr>
<tr>
<td>(ii) Expenditure</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Profit expense on deposits</td>
<td>24,897</td>
<td>382</td>
<td>3,759</td>
<td>5</td>
<td>3,692</td>
<td>5</td>
</tr>
<tr>
<td>- Other fees</td>
<td>-</td>
<td>2,142</td>
<td>2,950</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>- Profit expense on Subordinated Murabahah Tawarruq</td>
<td>13,396</td>
<td></td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>38,293</td>
<td>2,524</td>
<td>6,709</td>
<td>5</td>
<td>3,692</td>
<td>5</td>
</tr>
</tbody>
</table>
39. RELATED PARTY TRANSACTIONS (Cont'd.)

(a) Related party transactions

The significant transactions and outstanding balances of the Bank with its related parties are as follows:

<table>
<thead>
<tr>
<th>Date</th>
<th>Holding company RM'000</th>
<th>Subsidiaries RM'000</th>
<th>Subsidiaries of holding companies RM'000</th>
<th>Key management personnel RM'000</th>
<th>Companies with common directors RM'000</th>
<th>Directors RM'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>(iii) Amount due to related parties</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Subordinated Murabahah Tawarruq</td>
<td>374,054</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>- Deposits from customers</td>
<td>-</td>
<td>12,117</td>
<td>25</td>
<td>5,830</td>
<td>-</td>
<td>1,197</td>
</tr>
<tr>
<td>- Deposits and placements of banks and other FIs</td>
<td>-</td>
<td>86,178</td>
<td>195,712</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>- Sundry creditors (Note 21)</td>
<td>142,771</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(iv) Amount due from related parties</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Securities</td>
<td>-</td>
<td>-</td>
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<tr>
<td>- Financing</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>2,622</td>
<td>515,295</td>
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<td>- Deposits and placements with banks and other FIs</td>
<td>-</td>
<td>-</td>
<td>152,900</td>
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</tr>
<tr>
<td>- Other assets</td>
<td>294</td>
<td>425</td>
<td>1,615</td>
<td>-</td>
<td>-</td>
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</tr>
<tr>
<td></td>
<td></td>
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<td></td>
<td></td>
<td></td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(v) Others</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Purchases of intangible assets</td>
<td>-</td>
<td>-</td>
<td>3,395</td>
<td>-</td>
<td>-</td>
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<tr>
<td></td>
<td></td>
<td>-</td>
<td>3,395</td>
<td>-</td>
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</table>
### RELATED PARTY TRANSACTIONS (Cont’d.)

(a) Related party transactions (Cont’d.)

<table>
<thead>
<tr>
<th></th>
<th>Holding company RM'000</th>
<th>Subsidiaries RM'000</th>
<th>Subsidiaries of holding companies RM'000</th>
<th>Key management personnel RM'000</th>
<th>Companies with common directors RM'000</th>
<th>Directors RM'000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>31.12.2011</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(i) Income</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Management fees</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Profit income on placements</td>
<td>7</td>
<td>1,036</td>
<td>9,201</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Profit income on financing</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>32</td>
<td>18,573</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>7</td>
<td>1,816</td>
<td>9,201</td>
<td>32</td>
<td>18,573</td>
<td>-</td>
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<tr>
<td>(ii) Expenditure</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Profit expense on deposits</td>
<td>7,284</td>
<td>176</td>
<td>46</td>
<td>7</td>
<td>1,580</td>
<td>4</td>
</tr>
<tr>
<td>Other fees</td>
<td>-</td>
<td>1,488</td>
<td>3,337</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Profit expense on Subordinated Murabahah Tawarruq</td>
<td>12,914</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>20,198</td>
<td>1,664</td>
<td>3,383</td>
<td>7</td>
<td>1,580</td>
<td>4</td>
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</table>
39. RELATED PARTY TRANSACTIONS (Cont’d.)

(a) Related party transactions (Cont’d.)

<table>
<thead>
<tr>
<th>Holding company RM'000</th>
<th>Subsidiaries RM'000</th>
<th>Subsidiaries of holding companies RM'000</th>
<th>Key management personnel RM'000</th>
<th>Companies with common directors RM'000</th>
<th>Directors RM'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>31.12.2011 (Cont’d.)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(iii) Amount due to related parties</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Subordinated Murabahah Tawarruq</td>
<td>373,589</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>- Deposits from customers</td>
<td>-</td>
<td>3,749</td>
<td>13,205</td>
<td>1,486</td>
<td>25,332</td>
</tr>
<tr>
<td>- Deposits and placements of banks and other FIs</td>
<td>356,295</td>
<td>17,714</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>- Sundry creditors (Note 21)</td>
<td>77,873</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>807,757</td>
<td>21,463</td>
<td>13,205</td>
<td>1,486</td>
<td>25,332</td>
</tr>
<tr>
<td>(iv) Amount due from related parties</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Securities</td>
<td>-</td>
<td>-</td>
<td>110,679</td>
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<td>-</td>
</tr>
<tr>
<td>- Financing</td>
<td>-</td>
<td>-</td>
<td>21,128</td>
<td>997</td>
<td>512,306</td>
</tr>
<tr>
<td>- Deposits and placements with banks and other FIs</td>
<td>5,683</td>
<td>104,214</td>
<td>427,680</td>
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<td>-</td>
</tr>
<tr>
<td>- Other assets</td>
<td>288</td>
<td>17</td>
<td>1,615</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>5,971</td>
<td>104,231</td>
<td>561,102</td>
<td>997</td>
<td>512,306</td>
</tr>
<tr>
<td>(v) Others</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Purchases of intangible assets</td>
<td>-</td>
<td>-</td>
<td>2,764</td>
<td>-</td>
<td>-</td>
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</tbody>
</table>

101
39  RELATED PARTY TRANSACTIONS (Cont'd.)

(a) Related party transactions (Cont'd.)

<table>
<thead>
<tr>
<th></th>
<th>Holding company RM'000</th>
<th>Subsidiaries RM'000</th>
<th>Subsidiaries of holding companies RM'000</th>
<th>Key management personnel RM'000</th>
<th>Companies with common directors RM'000</th>
<th>Directors RM'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>01.01.2011</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(i) Income</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Management fees</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Profit income on placements</td>
<td>81</td>
<td>1,379</td>
<td>1,058</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Profit income on financing</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>39</td>
<td>17,510</td>
<td>-</td>
</tr>
<tr>
<td>(ii) Expenditure</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Profit expense on deposits</td>
<td>10,440</td>
<td>306</td>
<td>29</td>
<td>10</td>
<td>37</td>
<td>4</td>
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<tr>
<td>- Other fees</td>
<td></td>
<td>-</td>
<td>2,275</td>
<td>-</td>
<td>-</td>
<td>-</td>
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<tr>
<td>- Profit expense on Subordinated Murabahah Tawarruq</td>
<td>13,116</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>23,556</td>
<td>306</td>
<td>2,304</td>
<td>10</td>
<td>37</td>
<td>4</td>
</tr>
</tbody>
</table>
39. RELATED PARTY TRANSACTIONS (Cont'd.)

(a) Related party transactions (Cont'd.)

<table>
<thead>
<tr>
<th></th>
<th>Holding company RM'000</th>
<th>Subsidiaries RM'000</th>
<th>Subsidiaries of holding RM'000</th>
<th>Key management personnel RM'000</th>
<th>Companies with common directors RM'000</th>
<th>Directors RM'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>01.01.2011</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(iii) Amount due to related parties</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Subordinated Murabahah Tawarruq</td>
<td>350,797</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>- Deposits from customers</td>
<td>-</td>
<td>1,878</td>
<td>491</td>
<td>771</td>
<td>1,022</td>
<td>4,630</td>
</tr>
<tr>
<td>- Deposits and placements of banks and other FIs</td>
<td>234,556</td>
<td>7,900</td>
<td>1,132</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>- Sundry creditors (Note 21)</td>
<td>60,549</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(iv) Amount due from related parties</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Financing</td>
<td>-</td>
<td>-</td>
<td>1,174</td>
<td>340,838</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>- Deposits and placements with banks and other FIs</td>
<td>-</td>
<td>94,463</td>
<td>61,705</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>- Other assets</td>
<td>674</td>
<td>9,628</td>
<td>1,620</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(v) Others</td>
<td>-</td>
<td>-</td>
<td>1,247</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>- Purchases of intangible assets</td>
<td>-</td>
<td>-</td>
<td>1,247</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>
39 RELATED PARTY TRANSACTIONS (Cont'd.)

(b) Key management personnel compensation

The remuneration of key management personnel during the year are as follows:

<table>
<thead>
<tr>
<th></th>
<th>Group</th>
<th>Bank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Short-term employee benefits</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Salary and other remuneration</td>
<td>11,017</td>
<td>10,460</td>
</tr>
<tr>
<td>- Benefits-in-kind</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>11,017</td>
<td>10,460</td>
</tr>
</tbody>
</table>

The total key management personnel compensation includes Chief Executive Officer/Managing Director's remuneration of which details are disclosed in Note 36.

(c) Credit transactions and exposures with connected parties

<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total outstanding value</td>
</tr>
<tr>
<td>Financing, credit facility and leasing (except guarantee)</td>
<td>516,410</td>
</tr>
<tr>
<td>Equities and Islamic Private Debt Securities held</td>
<td>15,290</td>
</tr>
<tr>
<td>Off-balance sheet exposures</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>531,700</td>
</tr>
</tbody>
</table>

Total exposure to connected parties as % capital base

|                  | 35.4% | 0.0% |

Total exposure to connected parties as % of total outstanding credit exposures

|                  | 7.1% | 0.0% |
39. RELATED PARTY TRANSACTIONS (Cont'd.)

(c) Credit transactions and exposures with connected parties (Cont’d.)

<table>
<thead>
<tr>
<th></th>
<th>Total outstanding value RM'000</th>
<th>Total number of accounts</th>
<th>Total exposure * RM'000</th>
<th>Total non-performing credit exposure RM'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financing, credit facility and leasing (except guarantee)</td>
<td>555,011</td>
<td>9</td>
<td>571,892</td>
<td>21,128</td>
</tr>
<tr>
<td>Equities and Islamic Private Debt Securities held</td>
<td>117,216</td>
<td>3</td>
<td>122,100</td>
<td>-</td>
</tr>
<tr>
<td>Off-balance sheet exposures</td>
<td>35</td>
<td>1</td>
<td>1,000</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>672,262</td>
<td>13</td>
<td>694,992</td>
<td>21,128</td>
</tr>
</tbody>
</table>

Total exposure to connected parties as % capital base

46.4% 1.4%

Total exposure to connected parties as % of total outstanding credit exposures

10.0% 0.3%

<table>
<thead>
<tr>
<th></th>
<th>Total outstanding value RM'000</th>
<th>Total number of accounts</th>
<th>Total exposure * RM'000</th>
<th>Total non-performing credit exposure RM'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financing, credit facility and leasing (except guarantee)</td>
<td>389,999</td>
<td>11</td>
<td>595,032</td>
<td>20,579</td>
</tr>
<tr>
<td>Equities and Islamic Private Debt Securities held</td>
<td>87,600</td>
<td>3</td>
<td>87,600</td>
<td>-</td>
</tr>
<tr>
<td>Off-balance sheet exposures</td>
<td>170</td>
<td>1</td>
<td>1,000</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>477,769</td>
<td>15</td>
<td>683,632</td>
<td>20,579</td>
</tr>
</tbody>
</table>

Total exposure to connected parties as % capital base

29.6% 0.9%

Total exposure to connected parties as % of total outstanding credit exposures

9.3% 0.3%

* Included total outstanding and unutilised limit.
39. RELATED PARTY TRANSACTIONS (Cont’d.)

(c) Credit transactions and exposures with connected parties (Cont’d.)

The credit exposure above are derived based on para 9.1 of Bank Negara Malaysia's revised Guidelines on Credit Transaction and Exposures with Connected Parties.

Based on these guidelines, a connected party refers to the following:

(i) Directors of the Bank and their close relatives;

(ii) Controlling shareholder and his close relatives;

(iii) Executive officer, being a member of management having authority and responsibility of planning, directing and/or controlling the activities of the Bank, and his close relatives;

(iv) Officers who are responsible for or have the authority to appraise and/or approve credit transactions or review the status of existing credit transactions, either as a member of a committee or individually, and their close relatives;

(v) Firms, partnerships, companies or any legal entities which control, or are controlled by any person listed in (i) to (iv) above, or in which they have an interest, as a director, partner, executive officer, agent or guarantor, and their subsidiaries or entities controlled by them;

(vi) Any person for whom the persons listed in (i) to (iv) above is a guarantor; and

(vii) Subsidiary of or an entity controlled by the Bank and its connected parties.

Credit transactions and exposures to connected parties as disclosed above includes the extension of credit facilities and/or off-balance sheet credit exposures such as guarantees, trade-related facilities and financing commitments.
### FINANCIAL EFFECTS ARISING FROM ADOPTION OF MFRS FRAMEWORK AND CHANGES IN ACCOUNTING POLICIES

(a) Reconciliation of statements of financial position as at 1 January 2011 and 31 December 2011

The reconciliations of statements of financial position at the date of transition reported under FRS to those reported for those periods and at the date of transition under MFRS are provided below:

<table>
<thead>
<tr>
<th>Group</th>
<th>Note</th>
<th>FRS as at 01.01.2011 RM'000</th>
<th>Adjustments RM'000</th>
<th>MFRS as at 31.12.2011 RM'000</th>
<th>Adjustments RM'000</th>
<th>MFRS as at 31.12.2011 RM'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and short-term funds</td>
<td></td>
<td>2,651,695</td>
<td>-</td>
<td>2,651,695</td>
<td>1,973,012</td>
<td>-</td>
</tr>
<tr>
<td>Deposits and placements with banks and other financial institutions</td>
<td></td>
<td>275,092</td>
<td>-</td>
<td>275,092</td>
<td>734,973</td>
<td>-</td>
</tr>
<tr>
<td>Securities held-for-trading</td>
<td></td>
<td>110,083</td>
<td>-</td>
<td>110,083</td>
<td>90,216</td>
<td>-</td>
</tr>
<tr>
<td>Hedging financial instruments</td>
<td></td>
<td>80,632</td>
<td>-</td>
<td>80,632</td>
<td>43,688</td>
<td>-</td>
</tr>
<tr>
<td>Securities available-for-sale</td>
<td></td>
<td>1,053,506</td>
<td>-</td>
<td>1,053,506</td>
<td>1,096,340</td>
<td>-</td>
</tr>
<tr>
<td>Securities held-to-maturity</td>
<td></td>
<td>46,266</td>
<td>-</td>
<td>46,266</td>
<td>47,125</td>
<td>-</td>
</tr>
<tr>
<td>Financing, advances and other receivables</td>
<td>3.2(ii)</td>
<td>6,072,784</td>
<td>(141,169)</td>
<td>5,931,615</td>
<td>293,911</td>
<td>-</td>
</tr>
<tr>
<td>Murabahah trading automobile</td>
<td></td>
<td>32</td>
<td>-</td>
<td>32</td>
<td>-</td>
<td>32</td>
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<tr>
<td>Other assets</td>
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<td>385,682</td>
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<td>385,682</td>
<td>411,730</td>
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<tr>
<td>Statutory deposits with Bank Negara Malaysia</td>
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<td>44,854</td>
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<td>44,854</td>
<td>180,200</td>
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</tr>
<tr>
<td>Musyarakah capital investment</td>
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<td>5,898</td>
<td>5,898</td>
<td>-</td>
</tr>
<tr>
<td>Investment in subsidiaries</td>
<td></td>
<td>932</td>
<td>-</td>
<td>932</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Property and equipment</td>
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<td>27,340</td>
<td>-</td>
<td>27,340</td>
<td>23,855</td>
<td>-</td>
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<tr>
<td>Intangible assets</td>
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<td>27,529</td>
<td>-</td>
<td>27,529</td>
<td>23,855</td>
<td>-</td>
</tr>
<tr>
<td>Deferred tax assets</td>
<td>3.2(ii)</td>
<td>125,557</td>
<td>-</td>
<td>125,557</td>
<td>288,388</td>
<td>-</td>
</tr>
</tbody>
</table>

| Total                                           |      | 10,907,882                 | (141,169)         | 10,766,713                 | (16,570)          | 10,122,166                 |

KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD
(672174-T)
(Incorporated in Malaysia)
(a) Reconciliation of statements of financial position as at 1 January 2011 and 31 December 2011 (Cont'd.)

The reconciliations of statements of financial position at the date of transition reported under FRS to those reported for those periods and at the date of transition under MFRS are provided below (Cont’d.):

<table>
<thead>
<tr>
<th>Group</th>
<th>Note</th>
<th>FRS as at 01.01.2011</th>
<th>Adjustments</th>
<th>MFRS as at 31.12.2011</th>
<th>FRS as at 31.12.2011</th>
<th>Adjustments</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>RM’000</td>
<td>RM’000</td>
<td>RM’000</td>
<td>RM’000</td>
<td>RM’000</td>
</tr>
<tr>
<td>Deposits from customers</td>
<td></td>
<td>4,560,037</td>
<td>-</td>
<td>4,717,854</td>
<td>-</td>
<td>4,717,854</td>
</tr>
<tr>
<td>Deposits and placements of banks and other financial institutions</td>
<td></td>
<td>3,478,689</td>
<td>-</td>
<td>3,134,572</td>
<td>-</td>
<td>3,134,572</td>
</tr>
<tr>
<td>Hedging financial instruments</td>
<td></td>
<td>39,789</td>
<td>-</td>
<td>72,655</td>
<td>-</td>
<td>72,655</td>
</tr>
<tr>
<td>Murabahah bank financing</td>
<td></td>
<td>23,233</td>
<td>-</td>
<td>23,233</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Subordinated Murabahah Tawarruq</td>
<td></td>
<td>350,797</td>
<td>-</td>
<td>373,589</td>
<td>-</td>
<td>373,589</td>
</tr>
<tr>
<td>Other liabilities</td>
<td></td>
<td>398,002</td>
<td>-</td>
<td>365,785</td>
<td>-</td>
<td>365,785</td>
</tr>
<tr>
<td>Provision for zakat</td>
<td></td>
<td>3,740</td>
<td>3,740</td>
<td>3,740</td>
<td>-</td>
<td>3,740</td>
</tr>
<tr>
<td><strong>Total Liabilities</strong></td>
<td></td>
<td><strong>8,854,287</strong></td>
<td><strong>-</strong></td>
<td><strong>8,668,195</strong></td>
<td><strong>-</strong></td>
<td><strong>8,668,195</strong></td>
</tr>
<tr>
<td>SHAREHOLDER’S EQUITY</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Share capital</td>
<td>3.2(ii)</td>
<td>2,266,125</td>
<td>-</td>
<td>2,266,125</td>
<td>-</td>
<td>2,266,125</td>
</tr>
<tr>
<td>Reserves</td>
<td></td>
<td>(212,530)</td>
<td>(141,169)</td>
<td>(353,699)</td>
<td>(795,584)</td>
<td>(16,570)</td>
</tr>
<tr>
<td><strong>Total Shareholder’s Equity</strong></td>
<td></td>
<td><strong>2,053,595</strong></td>
<td><strong>1,912,426</strong></td>
<td><strong>1,470,541</strong></td>
<td><strong>16,570</strong></td>
<td><strong>1,453,971</strong></td>
</tr>
<tr>
<td>TOTAL LIABILITIES AND SHAREHOLDER’S EQUITY</td>
<td></td>
<td><strong>10,907,882</strong></td>
<td><strong>1,164,713</strong></td>
<td><strong>10,138,736</strong></td>
<td><strong>16,570</strong></td>
<td><strong>10,122,166</strong></td>
</tr>
</tbody>
</table>
The reconciliations of statements of financial position at the date of transition reported under FRS to those reported for those periods and at the date of transition under MFRS are provided below (Cont'd.):

<table>
<thead>
<tr>
<th>Bank</th>
<th>Note</th>
<th>FRS as at 01.01.2011</th>
<th>Adjustments</th>
<th>MFRS as at 01.01.2011</th>
<th>FRS as at 31.12.2011</th>
<th>Adjustments</th>
<th>MFRS as at 31.12.2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and short-term funds</td>
<td></td>
<td>2,744,436</td>
<td>-</td>
<td>2,744,436</td>
<td>2,076,287</td>
<td>-</td>
<td>2,076,287</td>
</tr>
<tr>
<td>Deposits and placements with banks and other financial institutions</td>
<td></td>
<td>275,092</td>
<td>-</td>
<td>275,092</td>
<td>734,973</td>
<td>-</td>
<td>734,973</td>
</tr>
<tr>
<td>Securities held-for-trading</td>
<td></td>
<td>110,083</td>
<td>-</td>
<td>110,083</td>
<td>83,776</td>
<td>-</td>
<td>83,776</td>
</tr>
<tr>
<td>Hedging financial instruments</td>
<td></td>
<td>80,632</td>
<td>-</td>
<td>80,632</td>
<td>43,688</td>
<td>-</td>
<td>43,688</td>
</tr>
<tr>
<td>Securities available-for-sale</td>
<td></td>
<td>925,933</td>
<td>-</td>
<td>925,933</td>
<td>977,255</td>
<td>-</td>
<td>977,255</td>
</tr>
<tr>
<td>Securities held-to-maturity</td>
<td></td>
<td>46,266</td>
<td>-</td>
<td>46,266</td>
<td>47,125</td>
<td>-</td>
<td>47,125</td>
</tr>
<tr>
<td>Financing, advances and other receivables</td>
<td>3.2(ii)</td>
<td>6,072,784 (141,169)</td>
<td>-</td>
<td>5,931,615</td>
<td>5,219,857 (22,093)</td>
<td>-</td>
<td>5,197,764</td>
</tr>
<tr>
<td>Murabahah trading automobile</td>
<td></td>
<td>32</td>
<td>-</td>
<td>32</td>
<td>32</td>
<td>-</td>
<td>32</td>
</tr>
<tr>
<td>Other assets</td>
<td></td>
<td>366,450</td>
<td>-</td>
<td>366,450</td>
<td>406,948</td>
<td>-</td>
<td>406,948</td>
</tr>
<tr>
<td>Statutory deposits with Bank Negara Malaysia</td>
<td></td>
<td>44,854</td>
<td>-</td>
<td>44,854</td>
<td>180,200</td>
<td>-</td>
<td>180,200</td>
</tr>
<tr>
<td>Musyarakah capital investment</td>
<td></td>
<td>5,898</td>
<td>-</td>
<td>5,898</td>
<td>5,898</td>
<td>-</td>
<td>5,898</td>
</tr>
<tr>
<td>Investment in subsidiaries</td>
<td></td>
<td>32,397</td>
<td>-</td>
<td>32,397</td>
<td>30,952</td>
<td>-</td>
<td>30,952</td>
</tr>
<tr>
<td>Property and equipment</td>
<td></td>
<td>27,508</td>
<td>-</td>
<td>27,508</td>
<td>23,624</td>
<td>-</td>
<td>23,624</td>
</tr>
<tr>
<td>Intangible assets</td>
<td></td>
<td>125,175</td>
<td>-</td>
<td>125,175</td>
<td>288,301</td>
<td>-</td>
<td>293,824</td>
</tr>
</tbody>
</table>

| Total                                          |      | 10,884,455 (141,169) | -           | 10,743,286            | 10,142,319 (16,570) | -           | 10,125,749             |
**KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD**
(672174-T)
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2012

40 FINANCIAL EFFECTS ARISING FROM ADOPTION OF MFRS FRAMEWORK AND CHANGES IN ACCOUNTING POLICIES (Cont’d.)

(a) Reconciliation of statements of financial position as at 1 January 2011 and 31 December 2011 (Cont’d.)

The reconciliations of statements of financial position at the date of transition reported under FRS to those reported for those periods and at the date of transition under MFRS are provided below (Cont’d.):

<table>
<thead>
<tr>
<th>Bank</th>
<th>Note</th>
<th>FRS as at 01.01.2011 RM’000</th>
<th>Adjustments RM’000</th>
<th>MFRS as at 31.12.2011 RM’000</th>
<th>Adjustments RM’000</th>
<th>MFRS as at 31.12.2011 RM’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deposits from customers</td>
<td></td>
<td>4,561,610</td>
<td>-</td>
<td>4,719,586</td>
<td>-</td>
<td>4,719,586</td>
</tr>
<tr>
<td>Deposits and placements of banks and other financial institutions</td>
<td></td>
<td>3,486,642</td>
<td>-</td>
<td>3,152,042</td>
<td>-</td>
<td>3,152,042</td>
</tr>
<tr>
<td>Hedging financial instruments</td>
<td></td>
<td>39,789</td>
<td>-</td>
<td>72,655</td>
<td>-</td>
<td>72,655</td>
</tr>
<tr>
<td>Murabahah bank financing</td>
<td></td>
<td>23,233</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Subordinated Murabahah Tawarruq</td>
<td></td>
<td>350,797</td>
<td>-</td>
<td>373,589</td>
<td>-</td>
<td>373,589</td>
</tr>
<tr>
<td>Other liabilities</td>
<td></td>
<td>396,933</td>
<td>-</td>
<td>364,588</td>
<td>-</td>
<td>364,588</td>
</tr>
<tr>
<td>Provision for zakat</td>
<td></td>
<td>3,740</td>
<td>-</td>
<td>3,740</td>
<td>-</td>
<td>3,740</td>
</tr>
<tr>
<td><strong>TOTAL LIABILITIES</strong></td>
<td></td>
<td>8,862,744</td>
<td>-</td>
<td>8,686,200</td>
<td>-</td>
<td>8,686,200</td>
</tr>
</tbody>
</table>

| SHAREHOLDER'S EQUITY                     |      |                            |                    |                            |                    |                            |
| Share capital                            | 3.2(ii) | 2,266,125                  | -                  | 2,266,125                  | -                  | 2,266,125                  |
| Reserves                                  |      | (244,414)                  | (141,169)          | (385,583)                  | (810,006)          | (16,570)                  |
| **TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY** |      | 2,021,711                  | (141,169)          | 1,880,542                  | (16,570)          | 1,439,549                  |

110
(b) Reconciliation of total comprehensive income for the period ended 31 December 2011

The reconciliations of total comprehensive income for comparative periods reported under FRS to those reported for those periods and at the date of transition under MFRS are provided below:

<table>
<thead>
<tr>
<th>Group</th>
<th>FRS as at 31.12.2011 RM'000</th>
<th>Adjustments RM'000</th>
<th>MFRS as at 31.12.2011 RM'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Continuing operations</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating revenue</td>
<td>459,788</td>
<td>-</td>
<td>459,788</td>
</tr>
<tr>
<td>Income derived from investment of depositors’ funds and others</td>
<td>342,673</td>
<td>-</td>
<td>342,673</td>
</tr>
<tr>
<td>Income derived from investment of shareholder’s equity</td>
<td>117,115</td>
<td></td>
<td>117,115</td>
</tr>
<tr>
<td>Total gross income</td>
<td>459,788</td>
<td>(20,000)</td>
<td>459,788</td>
</tr>
<tr>
<td>Impairment (charge)/ write-back on securities</td>
<td>(795,997)</td>
<td>119,076</td>
<td>(676,921)</td>
</tr>
<tr>
<td>Total distributable income</td>
<td>(356,209)</td>
<td>119,076</td>
<td>(237,133)</td>
</tr>
<tr>
<td>Income attributable to the depositors</td>
<td>(208,486)</td>
<td></td>
<td>(208,486)</td>
</tr>
<tr>
<td>Total net income</td>
<td>(564,695)</td>
<td>119,076</td>
<td>(445,619)</td>
</tr>
<tr>
<td>Personnel expenses</td>
<td>(94,843)</td>
<td>(20,000)</td>
<td>(94,843)</td>
</tr>
<tr>
<td>Other overheads and expenditures</td>
<td>(91,032)</td>
<td></td>
<td>(91,032)</td>
</tr>
<tr>
<td>Finance cost</td>
<td>(12,949)</td>
<td></td>
<td>(12,949)</td>
</tr>
<tr>
<td>(Loss)/ Profit before zakat and taxation</td>
<td>(763,519)</td>
<td>119,076</td>
<td>(644,443)</td>
</tr>
<tr>
<td>Taxation</td>
<td>167,311</td>
<td>5,523</td>
<td>172,834</td>
</tr>
<tr>
<td>Net (loss)/ profit for the period</td>
<td>(596,208)</td>
<td>124,599</td>
<td>(471,609)</td>
</tr>
</tbody>
</table>
40 FINANCIAL EFFECTS ARISING FROM ADOPTION OF MFRS FRAMEWORK AND CHANGES IN ACCOUNTING POLICIES (Cont’d.)

(b) Reconciliation of total comprehensive income for the period ended 31 December 2011 (Cont’d.)

The reconciliations of total comprehensive income for comparative periods reported under FRS to those reported for those periods and at the date of transition under MFRS are provided below: (Cont’d.)

<table>
<thead>
<tr>
<th>Group (Cont’d.)</th>
<th>FRS as at 31.12.2011 RM’000</th>
<th>Adjustments RM’000</th>
<th>MFRS as at 31.12.2011 RM’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Other comprehensive income/ (loss):</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net gain taken to equity on securities available-for-sale</td>
<td>18,327</td>
<td>-</td>
<td>18,327</td>
</tr>
<tr>
<td>Exchange differences on translation of foreign operations</td>
<td>1,306</td>
<td>-</td>
<td>1,306</td>
</tr>
<tr>
<td>Income tax relating to components of other comprehensive income</td>
<td>(6,479)</td>
<td>-</td>
<td>(6,479)</td>
</tr>
<tr>
<td>Other comprehensive income for the period, net of tax</td>
<td>13,154</td>
<td></td>
<td>13,154</td>
</tr>
<tr>
<td>Total comprehensive (loss)/ income for the period</td>
<td>(583,054)</td>
<td>124,599</td>
<td>(458,455)</td>
</tr>
<tr>
<td>Total comprehensive (loss)/ income for the period attributable to equity holders of the parent</td>
<td>(583,054)</td>
<td>124,599</td>
<td>(458,455)</td>
</tr>
</tbody>
</table>
40 FINANCIAL EFFECTS ARISING FROM ADOPTION OF MFRS FRAMEWORK AND CHANGES IN ACCOUNTING POLICIES (Cont’d.)

(b) Reconciliation of total comprehensive income for the period ended 31 December 2011 (Cont’d.)

The reconciliations of total comprehensive income for comparative periods reported under FRS to those reported for those periods and at the date of transition under MFRS are provided below (Cont’d.):

<table>
<thead>
<tr>
<th>Bank</th>
<th>FRS as at 31.12.2011 RM’000</th>
<th>Adjustments RM’000</th>
<th>MFRS as at 31.12.2011 RM’000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Continuing operations</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating revenue</td>
<td>450,331</td>
<td>-</td>
<td>450,331</td>
</tr>
<tr>
<td>Income derived from investment of depositors’ funds and others</td>
<td>343,833</td>
<td>-</td>
<td>343,833</td>
</tr>
<tr>
<td>Income derived from investment of shareholder’s equity</td>
<td>106,498</td>
<td>-</td>
<td>106,498</td>
</tr>
<tr>
<td>Total gross income</td>
<td>450,331</td>
<td>-</td>
<td>450,331</td>
</tr>
<tr>
<td>Impairment (charge)/ write-back on securities</td>
<td>(2,833)</td>
<td>-</td>
<td>(2,833)</td>
</tr>
<tr>
<td>Impairment loss on financing</td>
<td>(795,997)</td>
<td>119,076</td>
<td>(676,921)</td>
</tr>
<tr>
<td>Total distributable income</td>
<td>(348,499)</td>
<td>119,076</td>
<td>(229,423)</td>
</tr>
<tr>
<td>Income attributable to the depositors</td>
<td>(208,686)</td>
<td>-</td>
<td>(208,686)</td>
</tr>
<tr>
<td>Total net income</td>
<td>(557,185)</td>
<td>119,076</td>
<td>(438,109)</td>
</tr>
<tr>
<td>Personnel expenses</td>
<td>(87,892)</td>
<td>-</td>
<td>(87,892)</td>
</tr>
<tr>
<td>Other overheads and expenditures</td>
<td>(87,145)</td>
<td>-</td>
<td>(87,145)</td>
</tr>
<tr>
<td>Finance cost</td>
<td>(12,949)</td>
<td>-</td>
<td>(12,949)</td>
</tr>
<tr>
<td><em>(Loss)/ Profit before zakat and taxation</em></td>
<td>(745,171)</td>
<td>119,076</td>
<td>(626,095)</td>
</tr>
<tr>
<td>Taxation</td>
<td>167,735</td>
<td>5,523</td>
<td>173,258</td>
</tr>
<tr>
<td><strong>Net (loss)/ profit for the period</strong></td>
<td>(577,436)</td>
<td>124,599</td>
<td>(452,837)</td>
</tr>
</tbody>
</table>
40 FINANCIAL EFFECTS ARISING FROM ADOPTION OF MFRS FRAMEWORK AND CHANGES IN ACCOUNTING POLICIES (Cont’d.)

(b) Reconciliation of total comprehensive income for the period ended 31 December 2011 (Cont’d.)

The reconciliations of total comprehensive income for comparative periods reported under FRS to those reported for those periods and at the date of transition under MFRS are provided below (Cont’d.):

<table>
<thead>
<tr>
<th>Bank (Cont’d.)</th>
<th>FRS as at 31.12.2011 RM’000</th>
<th>Adjustments RM’000</th>
<th>MFRS as at 31.12.2011 RM’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Other comprehensive income/ (loss):</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net gain taken to equity on securities available-for-sale</td>
<td>18,386</td>
<td>-</td>
<td>18,386</td>
</tr>
<tr>
<td>Income tax relating to components of other comprehensive income</td>
<td>(6,542)</td>
<td>-</td>
<td>(6,542)</td>
</tr>
<tr>
<td>Other comprehensive income for the period, net of tax</td>
<td>11,844</td>
<td>-</td>
<td>11,844</td>
</tr>
<tr>
<td>Total comprehensive (loss)/ income for the period</td>
<td>(565,592)</td>
<td>124,599</td>
<td>(440,993)</td>
</tr>
</tbody>
</table>

**Total comprehensive (loss)/ income for the period attributable to equity holders of the parent**

(565,592)  124,599  (440,993)
### 41 COMMITMENTS AND CONTINGENCIES

In the normal course of business, the Bank and its subsidiaries make various commitments and incur certain contingent liabilities with legal recourse to their customers. No material losses are anticipated as a result of these transactions.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Principal amount RM’000</td>
<td>Credit equivalent amount RM’000</td>
<td>Risk weighted amount RM’000</td>
</tr>
<tr>
<td><strong>Group and Bank</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Direct credit substitutes</td>
<td>448,398</td>
<td>448,398</td>
<td>297,589</td>
</tr>
<tr>
<td>Transaction related contingencies</td>
<td>130,067</td>
<td>65,032</td>
<td>108,859</td>
</tr>
<tr>
<td>Trade related contingencies</td>
<td>28,653</td>
<td>5,731</td>
<td>28,683</td>
</tr>
<tr>
<td>Irrevocable commitments to extend credit</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- maturity less than one year</td>
<td>372,828</td>
<td>74,566</td>
<td>70,448</td>
</tr>
<tr>
<td>- maturity more than one year</td>
<td>861,949</td>
<td>430,975</td>
<td>416,934</td>
</tr>
<tr>
<td>Foreign exchange related contracts *</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- less than one year</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>- one year to five years</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>- five years and above</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Profit rate related contracts (Ijarah rental swap obligation) *</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- five years and above</td>
<td>278,339</td>
<td>35,216</td>
<td>29,649</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>2,120,234</td>
<td>1,059,918</td>
<td>866,609</td>
</tr>
</tbody>
</table>

* The foreign exchange related contracts and Ijarah rental swap related contracts are subject to market risk and credit risk.
COMMITMENTS AND CONTINGENCIES (Cont'd.)

The credit equivalent and risk-weighted amounts are computed in accordance with Bank Negara Malaysia's Capital Adequacy Framework for Islamic Banks ("CAFIB").

Market risk

Market risk is the potential change in value caused by movement in market rates or prices. The contractual amounts stated above provide only a measure of involvement in these types of transactions and do not represent the amounts subject to market risk.

Credit risk

Credit risk is the risk that a counterparty will be unable to meet the terms of a contract in which the Bank has a gain position. As at 31 December 2012, the amount of credit risk in the Group and in the Bank, measured in terms of the cost to replace the profitable contracts, was RM21,469,808 (2011: RM43,688,000; 2010: RM80,632,000). This amount will increase or decrease over the life of the contracts, mainly as a function of maturity dates and market rates or prices.
42 CAPITAL COMMITMENTS

<table>
<thead>
<tr>
<th></th>
<th>Group</th>
<th>Bank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital expenditure :</td>
<td>RM'000</td>
<td>RM'000</td>
</tr>
<tr>
<td>Authorised and contracted for</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- purchase of equipment</td>
<td>13</td>
<td>298</td>
</tr>
<tr>
<td>- computer hardware</td>
<td>2,873</td>
<td>1,791</td>
</tr>
<tr>
<td>- computer software</td>
<td>1,594</td>
<td>5,445</td>
</tr>
<tr>
<td>- capital renovation</td>
<td>5,008</td>
<td>1,458</td>
</tr>
<tr>
<td>Authorised but not contracted for</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- computer hardware</td>
<td>541</td>
<td>1,082</td>
</tr>
<tr>
<td>- computer software</td>
<td>-</td>
<td>110</td>
</tr>
<tr>
<td></td>
<td>10,029</td>
<td>10,184</td>
</tr>
</tbody>
</table>

43 CAPITAL ADEQUACY

The Group has adopted Bank Negara Malaysia's Capital Adequacy Framework for Islamic Banks ("CAFIB") guidelines to further improve capital adequacy assessment; enhance risk management processes, measurements and management capabilities; as well as to promote thorough and transparent reporting.

For the purpose of the computation of capital adequacy ratios, the Group has adopted the Standardised Approach for Credit Risk and Market Risk, and the Basic Indicator Approach for Operational Risk. The definition and classification of the counterparty, exposure and asset types applied for the purpose of Capital Adequacy's reports are as per the Bank Negara Malaysia's CAFIB.

In addition, the Bank has also provided detailed Capital Adequacy disclosures as per the requirements stipulated in Bank Negara Malaysia CAFIB - Disclosures Requirements (Pillar 3) guidelines.

(a) The capital adequacy ratios of the Group and the Bank as at 31 December, are as follows:

<table>
<thead>
<tr>
<th></th>
<th>Group</th>
<th>Bank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Core capital ratio</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Credit risk</td>
<td>16.76%</td>
<td>14.91%</td>
</tr>
<tr>
<td>Credit, market,</td>
<td></td>
<td></td>
</tr>
<tr>
<td>operational and large exposure risks</td>
<td>15.44%</td>
<td>13.82%</td>
</tr>
<tr>
<td>Risk-weighted capital ratio</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Credit risk</td>
<td>21.12%</td>
<td>19.93%</td>
</tr>
<tr>
<td>Credit, market,</td>
<td></td>
<td></td>
</tr>
<tr>
<td>operational and large exposure risks</td>
<td>19.45%</td>
<td>18.47%</td>
</tr>
</tbody>
</table>
43 CAPITAL ADEQUACY (Cont'd.)

(b) The Tier I and Tier II capital of the Group and the Bank as at 31 December, are as follows:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Tier I capital</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Paid-up share capital</td>
<td>2,266,125</td>
<td>2,266,125</td>
<td>2,266,125</td>
<td>2,266,125</td>
<td>2,266,125</td>
<td>2,266,125</td>
</tr>
<tr>
<td>Statutory reserve</td>
<td>66,697</td>
<td>34,952</td>
<td>34,952</td>
<td>66,697</td>
<td>34,952</td>
<td>34,952</td>
</tr>
<tr>
<td>Other reserves</td>
<td>(808,989)</td>
<td>(837,738)</td>
<td>(388,652)</td>
<td>(825,678)</td>
<td>(857,423)</td>
<td>(420,536)</td>
</tr>
<tr>
<td>Less: Deferred tax assets (net)</td>
<td>(286,641)</td>
<td>(293,911)</td>
<td>(125,557)</td>
<td>(286,538)</td>
<td>(293,824)</td>
<td>(125,175)</td>
</tr>
<tr>
<td><strong>Total Tier-I capital</strong></td>
<td>1,237,192</td>
<td>1,169,428</td>
<td>1,786,868</td>
<td>1,220,606</td>
<td>1,149,830</td>
<td>1,755,366</td>
</tr>
<tr>
<td><strong>Tier II capital</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Subordinated Murabahah Tawarruq</td>
<td>183,480</td>
<td>253,440</td>
<td>308,530</td>
<td>183,480</td>
<td>253,440</td>
<td>308,530</td>
</tr>
<tr>
<td>Collective impairment on financing</td>
<td>137,944</td>
<td>140,378</td>
<td>259,548</td>
<td>137,944</td>
<td>140,378</td>
<td>259,548</td>
</tr>
<tr>
<td><strong>Total Tier-II capital</strong></td>
<td>321,424</td>
<td>393,818</td>
<td>568,078</td>
<td>321,424</td>
<td>393,818</td>
<td>568,078</td>
</tr>
<tr>
<td>Less: Investment in subsidiaries</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(46,193)</td>
<td>(46,193)</td>
<td>(67,897)</td>
</tr>
<tr>
<td><strong>Capital base</strong></td>
<td>1,558,616</td>
<td>1,563,246</td>
<td>2,354,946</td>
<td>1,495,837</td>
<td>1,497,455</td>
<td>2,255,547</td>
</tr>
</tbody>
</table>
### 43. CAPITAL ADEQUACY (Cont’d.)

(c) The Core Capital Ratio and the Risk-Weighted Capital Ratio of the Group and the Bank as at 31 December, are as follows:

<table>
<thead>
<tr>
<th></th>
<th>Group</th>
<th>Bank</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>RM’000</td>
<td>RM’000</td>
</tr>
<tr>
<td>Computation of Total</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Risk-Weighted Assets</td>
<td>&quot;RWA&quot;</td>
<td></td>
</tr>
<tr>
<td>Total credit RWA</td>
<td>7,381,070</td>
<td>7,845,359</td>
</tr>
<tr>
<td>Total market RWA</td>
<td>136,716</td>
<td>102,799</td>
</tr>
<tr>
<td>Total operational RWA</td>
<td>482,289</td>
<td>504,470</td>
</tr>
<tr>
<td>Large exposure risk RWA for equity holdings</td>
<td>14,790</td>
<td>11,948</td>
</tr>
<tr>
<td>Total Risk-Weighted Assets</td>
<td>8,014,865</td>
<td>8,464,576</td>
</tr>
<tr>
<td>Computation of Capital Ratios</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Core capital</td>
<td>1,237,192</td>
<td>1,169,428</td>
</tr>
<tr>
<td>Capital base</td>
<td>1,558,616</td>
<td>1,563,246</td>
</tr>
<tr>
<td>Core capital ratio</td>
<td>15.44%</td>
<td>13.82%</td>
</tr>
<tr>
<td>Risk-weighted capital ratio</td>
<td>19.45%</td>
<td>18.47%</td>
</tr>
</tbody>
</table>
(d) The breakdown of risk-weighted assets ("RWA") by exposures in each major risk category for the current financial year are as follows:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>RM’000</td>
<td>RM’000</td>
<td>RM’000</td>
<td>RM’000</td>
<td>RM’000</td>
</tr>
<tr>
<td><strong>Group</strong></td>
<td></td>
<td>RM’000</td>
<td>RM’000</td>
<td>RM’000</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>31.12.2012</strong></td>
<td></td>
<td>RM’000</td>
<td>RM’000</td>
<td>RM’000</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>(i) Credit Risk</strong></td>
<td></td>
<td>RM’000</td>
<td>RM’000</td>
<td>RM’000</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>(a) On-Balance Sheet Exposures</strong></td>
<td></td>
<td>RM’000</td>
<td>RM’000</td>
<td>RM’000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sovereigns/Central Banks</td>
<td>1,264,875</td>
<td>1,264,875</td>
<td>1,473</td>
<td>1,473</td>
<td></td>
<td>119</td>
</tr>
<tr>
<td>Banks, Development Financial Institutions &amp; MDBs</td>
<td>1,182,527</td>
<td>1,182,527</td>
<td>331,083</td>
<td>331,083</td>
<td></td>
<td>26,487</td>
</tr>
<tr>
<td>Regulatory Retail</td>
<td>1,553,064</td>
<td>1,553,064</td>
<td>1,164,798</td>
<td>1,164,798</td>
<td></td>
<td>93,184</td>
</tr>
<tr>
<td>Residential Mortgages</td>
<td>161,339</td>
<td>161,339</td>
<td>58,904</td>
<td>58,904</td>
<td></td>
<td>4,712</td>
</tr>
<tr>
<td>Higher Risk Assets</td>
<td>346,112</td>
<td>346,112</td>
<td>519,169</td>
<td>519,169</td>
<td></td>
<td>41,533</td>
</tr>
<tr>
<td>Other Assets</td>
<td>624,019</td>
<td>624,019</td>
<td>428,548</td>
<td>428,548</td>
<td></td>
<td>34,284</td>
</tr>
<tr>
<td>Defaulted Exposures</td>
<td>1,376,898</td>
<td>1,376,898</td>
<td>1,865,034</td>
<td>1,865,034</td>
<td></td>
<td>149,203</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>8,847,654</td>
<td>8,847,654</td>
<td>6,514,461</td>
<td>6,514,461</td>
<td></td>
<td>521,157</td>
</tr>
<tr>
<td><strong>(b) Off-Balance Sheet Exposures</strong></td>
<td></td>
<td>RM’000</td>
<td>RM’000</td>
<td>RM’000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Off-balance sheet exposures other than OTC hedging financial instruments</td>
<td>1,024,702</td>
<td>1,024,702</td>
<td>836,960</td>
<td>836,960</td>
<td></td>
<td>66,957</td>
</tr>
<tr>
<td><strong>Total On and Off-Balance Sheet Exposures</strong></td>
<td>1,059,918</td>
<td>1,059,918</td>
<td>866,609</td>
<td>866,609</td>
<td></td>
<td>69,329</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>9,907,572</td>
<td>9,907,572</td>
<td>7,381,070</td>
<td>7,381,070</td>
<td></td>
<td>590,486</td>
</tr>
</tbody>
</table>
### 43. CAPITAL ADEQUACY (Cont'd)

(d) The breakdown of risk-weighted assets ("RWA") by exposures in each major risk category for the current financial year are as follows:

<table>
<thead>
<tr>
<th>Group</th>
<th>Gross Exposures</th>
<th>Net Exposures **</th>
<th>Risk-Weighted Assets</th>
<th>Total Risk-Weighted Assets After Effects of PSIA</th>
<th>Capital Requirement</th>
</tr>
</thead>
<tbody>
<tr>
<td>31.12.2012 (Cont'd.)</td>
<td>RM'000</td>
<td>RM'000</td>
<td>RM'000</td>
<td>RM'000</td>
<td>RM'000</td>
</tr>
<tr>
<td>(ii) Large Exposures Risk Requirement</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Long Position</td>
<td>30,898</td>
<td>30,898</td>
<td>14,790</td>
<td>14,790</td>
<td>1,183</td>
</tr>
<tr>
<td>Short Position</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(iii) Market Risk</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Benchmark Rate Risk</td>
<td>378,189</td>
<td>294,988</td>
<td>83,201</td>
<td>65,391</td>
<td>5,231</td>
</tr>
<tr>
<td>Foreign Currency Risk</td>
<td>71,059</td>
<td>70,907</td>
<td>152</td>
<td>71,264</td>
<td>71,264</td>
</tr>
<tr>
<td>Equity Risk</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Inventory Risk</td>
<td>32</td>
<td>-</td>
<td>32</td>
<td>61</td>
<td>5</td>
</tr>
<tr>
<td>(iv) Operational Risk</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(v) Total RWA and Capital Requirements</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Note:
- * Credit equivalent of off-balance sheet items
- ** After netting and credit risk mitigation
- Higher risk assets are defined in section C.2.10 of CAFIB guidelines issued by Bank Negara Malaysia which comprised of Musyarakah, Musyarakah Mutanaqisah and Mudharabah contracts.
- Defaulted exposures are defined as the Islamic bank considers that an obligor is "unlikely to repay" in full its credit obligations; and the obligor has breached its contractual repayment schedule and is past due for more than 90 days. For events under "unlikeliness to repay", please refer to Appendix 3 paragraph 2 of CAFIB guidelines issued by Bank Negara Malaysia.
- Comprising Ijarah Rental Swaps, Cross Currency Ijarah Rental Swaps and Promissory Foreign Exchange Contracts.
- Comprising of trade finance facilities, underwriting and undrawn balances.
- Representing the sum of all individual non-Ringgit Net Open Positions. Computation is as per section D.8.2 paragraph 224 of CAFIB guidelines issued by Bank Negara Malaysia.
### 43 CAPITAL ADEQUACY (Cont'd)

(d) The breakdown of risk-weighted assets ("RWA") by exposures in each major risk category for the previous financial year are as follows (Cont'd):

<table>
<thead>
<tr>
<th>Group</th>
<th>Gross Exposures</th>
<th>Net Exposures **</th>
<th>Risk-Weighted Assets</th>
<th>Total Risk-Weighted Assets After Effects of PSIA</th>
<th>Capital Requirement</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>RM'000</td>
<td>RM'000</td>
<td>RM'000</td>
<td>RM'000</td>
<td>RM'000</td>
</tr>
<tr>
<td>31.12.2011</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(i) Credit Risk</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(a) On-Balance Sheet Exposures</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sovereigns/Central Banks</td>
<td>1,335,299</td>
<td>1,335,299</td>
<td>20,551</td>
<td>20,551</td>
<td>1,644</td>
</tr>
<tr>
<td>Public Sector Entities</td>
<td>110,204</td>
<td>110,204</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Banks, Development Financial Institutions &amp; MDBs</td>
<td>2,185,042</td>
<td>2,185,042</td>
<td>762,704</td>
<td>762,704</td>
<td>61,016</td>
</tr>
<tr>
<td>Corporates</td>
<td>3,497,139</td>
<td>3,497,139</td>
<td>3,210,729</td>
<td>3,210,729</td>
<td>256,858</td>
</tr>
<tr>
<td>Regulatory Retail</td>
<td>883,177</td>
<td>883,177</td>
<td>662,345</td>
<td>662,345</td>
<td>52,988</td>
</tr>
<tr>
<td>Residential Mortgages</td>
<td>68,365</td>
<td>68,365</td>
<td>28,381</td>
<td>28,381</td>
<td>2,270</td>
</tr>
<tr>
<td>Higher Risk Assets</td>
<td>261,827</td>
<td>261,827</td>
<td>392,740</td>
<td>392,740</td>
<td>31,419</td>
</tr>
<tr>
<td>Other Assets</td>
<td>557,205</td>
<td>557,205</td>
<td>383,738</td>
<td>383,738</td>
<td>30,699</td>
</tr>
<tr>
<td>Defaulted Exposures**</td>
<td>997,833</td>
<td>997,833</td>
<td>1,358,939</td>
<td>1,358,939</td>
<td>108,715</td>
</tr>
<tr>
<td></td>
<td>9,896,091</td>
<td>9,896,091</td>
<td>6,820,127</td>
<td>6,820,127</td>
<td>545,609</td>
</tr>
<tr>
<td>(b) Off-Balance Sheet Exposures*</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>OTC Hedging Financial Instruments**</td>
<td>79,818</td>
<td>79,818</td>
<td>53,184</td>
<td>53,184</td>
<td>4,255</td>
</tr>
<tr>
<td>Off-balance sheet exposures other than OTC hedging financial instruments**</td>
<td>1,175,981</td>
<td>1,175,981</td>
<td>964,039</td>
<td>964,039</td>
<td>77,123</td>
</tr>
<tr>
<td>Defaulted Exposures**</td>
<td>5,839</td>
<td>5,839</td>
<td>8,009</td>
<td>8,009</td>
<td>641</td>
</tr>
<tr>
<td></td>
<td>1,261,638</td>
<td>1,261,638</td>
<td>1,025,232</td>
<td>1,025,232</td>
<td>82,019</td>
</tr>
<tr>
<td>Total On and Off-Balance Sheet Exposures</td>
<td>11,157,729</td>
<td>11,157,729</td>
<td>7,845,359</td>
<td>7,845,359</td>
<td>627,628</td>
</tr>
</tbody>
</table>
### 43. CAPITAL ADEQUACY (Cont'd)

The breakdown of risk-weighted assets ("RWA") by exposures in each major risk category for the previous financial year are as follows (Cont'd):

<table>
<thead>
<tr>
<th>Group</th>
<th>Gross Exposures RM’000</th>
<th>Net Exposures ** RM’000</th>
<th>Risk-Weighted Assets RM’000</th>
<th>Total Risk-Weighted Assets After Effects of PSIA RM’000</th>
<th>Capital Requirement RM’000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>31.12.2011 (Cont’d.)</strong></td>
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</tr>
<tr>
<td>(ii) Large Exposures Risk Requirement</td>
<td></td>
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</tr>
<tr>
<td></td>
<td>Long Position</td>
<td>Short Position</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>24,898</td>
<td>24,898</td>
<td>11,948</td>
<td>11,948</td>
<td>956</td>
</tr>
<tr>
<td>(iii) Market Risk</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Benchmark Rate Risk</td>
<td>679,480</td>
<td>(645,623)</td>
<td>33,857</td>
<td>20,812</td>
<td>1,665</td>
</tr>
<tr>
<td>Foreign Currency Risk&lt;sup&gt;5&lt;/sup&gt;</td>
<td>78,952</td>
<td>(27,198)</td>
<td>51,754</td>
<td>81,926</td>
<td>6,554</td>
</tr>
<tr>
<td>Inventory Risk</td>
<td>32</td>
<td>-</td>
<td>32</td>
<td>61</td>
<td>5</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(iv) Operational Risk</td>
<td></td>
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<tr>
<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>(v) Total RWA and Capital Requirements</td>
<td></td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td></td>
<td></td>
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</tr>
</tbody>
</table>

Note:

* Credit equivalent of off-balance sheet items

** After netting and credit risk mitigation

1. Higher risk assets are defined in section C.2.10 of CAFIB guidelines issued by Bank Negara Malaysia which comprised of Musyarakah, Musyarakaq Mu'tanaqisah and Mudharabah contracts.

2. Defaulted exposures are defined as the Islamic bank considers that an obligor is "unlikely to repay" in full its credit obligations; and the obligor has breached its contractual repayment schedule and is past due for more than 90 days. For events under "unlikeliness to repay", please refer to Appendix 3 paragraph 2 of CAFIB guidelines issued by Bank Negara Malaysia.

3. Comprising Ijarah Rental Swaps, Cross Currency Ijarah Rental Swaps and Promissory Foreign Exchange Contracts.


5. Representing the sum of all individual non-Ringgit Net Open Positions. Computation is as per section D.8.2 paragraph 224 of CAFIB guidelines issued by Bank Negara Malaysia.
The breakdown of risk-weighted assets (“RWA”) by exposures in each major risk category for the previous financial year are as follows (Cont’d):

<table>
<thead>
<tr>
<th>Group</th>
<th>Gross Exposures</th>
<th>Net Exposures **</th>
<th>Risk-Weighted Assets</th>
<th>Total Risk-Weighted Assets After Effects of PSIA</th>
<th>Capital Requirement</th>
</tr>
</thead>
<tbody>
<tr>
<td>01.01.2011</td>
<td>RM'000</td>
<td>RM'000</td>
<td>RM'000</td>
<td>RM'000</td>
<td>RM'000</td>
</tr>
<tr>
<td>(I) Credit Risk</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(a) On-Balance Sheet Exposures</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sovereigns/Central Banks</td>
<td>2,195,026</td>
<td>2,195,026</td>
<td>2,649</td>
<td>2,649</td>
<td>212</td>
</tr>
<tr>
<td>Public Sector Entities</td>
<td>91,076</td>
<td>91,076</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Banks, Development Financial Institutions &amp; MDBs</td>
<td>1,314,937</td>
<td>1,314,937</td>
<td>358,543</td>
<td>358,543</td>
<td>28,683</td>
</tr>
<tr>
<td>Corporates</td>
<td>4,637,334</td>
<td>4,637,334</td>
<td>4,071,912</td>
<td>4,071,912</td>
<td>325,753</td>
</tr>
<tr>
<td>Higher Risk Assets¹</td>
<td>142,035</td>
<td>142,035</td>
<td>210,386</td>
<td>210,386</td>
<td>16,831</td>
</tr>
<tr>
<td>Equity Exposure</td>
<td>86,307</td>
<td>86,307</td>
<td>86,307</td>
<td>86,307</td>
<td>6,905</td>
</tr>
<tr>
<td>Other Assets</td>
<td>459,734</td>
<td>459,734</td>
<td>415,714</td>
<td>415,714</td>
<td>33,257</td>
</tr>
<tr>
<td>Defaulted Exposures²</td>
<td>1,786,739</td>
<td>1,786,739</td>
<td>2,569,833</td>
<td>2,569,833</td>
<td>205,587</td>
</tr>
<tr>
<td></td>
<td>10,713,188</td>
<td>10,713,188</td>
<td>7,715,344</td>
<td>7,715,344</td>
<td>617,228</td>
</tr>
<tr>
<td>(b) Off-Balance Sheet Exposures*</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>OTC Hedging Financial Instruments³</td>
<td>133,199</td>
<td>133,199</td>
<td>77,337</td>
<td>77,337</td>
<td>6,187</td>
</tr>
<tr>
<td>Off-balance sheet exposures other than OTC</td>
<td>1,258,345</td>
<td>1,258,345</td>
<td>1,044,478</td>
<td>1,044,478</td>
<td>83,558</td>
</tr>
<tr>
<td>hedging financial instruments⁴</td>
<td>49,637</td>
<td>49,637</td>
<td>74,456</td>
<td>74,456</td>
<td>5,956</td>
</tr>
<tr>
<td>Defaulted Exposures²</td>
<td>1,441,181</td>
<td>1,441,181</td>
<td>1,196,271</td>
<td>1,196,271</td>
<td>95,701</td>
</tr>
<tr>
<td></td>
<td>12,154,369</td>
<td>12,154,369</td>
<td>8,911,615</td>
<td>8,911,615</td>
<td>712,929</td>
</tr>
</tbody>
</table>

¹ Includes higher/real estate securities, sovereign guarantees, and corporate guarantees.
² Includes defaulted sovereigns/Central Banks, public sector entities, and corporates.
³ Includes interest rate swaps and foreign exchange contracts.
⁴ Includes other financial instruments, such as commodity swaps and credit default swaps.

** Net Exposures are calculated as Gross Exposures minus the allowance for expected losses.
43. CAPITAL ADEQUACY (Cont’d)

(d) The breakdown of risk-weighted assets ("RWA") by exposures in each major risk category for the previous financial year are as follows (Cont’d):

<table>
<thead>
<tr>
<th>Group</th>
<th>Gross Exposures</th>
<th>Net Exposures **</th>
<th>Risk-Weighted Assets</th>
<th>Total Risk-Weighted Assets After Effects of PSIA</th>
<th>Capital Requirement</th>
</tr>
</thead>
<tbody>
<tr>
<td>01.01.2011 (Cont’d.)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(ii) Large Exposures Risk Requirement</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Long Position</td>
<td>24,898</td>
<td>24,898</td>
<td>11,948</td>
<td>11,948</td>
<td>956</td>
</tr>
<tr>
<td>Short Position</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(iii) Market Risk</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Benchmark Rate Risk</td>
<td>839,394</td>
<td>(724,140)</td>
<td>115,254</td>
<td>31,350</td>
<td>31,350</td>
</tr>
<tr>
<td>Foreign Currency Risk</td>
<td>149,190</td>
<td>(22,733)</td>
<td>125,457</td>
<td>149,570</td>
<td>149,570</td>
</tr>
<tr>
<td>Inventory Risk</td>
<td>32</td>
<td>-</td>
<td>32</td>
<td>61</td>
<td>61</td>
</tr>
<tr>
<td>Total</td>
<td>240,743</td>
<td>180,981</td>
<td>180,981</td>
<td>14,479</td>
<td></td>
</tr>
<tr>
<td>(iv) Operational Risk</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total RWA and Capital Requirements</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>9,682,057</td>
<td>9,682,057</td>
<td>774,565</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Note:
* Credit equivalent of off-balance sheet items
** After netting and credit risk mitigation
1 Higher risk assets are defined in section C.2.10 of CAFIB guidelines issued by Bank Negara Malaysia which comprised of Musyarakah, Musyarakah Mutanaqisah and Mudharabah contracts.
2 Defaulted exposures are defined as the Islamic bank considers that an obligor is “unlikely to repay” in full its credit obligations; and the obligor has breached its contractual repayment schedule and is past due for more than 90 days. For events under “unlikelihood to repay”, please refer to Appendix 3 paragraph 2 of CAFIB guidelines issued by Bank Negara Malaysia.
3 Comprising Ijarah Rental Swaps, Cross Currency Ijarah Rental Swaps and Promissory Foreign Exchange Contracts.
4 Comprising of trade finance facilities, underwriting and undrawn balances.
5 Representing the sum of all individual non-Ringgit Net Open Positions. Computation is as per section D.8.2 paragraph 224 of CAFIB guidelines issued by Bank Negara Malaysia.
43 CAPITAL ADEQUACY (Cont’d.)

(d) The breakdown of risk-weighted assets (“RWA”) by exposures in each major risk category for the current financial year are as follows:

<table>
<thead>
<tr>
<th>Bank</th>
<th>Gross Exposures</th>
<th>Net Exposures **</th>
<th>Risk-Weighted Assets</th>
<th>Total Risk-Weighted Assets After Effects of PSIA</th>
<th>Capital Requirement</th>
</tr>
</thead>
<tbody>
<tr>
<td>31.12.2012</td>
<td>RM’000</td>
<td>RM’000</td>
<td>RM’000</td>
<td>RM’000</td>
<td>RM’000</td>
</tr>
<tr>
<td>(i) Credit Risk</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(a) On-Balance Sheet Exposures</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sovereigns/Central Banks</td>
<td>1,251,837</td>
<td>1,251,837</td>
<td>1,265</td>
<td>1,265</td>
<td>101</td>
</tr>
<tr>
<td>Banks, Development Financial Institutions &amp; MDBs</td>
<td>1,108,585</td>
<td>1,108,585</td>
<td>318,808</td>
<td>318,808</td>
<td>25,505</td>
</tr>
<tr>
<td>Corporates</td>
<td>2,327,727</td>
<td>2,327,727</td>
<td>2,134,359</td>
<td>2,134,359</td>
<td>170,749</td>
</tr>
<tr>
<td>Regulatory Retail</td>
<td>1,553,065</td>
<td>1,553,065</td>
<td>1,164,798</td>
<td>1,164,798</td>
<td>93,184</td>
</tr>
<tr>
<td>Residential Mortgages</td>
<td>161,339</td>
<td>161,339</td>
<td>58,904</td>
<td>58,904</td>
<td>4,712</td>
</tr>
<tr>
<td>Higher Risk Assets</td>
<td>346,113</td>
<td>346,113</td>
<td>519,169</td>
<td>519,169</td>
<td>41,533</td>
</tr>
<tr>
<td>Other Assets</td>
<td>565,391</td>
<td>565,391</td>
<td>369,920</td>
<td>369,920</td>
<td>29,593</td>
</tr>
<tr>
<td>Defaulted Exposures</td>
<td>1,376,897</td>
<td>1,376,897</td>
<td>1,865,033</td>
<td>1,865,033</td>
<td>149,203</td>
</tr>
<tr>
<td></td>
<td>8,690,954</td>
<td>8,690,954</td>
<td>6,432,256</td>
<td>6,432,256</td>
<td>514,580</td>
</tr>
<tr>
<td>(b) Off-Balance Sheet Exposures*</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Off-balance sheet exposures other than OTC hedging financial instruments</td>
<td>1,024,702</td>
<td>1,024,702</td>
<td>836,960</td>
<td>836,960</td>
<td>66,957</td>
</tr>
<tr>
<td></td>
<td>1,059,918</td>
<td>1,059,918</td>
<td>866,609</td>
<td>866,609</td>
<td>69,329</td>
</tr>
<tr>
<td>Total On and Off-Balance Sheet Exposures</td>
<td>9,750,872</td>
<td>9,750,872</td>
<td>7,298,865</td>
<td>7,298,865</td>
<td>583,909</td>
</tr>
</tbody>
</table>
The breakdown of risk-weighted assets ("RWA") by exposures in each major risk category for the current financial year are as follows:

<table>
<thead>
<tr>
<th>Bank</th>
<th>Gross Exposures</th>
<th>Net Exposures **</th>
<th>Risk-Weighted Assets</th>
<th>Total Risk-Weighted Assets After Effects of PSIA</th>
<th>Capital Requirement</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>RM’000</td>
<td>RM’000</td>
<td>RM’000</td>
<td>RM’000</td>
<td>RM’000</td>
</tr>
<tr>
<td>31.12.2012 (Cont’d.)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(ii) Large Exposures Risk Requirement</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Long Position</td>
<td>Short Position</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>30,898</td>
<td>30,898</td>
<td>14,790</td>
<td>14,790</td>
<td>1,183</td>
</tr>
<tr>
<td>(iii) Market Risk</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Benchmark Rate Risk</td>
<td>378,189</td>
<td>294,988</td>
<td>83,201</td>
<td>65,391</td>
<td>5,231</td>
</tr>
<tr>
<td>Foreign Currency Risk</td>
<td>71,059</td>
<td>70,907</td>
<td>152</td>
<td>71,264</td>
<td>5,701</td>
</tr>
<tr>
<td>Inventory Risk</td>
<td>32</td>
<td>-</td>
<td>61</td>
<td>61</td>
<td>5</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>83,385</td>
<td>136,716</td>
<td>136,716</td>
<td>136,716</td>
<td>10,937</td>
</tr>
<tr>
<td>(iv) Operational Risk</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(v)  Total RWA and Capital Requirements</td>
<td></td>
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<td></td>
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<td></td>
<td></td>
</tr>
</tbody>
</table>

Note:
* Credit equivalent of off-balance sheet items
** After netting and credit risk mitigation
1 Higher risk assets are defined in section C.2.10 of CAFIB guidelines issued by Bank Negara Malaysia which comprised of Musyarakah, Musyarakah Mutanaqisah and Mudharabah contracts.
2 Defaulted exposures are defined as the Islamic bank considers that an obligor is "unlikely to repay" in full its credit obligations; and the obligor has breached its contractual repayment schedule and is past due for more than 90 days. For events under "unlikeliness to repay", please refer to Appendix 3 paragraph 2 of CAFIB guidelines issued by Bank Negara Malaysia.
3 Comprising Ijarah Rental Swaps, Cross Currency Ijarah Rental Swaps and Promissory Foreign Exchange Contracts.
4 Comprising of trade finance facilities, underwriting and undrawn balances.
5 Representing the sum of all individual non-Ringgit Net Open Positions. Computation is as per section D.8.2 paragraph 224 of CAFIB guidelines issued by Bank Negara Malaysia.
(d) The breakdown of risk-weighted assets ("RWA") by exposures in each major risk category for the previous financial year are as follows:

<table>
<thead>
<tr>
<th>Bank</th>
<th>Gross Exposures</th>
<th>Net Exposures **</th>
<th>Risk-Weighted Assets</th>
<th>Total Risk-Weighted Assets After Effects of PSIA</th>
<th>Capital Requirement</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>RM'000</td>
<td>RM'000</td>
<td>RM'000</td>
<td>RM'000</td>
<td>RM'000</td>
</tr>
<tr>
<td>31.12.2011</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(i) Credit Risk</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(a) On-Balance Sheet Exposures</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sovereigns/Central Banks</td>
<td>1,322,037</td>
<td>1,322,037</td>
<td>17,900</td>
<td>17,900</td>
<td>1,432</td>
</tr>
<tr>
<td>Public Sector Entities</td>
<td>110,204</td>
<td>110,204</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Banks, Development Financial Institutions &amp; MDBs</td>
<td>2,253,081</td>
<td>2,253,081</td>
<td>778,815</td>
<td>778,815</td>
<td>62,305</td>
</tr>
<tr>
<td>Corporates</td>
<td>3,498,726</td>
<td>3,498,726</td>
<td>3,212,316</td>
<td>3,212,316</td>
<td>256,985</td>
</tr>
<tr>
<td>Regulatory Retail</td>
<td>883,177</td>
<td>883,177</td>
<td>662,345</td>
<td>662,345</td>
<td>52,988</td>
</tr>
<tr>
<td>Residential Mortgages</td>
<td>68,365</td>
<td>68,365</td>
<td>28,381</td>
<td>28,381</td>
<td>2,270</td>
</tr>
<tr>
<td>Higher Risk Assets</td>
<td>261,795</td>
<td>261,795</td>
<td>392,692</td>
<td>392,692</td>
<td>31,416</td>
</tr>
<tr>
<td>Other Assets</td>
<td>480,031</td>
<td>480,031</td>
<td>306,564</td>
<td>306,564</td>
<td>24,525</td>
</tr>
<tr>
<td>Defaulted Exposures</td>
<td>997,832</td>
<td>997,832</td>
<td>1,358,939</td>
<td>1,358,939</td>
<td>108,715</td>
</tr>
<tr>
<td>(b) Off-Balance Sheet Exposures*</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>OTC Hedging Financial Instruments</td>
<td>79,818</td>
<td>79,818</td>
<td>53,184</td>
<td>53,184</td>
<td>4,255</td>
</tr>
<tr>
<td>Off-balance sheet exposures other than OTC hedging financial instruments</td>
<td>1,175,981</td>
<td>1,175,981</td>
<td>964,039</td>
<td>964,039</td>
<td>77,123</td>
</tr>
<tr>
<td>Defaulted Exposures</td>
<td>5,839</td>
<td>5,839</td>
<td>8,009</td>
<td>8,009</td>
<td>641</td>
</tr>
<tr>
<td>Total On and Off-Balance Sheet Exposures</td>
<td>11,136,886</td>
<td>11,136,886</td>
<td>7,783,184</td>
<td>7,783,184</td>
<td>622,655</td>
</tr>
</tbody>
</table>
43. CAPITAL ADEQUACY (Cont'd.)

(d) The breakdown of risk-weighted assets ("RWA") by exposures in each major risk category for the previous financial year are as follows: (Cont'd.)

<table>
<thead>
<tr>
<th>Bank</th>
<th>Gross Exposures</th>
<th>Net Exposures **</th>
<th>Risk-Weighted Assets</th>
<th>Total Risk-Weighted Assets After Effects of PSIA</th>
<th>Capital Requirement</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>RM'000</td>
<td>RM'000</td>
<td>RM'000</td>
<td>RM'000</td>
<td>RM'000</td>
</tr>
<tr>
<td>31.12.2011 (Cont'd.)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(ii) Large Exposures Risk Requirement</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Long Position</td>
<td>Short Position</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>RM'000</td>
<td>RM'000</td>
<td>RM'000</td>
<td>RM'000</td>
<td>RM'000</td>
</tr>
<tr>
<td>(iii) Market Risk</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Benchmark Rate Risk</td>
<td>673,041</td>
<td>(645,623)</td>
<td>27,418</td>
<td>20,812</td>
<td>20,812</td>
</tr>
<tr>
<td>Foreign Currency Risk</td>
<td>76,952</td>
<td>(27,198)</td>
<td>51,754</td>
<td>81,926</td>
<td>81,926</td>
</tr>
<tr>
<td>Inventory Risk</td>
<td>32</td>
<td>-</td>
<td>32</td>
<td>61</td>
<td>61</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>79,204</td>
<td>102,799</td>
<td>102,799</td>
<td>8,224</td>
<td></td>
</tr>
<tr>
<td>(iv) Operational Risk</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(v) Total RWA and Capital Requirements</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>8,385,454</td>
<td>8,385,454</td>
<td>670,837</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Note:
* Credit equivalent of off-balance sheet items
** After netting and credit risk mitigation
1 Higher risk assets are defined in section C.2.10 of CAFIB guidelines issued by Bank Negara Malaysia which comprised of Musyarakah, Musyarakah Mutanaqisah and Mudharabah contracts.
2 Defaulted exposures are defined as the Islamic bank considers that an obligor is "unlikely to repay" in full its credit obligations; and the obligor has breached its contractual repayment schedule and is past due for more than 90 days. For events under "unlikeliness to repay", please refer to Appendix 3 paragraph 2 of CAFIB guidelines issued by Bank Negara
3 Comprising Ijarah Rental Swaps, Cross Currency Ijarah Rental Swaps and Promissory Foreign Exchange Contracts.
4 Comprising of trade finance facilities, underwriting and undrawn balances.
5 Representing the sum of all individual non-Ringgit Net Open Positions. Computation is as per section D.8.2 paragraph 224 of CAFIB guidelines issued by Bank Negara Malaysia.
The breakdown of risk-weighted assets ("RWA") by exposures in each major risk category for the previous financial year are as follows:

<table>
<thead>
<tr>
<th>Bank</th>
<th>Gross Exposures</th>
<th>Net Exposures</th>
<th>Risk-Weighted Assets</th>
<th>Total Risk-Weighted Assets After Effects of PSIA</th>
<th>Capital Requirement</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>RM'000</td>
<td>RM'000</td>
<td>RM'000</td>
<td>RM'000</td>
<td>RM'000</td>
</tr>
<tr>
<td><strong>01.01.2011</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(i) <strong>Credit Risk</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(a) <strong>On-Balance Sheet Exposures</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sovereigns/Central Banks</td>
<td>2,181,781</td>
<td>2,181,781</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Public Sector Entities</td>
<td>91,076</td>
<td>91,076</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Banks, Development Financial Institutions &amp; MDBs</td>
<td>1,379,659</td>
<td>1,379,659</td>
<td>373,926</td>
<td>373,926</td>
<td>29,914</td>
</tr>
<tr>
<td>Corporates</td>
<td>4,637,334</td>
<td>4,637,334</td>
<td>4,071,912</td>
<td>4,071,912</td>
<td>325,753</td>
</tr>
<tr>
<td>Higher Risk Assets</td>
<td>141,920</td>
<td>141,920</td>
<td>210,214</td>
<td>210,214</td>
<td>16,817</td>
</tr>
<tr>
<td>Other Assets</td>
<td>439,237</td>
<td>439,237</td>
<td>395,219</td>
<td>395,219</td>
<td>31,617</td>
</tr>
<tr>
<td>Defaulted Exposures</td>
<td>1,786,739</td>
<td>1,786,739</td>
<td>2,569,833</td>
<td>2,569,833</td>
<td>205,587</td>
</tr>
<tr>
<td><strong>Total On and Off-Balance Sheet Exposures</strong></td>
<td>10,657,746</td>
<td>10,657,746</td>
<td>7,621,104</td>
<td>7,621,104</td>
<td>609,688</td>
</tr>
<tr>
<td>(b) <strong>Off-Balance Sheet Exposures</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>OTC Hedging Financial Instruments</td>
<td>133,199</td>
<td>133,199</td>
<td>77,337</td>
<td>77,337</td>
<td>6,187</td>
</tr>
<tr>
<td>Off-balance sheet exposures other than OTC hedging financial instruments</td>
<td>1,258,345</td>
<td>1,258,345</td>
<td>1,044,478</td>
<td>1,044,478</td>
<td>83,558</td>
</tr>
<tr>
<td>Defaulted Exposures</td>
<td>49,637</td>
<td>49,637</td>
<td>74,456</td>
<td>74,456</td>
<td>5,956</td>
</tr>
<tr>
<td><strong>Total On and Off-Balance Sheet Exposures</strong></td>
<td>1,441,181</td>
<td>1,441,181</td>
<td>1,196,271</td>
<td>1,196,271</td>
<td>95,701</td>
</tr>
<tr>
<td><strong>Total On and Off-Balance Sheet Exposures</strong></td>
<td>12,098,927</td>
<td>12,098,927</td>
<td>8,817,375</td>
<td>8,817,375</td>
<td>705,389</td>
</tr>
</tbody>
</table>
43. CAPITAL ADEQUACY (Cont’d.)

The breakdown of risk-weighted assets ("RWA") by exposures in each major risk category for the previous financial year are as follows:

<table>
<thead>
<tr>
<th>Bank</th>
<th>Gross Exposures</th>
<th>Net Exposures **</th>
<th>Risk-Weighted Assets</th>
<th>Total Risk-Weighted Assets After Effects of PISA</th>
<th>Capital Requirement</th>
</tr>
</thead>
<tbody>
<tr>
<td>01.01.2011 (Cont’d.)</td>
<td>RM’000</td>
<td>RM’000</td>
<td>RM’000</td>
<td>RM’000</td>
<td>RM’000</td>
</tr>
<tr>
<td>(ii) Large Exposures Risk Requirement</td>
<td>24,898</td>
<td>24,898</td>
<td>11,948</td>
<td>11,948</td>
<td>956</td>
</tr>
<tr>
<td>(iii) Market Risk</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Benchmark Rate Risk</td>
<td>839,394</td>
<td>(724,140)</td>
<td>115,254</td>
<td>31,350</td>
<td>2,508</td>
</tr>
<tr>
<td>Foreign Currency Risk</td>
<td>148,190</td>
<td>(22,733)</td>
<td>125,457</td>
<td>149,570</td>
<td>11,966</td>
</tr>
<tr>
<td>Inventory Risk</td>
<td>32</td>
<td>-</td>
<td>61</td>
<td>61</td>
<td>5</td>
</tr>
<tr>
<td></td>
<td>240,743</td>
<td>180,981</td>
<td>180,981</td>
<td>14,479</td>
<td></td>
</tr>
<tr>
<td>(iv) Operational Risk</td>
<td>551,074</td>
<td>551,074</td>
<td>44,086</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(v) Total RWA and Capital Requirements</td>
<td>9,561,378</td>
<td>9,561,378</td>
<td>764,910</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Note:
* Credit equivalent of off-balance sheet items
** After netting and credit risk mitigation
1 Higher risk assets are defined in section C.2.10 of CAFIB guidelines issued by Bank Negara Malaysia which comprised of Musyarakah, Musyarakah Mutanaqisah and Mudharabah contracts.
2 Defaulted exposures are defined as the Islamic bank considers that an obligor is “unlikely to repay” in full its credit obligations; and the obligor has breached its contractual repayment schedule and is past due for more than 90 days. For events under "unlikeliness to repay", please refer to Appendix 3 paragraph 2 of CAFIB guidelines issued by Bank Negara
3 Comprising Ijarah Rental Swaps, Cross Currency Ijarah Rental Swaps and Promissory Foreign Exchange Contracts.
4 Comprising of trade finance facilities, underwriting and undrawn balances.
5 Representing the sum of all individual non-Ringgit Net Open Positions. Computation is as per section D.8.2 paragraph 224 of CAFIB guidelines issued by Bank Negara Malaysia.
The breakdown of credit risk disclosure by risk-weights (including deducted exposures) for the current financial year, are as follows:

<table>
<thead>
<tr>
<th>风险权重</th>
<th>贡献者</th>
<th>公共部门金融机构</th>
<th>银行、MDBs和DFIs</th>
<th>企业</th>
<th>监管零售</th>
<th>居住抵押贷款</th>
<th>高风险资产</th>
<th>其他资产</th>
<th>总风险加权资产</th>
</tr>
</thead>
<tbody>
<tr>
<td>0%</td>
<td>1,257,509</td>
<td>-</td>
<td>52,903</td>
<td>134,208</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>195,470</td>
<td>1,640,090</td>
</tr>
<tr>
<td>20%</td>
<td>7,366</td>
<td>-</td>
<td>786,054</td>
<td>95,175</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>888,595</td>
<td>177,719</td>
</tr>
<tr>
<td>35%</td>
<td>-</td>
<td>-</td>
<td>376,597</td>
<td>560,746</td>
<td>-</td>
<td>16</td>
<td>17,034</td>
<td>150,101</td>
<td>50,785</td>
</tr>
<tr>
<td>50%</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>504,933</td>
</tr>
<tr>
<td>75%</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1,174,220</td>
</tr>
<tr>
<td>100%</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>2,362,148</td>
</tr>
<tr>
<td>150%</td>
<td>-</td>
<td>-</td>
<td>5,254</td>
<td>1,041,240</td>
<td>1,494</td>
<td>-</td>
<td>-</td>
<td>526,777</td>
<td>9,907,572</td>
</tr>
</tbody>
</table>

总风险加权资产 = 1,264,875 - 1,220,808 - 4,535,373 - 1,567,556 - 168,165 - 526,777 - 624,018 - 9,907,572 = 3,139,001
43. CAPITAL ADEQUACY (Cont'd.)

(e) The breakdown of credit risk disclosure by risk-weights (including deducted exposures) for the current financial year, are as follows: (Cont'd.)

<table>
<thead>
<tr>
<th>Bank Risk-Weights</th>
<th>Sovereigns &amp; Central Banks</th>
<th>Public Sector Entities</th>
<th>Banks, MDBs and DFIs</th>
<th>Corporate</th>
<th>Regulatory Retail</th>
<th>Residential Mortgages</th>
<th>Higher Risk Assets</th>
<th>Other Assets</th>
<th>Exposures after Netting and Credit Risk Mitigation Total</th>
<th>Total Exposures after Netting and Credit Risk Mitigation Total Risk-Weighted Assets</th>
</tr>
</thead>
<tbody>
<tr>
<td>31.12.2012 (Cont'd.)</td>
<td>RM'000</td>
<td>RM'000</td>
<td>RM'000</td>
<td>RM'000</td>
<td>RM'000</td>
<td>RM'000</td>
<td>RM'000</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>0%</td>
<td>1,245,515</td>
<td>-</td>
<td>40,339</td>
<td>134,208</td>
<td>-</td>
<td>-</td>
<td>195,470</td>
<td>1,615,532</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>20%</td>
<td>6,323</td>
<td>-</td>
<td>724,676</td>
<td>95,175</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>826,174</td>
<td>165,235</td>
<td></td>
</tr>
<tr>
<td>35%</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>145,101</td>
<td>-</td>
<td>145,101</td>
<td>50,785</td>
<td></td>
</tr>
<tr>
<td>50%</td>
<td>-</td>
<td>-</td>
<td>376,597</td>
<td>560,746</td>
<td>16</td>
<td>17,034</td>
<td>-</td>
<td>-</td>
<td>954,393</td>
<td>477,197</td>
</tr>
<tr>
<td>75%</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1,565,627</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1,565,627</td>
<td>1,174,220</td>
<td></td>
</tr>
<tr>
<td>100%</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>2,692,910</td>
<td>419</td>
<td>6,030</td>
<td>-</td>
<td>369,921</td>
<td>3,069,280</td>
<td>3,069,280</td>
</tr>
<tr>
<td>150%</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>5,254</td>
<td>1,041,240</td>
<td>1,494</td>
<td>-</td>
<td>526,777</td>
<td>1,574,765</td>
<td>2,362,148</td>
</tr>
</tbody>
</table>

**1,251,838** | **1,146,866** | **4,524,279** | **1,567,556** | **168,165** | **526,777** | **565,391** | **9,750,872** | **7,298,865**
31.12.2011

<table>
<thead>
<tr>
<th>Sovereigns &amp; Central Banks</th>
<th>Public Sector Entities</th>
<th>Banks, MDBs and DFIs</th>
<th>Corporate</th>
<th>Regulatory Retail</th>
<th>Residential Mortgages</th>
<th>Higher Risk Assets</th>
<th>Other Assets</th>
<th>Total Exposures after Netting and Credit Risk Mitigation</th>
<th>Total Risk-Weighted Assets</th>
</tr>
</thead>
<tbody>
<tr>
<td>0%</td>
<td>1,232,542</td>
<td>110,204</td>
<td>58,067</td>
<td>203,755</td>
<td>50</td>
<td>-</td>
<td>-</td>
<td>173,467</td>
<td>1,778,085</td>
</tr>
<tr>
<td>20%</td>
<td>102,757</td>
<td>2,574</td>
<td>1,021,571</td>
<td>112,231</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1,239,133</td>
</tr>
<tr>
<td>35%</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>38,678</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>38,678</td>
</tr>
<tr>
<td>50%</td>
<td>-</td>
<td>-</td>
<td>1,171,717</td>
<td>590,760</td>
<td>1</td>
<td>29,687</td>
<td>-</td>
<td>-</td>
<td>1,792,165</td>
</tr>
<tr>
<td>75%</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>886,576</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>886,576</td>
</tr>
<tr>
<td>100%</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>3,839,577</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>383,738</td>
<td>4,223,315</td>
</tr>
<tr>
<td>150%</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>738,010</td>
<td>164</td>
<td>-</td>
<td>461,603</td>
<td>-</td>
<td>1,199,777</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1,335,299</strong></td>
<td><strong>112,778</strong></td>
<td><strong>2,251,355</strong></td>
<td><strong>5,484,333</strong></td>
<td><strong>886,791</strong></td>
<td><strong>68,365</strong></td>
<td><strong>461,603</strong></td>
<td><strong>557,205</strong></td>
<td><strong>11,157,729</strong></td>
</tr>
</tbody>
</table>

The breakdown of credit risk disclosure by risk-weights (including deducted exposures) for the previous financial year, are as follows:
43. CAPITAL ADEQUACY (Cont'd.)

(e) The breakdown of credit risk disclosure by risk-weights (including deducted exposures) for the previous financial year, are as follows:

<table>
<thead>
<tr>
<th>Bank Risk-Weights</th>
<th>31.12.2011 (Cont'd.)</th>
<th>Exposures after Netting and Credit Risk Mitigation</th>
<th>Total Exposures after Netting and Credit Risk Mitigation</th>
<th>Total Risk-Weighted Assets</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Sovereigns &amp; Central Banks</td>
<td>Public Sector Entities</td>
<td>Banks, MDBs and DFIs</td>
<td>Corporate</td>
</tr>
<tr>
<td>0%</td>
<td>1,232,542</td>
<td>110,204</td>
<td>45,541</td>
<td>203,755</td>
</tr>
<tr>
<td>20%</td>
<td>89,495</td>
<td>2,574</td>
<td>1,102,135</td>
<td>112,231</td>
</tr>
<tr>
<td>35%</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>50%</td>
<td>-</td>
<td>-</td>
<td>1,171,717</td>
<td>590,760</td>
</tr>
<tr>
<td>75%</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>886,576</td>
</tr>
<tr>
<td>100%</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>3,841,164</td>
</tr>
<tr>
<td>150%</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>738,010</td>
</tr>
<tr>
<td></td>
<td><strong>1,322,037</strong></td>
<td><strong>112,778</strong></td>
<td><strong>2,319,393</strong></td>
<td><strong>5,485,920</strong></td>
</tr>
</tbody>
</table>

The breakdown of credit risk disclosure by risk-weights (including deducted exposures) for the previous financial year, are as follows:
The breakdown of credit risk disclosure by risk-weights (including deducted exposures) for the previous financial year, are as follows:

<table>
<thead>
<tr>
<th>Date</th>
<th>Sovereigns &amp; Central Banks</th>
<th>Public Sector Entities</th>
<th>Banks, MDBs and DFIs</th>
<th>Corporate</th>
<th>Higher Risk Assets</th>
<th>Other Assets</th>
<th>Equity</th>
<th>Total Exposures after Netting and Credit Risk Mitigation</th>
<th>Total Risk-Weighted Assets</th>
</tr>
</thead>
<tbody>
<tr>
<td>01.01.2011</td>
<td>RM’000</td>
<td>RM’000</td>
<td>RM’000</td>
<td>RM’000</td>
<td>RM’000</td>
<td>RM’000</td>
<td>RM’000</td>
<td>RM’000</td>
<td>RM’000</td>
</tr>
<tr>
<td>Group</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Risk-Weights</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>0%</td>
<td>2,181,781</td>
<td>91,076</td>
<td>55,648</td>
<td>438,627</td>
<td>1,778</td>
<td>44,020</td>
<td>-</td>
<td>2,812,930</td>
<td>-</td>
</tr>
<tr>
<td>20%</td>
<td>13,245</td>
<td>4,628</td>
<td>932,713</td>
<td>129,068</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1,079,654</td>
<td>215,931</td>
</tr>
<tr>
<td>50%</td>
<td>-</td>
<td>-</td>
<td>454,079</td>
<td>627,264</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1,081,343</td>
<td>540,672</td>
</tr>
<tr>
<td>100%</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>4,729,281</td>
<td>-</td>
<td>86,307</td>
<td>-</td>
<td>5,231,302</td>
<td>5,231,302</td>
</tr>
<tr>
<td>150%</td>
<td>-</td>
<td>-</td>
<td>68,636</td>
<td>1,306,816</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1,949,140</td>
<td>2,923,710</td>
</tr>
<tr>
<td></td>
<td>2,195,026</td>
<td>95,704</td>
<td>1,511,076</td>
<td>7,231,056</td>
<td>575,466</td>
<td>459,734</td>
<td>86,307</td>
<td>12,154,369</td>
<td>8,911,615</td>
</tr>
<tr>
<td>Bank</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Risk-Weights</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>0%</td>
<td>2,181,781</td>
<td>91,076</td>
<td>43,453</td>
<td>438,627</td>
<td>1,778</td>
<td>44,018</td>
<td>-</td>
<td>2,800,733</td>
<td>-</td>
</tr>
<tr>
<td>20%</td>
<td>-</td>
<td>4,628</td>
<td>1,009,630</td>
<td>129,068</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1,143,326</td>
<td>228,665</td>
</tr>
<tr>
<td>50%</td>
<td>-</td>
<td>-</td>
<td>454,079</td>
<td>627,264</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1,081,343</td>
<td>540,672</td>
</tr>
<tr>
<td>100%</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>4,729,281</td>
<td>-</td>
<td>395,218</td>
<td>-</td>
<td>5,124,499</td>
<td>5,124,499</td>
</tr>
<tr>
<td>150%</td>
<td>-</td>
<td>-</td>
<td>68,636</td>
<td>1,306,816</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1,949,026</td>
<td>2,923,539</td>
</tr>
<tr>
<td></td>
<td>2,181,781</td>
<td>95,704</td>
<td>1,575,798</td>
<td>7,231,056</td>
<td>575,352</td>
<td>439,236</td>
<td>-</td>
<td>12,098,927</td>
<td>8,817,375</td>
</tr>
</tbody>
</table>
The breakdown of risk-weighted assets by risk-weights are as follows:

<table>
<thead>
<tr>
<th>Group</th>
<th>Principal RM'000</th>
<th>Risk-weighted RM'000</th>
<th>Bank</th>
<th>Principal RM'000</th>
<th>Risk-weighted RM'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>0%</td>
<td>1,640,090</td>
<td>-</td>
<td>1,615,532</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>20%</td>
<td>888,595</td>
<td>177,719</td>
<td>826,174</td>
<td>165,235</td>
<td></td>
</tr>
<tr>
<td>35%</td>
<td>145,101</td>
<td>50,785</td>
<td>145,101</td>
<td>50,785</td>
<td></td>
</tr>
<tr>
<td>50%</td>
<td>954,393</td>
<td>477,197</td>
<td>954,393</td>
<td>477,197</td>
<td></td>
</tr>
<tr>
<td>75%</td>
<td>1,565,627</td>
<td>1,174,220</td>
<td>1,565,627</td>
<td>1,174,220</td>
<td></td>
</tr>
<tr>
<td>100%</td>
<td>3,139,001</td>
<td>3,139,001</td>
<td>3,069,280</td>
<td>3,069,280</td>
<td></td>
</tr>
<tr>
<td>150%</td>
<td>1,574,765</td>
<td>2,362,148</td>
<td>1,574,765</td>
<td>2,362,148</td>
<td></td>
</tr>
<tr>
<td>Risk-weighted assets for credit risk</td>
<td>9,907,572</td>
<td>7,381,070</td>
<td>9,750,872</td>
<td>7,298,865</td>
<td></td>
</tr>
<tr>
<td>Risk-weighted assets for market risk</td>
<td>-</td>
<td>136,716</td>
<td>-</td>
<td>136,716</td>
<td></td>
</tr>
<tr>
<td>Risk-weighted assets for operational risk</td>
<td>-</td>
<td>482,289</td>
<td>-</td>
<td>468,619</td>
<td></td>
</tr>
<tr>
<td>Large exposure risk-weighted assets for equity holdings</td>
<td>-</td>
<td>14,790</td>
<td>-</td>
<td>14,790</td>
<td></td>
</tr>
<tr>
<td>Total risk-weighted assets</td>
<td>8,014,865</td>
<td></td>
<td>7,918,990</td>
<td></td>
<td></td>
</tr>
<tr>
<td>31.12.2011</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>0%</td>
<td>1,778,085</td>
<td>-</td>
<td>1,765,559</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>20%</td>
<td>1,239,133</td>
<td>247,827</td>
<td>1,306,435</td>
<td>261,287</td>
<td></td>
</tr>
<tr>
<td>35%</td>
<td>38,678</td>
<td>13,537</td>
<td>38,678</td>
<td>13,537</td>
<td></td>
</tr>
<tr>
<td>50%</td>
<td>1,792,165</td>
<td>896,083</td>
<td>1,792,165</td>
<td>896,082</td>
<td></td>
</tr>
<tr>
<td>75%</td>
<td>886,576</td>
<td>664,932</td>
<td>886,576</td>
<td>664,932</td>
<td></td>
</tr>
<tr>
<td>100%</td>
<td>4,223,315</td>
<td>4,223,315</td>
<td>4,147,728</td>
<td>4,147,728</td>
<td></td>
</tr>
<tr>
<td>150%</td>
<td>1,199,777</td>
<td>1,799,665</td>
<td>1,199,745</td>
<td>1,799,618</td>
<td></td>
</tr>
<tr>
<td>Risk-weighted assets for credit risk</td>
<td>11,157,729</td>
<td>7,845,359</td>
<td>11,136,886</td>
<td>7,783,184</td>
<td></td>
</tr>
<tr>
<td>Risk-weighted assets for market risk</td>
<td>-</td>
<td>102,799</td>
<td>-</td>
<td>102,799</td>
<td></td>
</tr>
<tr>
<td>Risk-weighted assets for operational risk</td>
<td>-</td>
<td>504,470</td>
<td>-</td>
<td>487,523</td>
<td></td>
</tr>
<tr>
<td>Large exposure risk-weighted assets for equity holdings</td>
<td>-</td>
<td>11,948</td>
<td>-</td>
<td>11,948</td>
<td></td>
</tr>
<tr>
<td>Total risk-weighted assets</td>
<td>8,464,576</td>
<td></td>
<td>8,385,454</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
43. CAPITAL ADEQUACY (Cont’d.)

(f) The breakdown of risk-weighted assets by risk-weights are as follows:

<table>
<thead>
<tr>
<th>Risk-Weights</th>
<th>Group</th>
<th>Bank</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Principal RM’000</td>
<td>Risk-weighted RM’000</td>
</tr>
<tr>
<td>01.01.2011</td>
<td></td>
<td></td>
</tr>
<tr>
<td>0%</td>
<td>2,812,930</td>
<td>-</td>
</tr>
<tr>
<td>20%</td>
<td>1,079,654</td>
<td>215,931</td>
</tr>
<tr>
<td>50%</td>
<td>1,081,343</td>
<td>540,672</td>
</tr>
<tr>
<td>100%</td>
<td>5,231,302</td>
<td>5,231,302</td>
</tr>
<tr>
<td>150%</td>
<td>1,949,140</td>
<td>2,923,710</td>
</tr>
<tr>
<td>Risk-weighted assets for credit risk</td>
<td>12,154,369</td>
<td>8,911,615</td>
</tr>
<tr>
<td>Risk-weighted assets for market risk</td>
<td>180,981</td>
<td>180,981</td>
</tr>
<tr>
<td>Risk-weighted assets for operational risk</td>
<td>577,513</td>
<td>551,074</td>
</tr>
<tr>
<td>Large exposure risk-weighted assets for equity holdings</td>
<td>11,948</td>
<td>11,948</td>
</tr>
<tr>
<td>Total risk-weighted assets</td>
<td>9,682,057</td>
<td>9,561,378</td>
</tr>
</tbody>
</table>
(g) The risk-weighted assets and capital requirements for the various categories of risk under market risk are as follows:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Risk-Weighted Assets Equivalent RM'000</td>
<td>Capital Required RM'000</td>
<td>Risk-Weighted Assets Equivalent RM'000</td>
</tr>
<tr>
<td>Benchmark Rate Risk</td>
<td>65,391</td>
<td>5,231</td>
<td>20,812</td>
</tr>
<tr>
<td>Foreign Exchange Risk</td>
<td>71,264</td>
<td>5,701</td>
<td>81,926</td>
</tr>
<tr>
<td>Inventory Risk</td>
<td>61</td>
<td>5</td>
<td>61</td>
</tr>
<tr>
<td>Total</td>
<td>136,716</td>
<td>10,937</td>
<td>102,799</td>
</tr>
</tbody>
</table>
44 SEGMENT INFORMATION

Segment information is presented in respect of the Group's business and geographical segments.

The primary format, the business segment information, is prepared based on internal management reports, which are used by senior management for decision making and performance management. The amounts for each business segment are shown after the allocation of certain centralised cost, funding income and the applicable transfer pricing where appropriate. Transactions between segments are recorded within the segment as if they are third party transactions and are eliminated on consolidation. All inter-segment transactions are conducted at arm's length basis on normal commercial terms that are not more favourable than those generally available to public.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Segment capital expenditure comprises additions to property and equipment.

(a) Primary Segment - By Business Segments:

The Group comprises the following main business segments:

(i) Treasury and Capital Market Operations

The treasury and capital market operations are involved in proprietary trading in treasury related products and services such as foreign exchange, money market operations and securities trading and Ijarah rental swap.

(ii) Corporate and Investment Banking

The corporate and investment banking operations focus on business needs to large corporate customers, primarily public listed companies as well as financial institutions. The products and services offered to customers include direct financing, advisory banking service, equity financing, Islamic securities/sukuk issuance, syndicated financing, mergers and acquisition advisory services and debt restructuring advisory services.

(iii) Commercial Banking

Commercial banking operation provides a full range of financial services to customers, primarily non-public listed companies as well as small and medium sized enterprises. The products and services offered include long and short term financing such as working capital financing, asset financing, project financing as well as trade financing.
(a) Primary Segment - By Business Segment

<table>
<thead>
<tr>
<th>Group</th>
<th>Treasury &amp; Capital Markets</th>
<th>Corporate &amp; Investment Banking</th>
<th>Commercial Banking</th>
<th>Others</th>
<th>Elimination</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>RM'000</td>
<td>RM'000</td>
<td>RM'000</td>
<td>RM'000</td>
<td>RM'000</td>
<td>RM'000</td>
</tr>
<tr>
<td>External revenue</td>
<td>120,080</td>
<td>172,408</td>
<td>79,441</td>
<td>122,476</td>
<td>-</td>
<td>494,405</td>
</tr>
<tr>
<td>Revenue from other segments</td>
<td>134,792</td>
<td>3,257</td>
<td>6,124</td>
<td>63,411</td>
<td>(207,584)</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total Revenue</strong></td>
<td><strong>254,872</strong></td>
<td><strong>175,665</strong></td>
<td><strong>85,565</strong></td>
<td><strong>185,887</strong></td>
<td><strong>207,584</strong></td>
<td><strong>494,405</strong></td>
</tr>
<tr>
<td>Segment results</td>
<td>24,791</td>
<td>96,846</td>
<td>2,741</td>
<td>59,238</td>
<td>-</td>
<td>183,616</td>
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<tr>
<td>Unallocated expenses</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>(93,222)</td>
<td></td>
</tr>
<tr>
<td><strong>Income from operations</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>90,394</td>
</tr>
<tr>
<td>Taxation</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>(29,900)</td>
</tr>
<tr>
<td><strong>Net profit for the year</strong></td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td>60,494</td>
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</table>

**Other information**

<table>
<thead>
<tr>
<th></th>
<th>Segment assets</th>
<th>Unallocated corporate assets</th>
<th>Total assets</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>RM'000</td>
<td>RM'000</td>
<td>RM'000</td>
</tr>
<tr>
<td>Unallocated corporate assets</td>
<td>2,241,305</td>
<td>(129,613)</td>
<td>2,111,692</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td><strong>9,096,691</strong></td>
<td><strong>558,541</strong></td>
<td><strong>9,655,232</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Segment liabilities</th>
<th>Unallocated corporate liabilities</th>
<th>Total liabilities</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>RM'000</td>
<td>RM'000</td>
<td>RM'000</td>
</tr>
<tr>
<td>31.12.2012</td>
<td>3,813,677</td>
<td>126,147</td>
<td>4,049,824</td>
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<tr>
<td>Unallocated corporate liabilities</td>
<td>2,965,287</td>
<td>(98,661)</td>
<td>2,866,626</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td><strong>7,577,396</strong></td>
<td><strong>578,323</strong></td>
<td><strong>8,155,719</strong></td>
</tr>
</tbody>
</table>

**Other segment items**

<table>
<thead>
<tr>
<th></th>
<th>Purchase of property and equipment</th>
<th>Purchase of intangible assets</th>
<th>Depreciation of property and equipment</th>
<th>Amortisation of intangible assets</th>
<th>Other non-cash expense other than depreciation</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>RM'000</td>
<td>RM'000</td>
<td>RM'000</td>
<td>RM'000</td>
<td>RM'000</td>
</tr>
<tr>
<td>31.12.2012</td>
<td></td>
<td></td>
<td>(30,224)</td>
<td>(2,446)</td>
<td>(12,084)</td>
</tr>
<tr>
<td></td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Malaysia</td>
<td>491,860</td>
<td>90,379</td>
<td>9,095,454</td>
<td>1,237</td>
<td>9,096,691</td>
</tr>
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</table>

(b) Secondary Segment - By Geographical Locations

<table>
<thead>
<tr>
<th>Group</th>
<th>Operating Revenue</th>
<th>Profit Before Zakat and Taxation</th>
<th>Total Assets</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>RM'000</td>
<td>RM'000</td>
<td>RM'000</td>
</tr>
<tr>
<td>Malaysia</td>
<td>491,860</td>
<td>90,379</td>
<td>9,095,454</td>
</tr>
<tr>
<td>Outside Malaysia</td>
<td>2,545</td>
<td>15</td>
<td>1,237</td>
</tr>
<tr>
<td></td>
<td>494,405</td>
<td>90,394</td>
<td>9,096,691</td>
</tr>
</tbody>
</table>

The Group has fund management operations in Australia.
### 44 SEGMENT INFORMATION (Cont’d.)

#### (a) Primary Segment - By Business Segment

<table>
<thead>
<tr>
<th>Group</th>
<th>Treasury &amp; Capital Markets</th>
<th>Corporate &amp; Investment Banking</th>
<th>Commercial Banking</th>
<th>Others</th>
<th>Elimination</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>31.12.2011</td>
<td>RM’000</td>
<td>RM’000</td>
<td>RM’000</td>
<td>RM’000</td>
<td>RM’000</td>
<td>RM’000</td>
</tr>
<tr>
<td>External revenue</td>
<td>124,921</td>
<td>144,324</td>
<td>128,954</td>
<td>61,589</td>
<td>-</td>
<td>459,788</td>
</tr>
<tr>
<td>Revenue from other segments</td>
<td>172,194</td>
<td>3,220</td>
<td>7,091</td>
<td>46,977</td>
<td>(229,482)</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total Revenue</strong></td>
<td><strong>297,115</strong></td>
<td><strong>147,544</strong></td>
<td><strong>136,045</strong></td>
<td><strong>108,566</strong></td>
<td><strong>(229,482)</strong></td>
<td><strong>459,788</strong></td>
</tr>
<tr>
<td>Segment results</td>
<td>(14,788)</td>
<td>(358,133)</td>
<td>(344,066)</td>
<td>164,647</td>
<td>1,240</td>
<td>(551,100)</td>
</tr>
<tr>
<td>Unallocated expenses</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>(93,343)</td>
</tr>
<tr>
<td><strong>Loss from operations</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>(644,443)</td>
</tr>
<tr>
<td>Taxation</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>172,834</td>
</tr>
<tr>
<td><strong>Net loss for the year</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>(471,609)</td>
</tr>
</tbody>
</table>

**Other information**

- Segment assets: 3,938,990 RM’000
- Unallocated corporate assets: 2,696,717 RM’000
- **Total assets:** 10,121,731 RM’000

- Segment liabilities: 5,998,496 RM’000
- Unallocated corporate liabilities: 1,131,946 RM’000
- **Total liabilities:** 8,121,402 RM’000

**Other segment items**

- Purchase of property and equipment: - RM’000
- Purchase of intangible assets: - RM’000
- Depreciation of property and equipment: - RM’000
- Amortisation of intangible assets: - RM’000
- Other non-cash expense other than depreciation: 19,118 RM’000

**Total:** 9,730,368 RM’000

#### (b) Secondary Segment - By Geographical Locations

<table>
<thead>
<tr>
<th>Group</th>
<th>Operating Revenue</th>
<th>(Loss)/Profit Before Zakat and Taxation</th>
<th>Total Assets</th>
</tr>
</thead>
<tbody>
<tr>
<td>31.12.2011</td>
<td>RM’000</td>
<td>RM’000</td>
<td>RM’000</td>
</tr>
<tr>
<td>Malaysia</td>
<td>458,185</td>
<td>(644,443)</td>
<td>10,121,731</td>
</tr>
<tr>
<td>Outside Malaysia</td>
<td>1,603</td>
<td>312</td>
<td>435</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>459,788</strong></td>
<td><strong>(644,443)</strong></td>
<td><strong>10,122,166</strong></td>
</tr>
</tbody>
</table>

The Group has fund management operations in Australia and Singapore.
44 SEGMENT INFORMATION (Cont’d.)

(a) Primary Segment - By Business Segment

<table>
<thead>
<tr>
<th>Group</th>
<th>Treasury &amp; Capital Markets</th>
<th>Corporate &amp; Investment Banking</th>
<th>Commercial Banking</th>
<th>Others</th>
<th>Elimination</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>01.01.2011</td>
<td>RM’000</td>
<td>RM’000</td>
<td>RM’000</td>
<td>RM’000</td>
<td>RM’000</td>
<td>RM’000</td>
</tr>
<tr>
<td>External revenue</td>
<td>64,378</td>
<td>161,770</td>
<td>183,658</td>
<td>38,183</td>
<td>-</td>
<td>447,989</td>
</tr>
<tr>
<td>Revenue from other segments</td>
<td>89,591</td>
<td>-</td>
<td>-</td>
<td>20,259</td>
<td>(109,850)</td>
<td>2,612</td>
</tr>
<tr>
<td>Total Revenue</td>
<td>153,969</td>
<td>161,770</td>
<td>183,658</td>
<td>58,442</td>
<td>(109,850)</td>
<td>447,989</td>
</tr>
<tr>
<td>Segment results</td>
<td>10,471</td>
<td>(39,582)</td>
<td>15,204</td>
<td>(18,362)</td>
<td>-</td>
<td>(32,269)</td>
</tr>
<tr>
<td>Unallocated expenses</td>
<td>(226,759)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loss from operations</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>(259,028)</td>
</tr>
<tr>
<td>Zakat</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>(1,565)</td>
</tr>
<tr>
<td>Taxation</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>43,787</td>
</tr>
<tr>
<td>Net loss for the year</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>(216,806)</td>
</tr>
<tr>
<td>Other information</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Segment assets</td>
<td>4,150,329</td>
<td>2,916,183</td>
<td>2,923,126</td>
<td>426,202</td>
<td>-</td>
<td>10,415,840</td>
</tr>
<tr>
<td>Unallocated corporate assets</td>
<td>-</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>350,873</td>
</tr>
<tr>
<td>Total assets</td>
<td>10,766,713</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Segment liabilities</td>
<td>6,541,528</td>
<td>317,043</td>
<td>217,730</td>
<td>1,695,809</td>
<td>-</td>
<td>8,772,110</td>
</tr>
<tr>
<td>Unallocated corporate liabilities</td>
<td>-</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>82,177</td>
</tr>
<tr>
<td>Total liabilities</td>
<td>8,854,287</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other segment items</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Purchase of property and equipment</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>5,599</td>
<td>-</td>
<td>5,599</td>
</tr>
<tr>
<td>Purchase of intangible assets</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>3,923</td>
<td>-</td>
<td>3,923</td>
</tr>
<tr>
<td>Depreciation of property and equipment</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>11,508</td>
<td>-</td>
<td>11,508</td>
</tr>
<tr>
<td>Amortisation of intangible assets</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>8,254</td>
<td>-</td>
<td>8,254</td>
</tr>
<tr>
<td>Other non-cash expense other than depreciation</td>
<td>-</td>
<td>99,459</td>
<td>66,494</td>
<td>165,578</td>
<td>-</td>
<td>331,531</td>
</tr>
</tbody>
</table>

(b) Secondary Segment - By Geographical Locations

<table>
<thead>
<tr>
<th>Group</th>
<th>Operating Revenue</th>
<th>Loss Before Zakat and Taxation</th>
<th>Total Assets</th>
</tr>
</thead>
<tbody>
<tr>
<td>01.01.2011</td>
<td>RM’000</td>
<td>RM’000</td>
<td>RM’000</td>
</tr>
<tr>
<td>Malaysia</td>
<td>447,962</td>
<td>(249,647)</td>
<td>10,801,818</td>
</tr>
<tr>
<td>Outside Malaysia</td>
<td>27</td>
<td>(9,381)</td>
<td>(35,105)</td>
</tr>
<tr>
<td></td>
<td>447,989</td>
<td>(259,028)</td>
<td>10,766,713</td>
</tr>
</tbody>
</table>

The Group has fund management operations in Australia and Singapore.
FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

Determination of fair value and fair value hierarchy

The Bank uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets and liabilities;

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Securities held-for-trading</td>
<td>79,493</td>
<td>79,493</td>
</tr>
<tr>
<td>Securities available-for-sale</td>
<td>955,830</td>
<td>955,830</td>
</tr>
<tr>
<td>Hedging financial instruments</td>
<td>21,470</td>
<td>21,470</td>
</tr>
<tr>
<td>Total</td>
<td>1,056,793</td>
<td>1,056,793</td>
</tr>
<tr>
<td>Financial liability</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hedging financial instruments</td>
<td>16,754</td>
<td>16,754</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Securities held-for-trading</td>
<td>90,216</td>
<td>90,216</td>
</tr>
<tr>
<td>Securities available-for-sale</td>
<td>1,096,340</td>
<td>1,096,340</td>
</tr>
<tr>
<td>Hedging financial instruments</td>
<td>43,688</td>
<td>43,688</td>
</tr>
<tr>
<td>Total</td>
<td>1,230,244</td>
<td>1,230,244</td>
</tr>
<tr>
<td>Financial liability</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hedging financial instruments</td>
<td>72,655</td>
<td>72,655</td>
</tr>
</tbody>
</table>
**KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD**

(672174-T)

(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2012

45. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (Cont’d.)

Determinaton of fair value and fair value hierarchy (Cont’d.)

<table>
<thead>
<tr>
<th></th>
<th>Level 2</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>RM’000</td>
<td>RM’000</td>
</tr>
<tr>
<td><strong>Group (Cont’d.)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>01.01.2011</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Securities held-for-trading</td>
<td>110,083</td>
<td>110,083</td>
</tr>
<tr>
<td>Securities available-for-sale</td>
<td>1,034,506</td>
<td>1,034,506</td>
</tr>
<tr>
<td>Hedging financial instruments</td>
<td>80,632</td>
<td>80,632</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>1,225,221</td>
<td>1,225,221</td>
</tr>
<tr>
<td>Financial liability</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hedging financial instruments</td>
<td>39,789</td>
<td>39,789</td>
</tr>
<tr>
<td><strong>Bank</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Securities held-for-trading</td>
<td>79,493</td>
<td>79,493</td>
</tr>
<tr>
<td>Securities available-for-sale</td>
<td>846,614</td>
<td>846,614</td>
</tr>
<tr>
<td>Hedging financial instruments</td>
<td>21,470</td>
<td>21,470</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>947,577</td>
<td>947,577</td>
</tr>
<tr>
<td>Financial liability</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hedging financial instruments</td>
<td>16,754</td>
<td>16,754</td>
</tr>
<tr>
<td><strong>31.12.2011</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Securities held-for-trading</td>
<td>83,776</td>
<td>83,776</td>
</tr>
<tr>
<td>Securities available-for-sale</td>
<td>977,255</td>
<td>977,255</td>
</tr>
<tr>
<td>Hedging financial instruments</td>
<td>43,688</td>
<td>43,688</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>1,104,719</td>
<td>1,104,719</td>
</tr>
<tr>
<td>Financial liability</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hedging financial instruments</td>
<td>72,655</td>
<td>72,655</td>
</tr>
<tr>
<td><strong>01.01.2011</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Securities held-for-trading</td>
<td>110,083</td>
<td>110,083</td>
</tr>
<tr>
<td>Securities available-for-sale</td>
<td>906,933</td>
<td>906,933</td>
</tr>
<tr>
<td>Hedging financial instruments</td>
<td>80,632</td>
<td>80,632</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>1,097,648</td>
<td>1,097,648</td>
</tr>
<tr>
<td>Financial liability</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hedging financial instruments</td>
<td>39,789</td>
<td>39,789</td>
</tr>
</tbody>
</table>
Financial instruments comprise financial assets and financial liabilities. The fair value of a financial instrument is the amount at which the instrument could be exchanged or settled between knowledgeable and willing parties in an arm's length transaction, other than in a forced or liquidation sale. The information presented herein represents best estimates of fair values of financial instruments at the reporting date.

The estimated fair values of those on-balance sheets financial assets and financial liabilities as at the statements of financial position date approximate their carrying amounts as shown in the balance sheets.

The following methods and assumptions used to estimate the fair values of the following classes of financial instruments:

(a) **Cash and Short-Term Funds**

The carrying amount approximates fair value due to the relatively short maturity of the financial instruments.

(b) **Deposits and Placements with Banks and Other Financial Institutions**

The fair values of those financial instruments with remaining maturities of less than one year approximate their carrying values due to their relatively short maturities. For those financial instruments with maturities of more than one year, the fair values are estimated based on discounted cash flows using applicable prevailing market rates of similar remaining maturities at the reporting date.

(c) **Securities Held-For-Trading, Held-To-Maturity and Available-For-Sale**

The fair values of securities actively traded are estimated based on quoted bid prices. For non-actively traded securities, independent broker quotations are obtained. Fair values of equity are estimated discounted cash flow techniques. Where discounted cash flow technique is used, the estimated future cash flows are discounted using applicable prevailing market or indicative rates of similar instruments at reporting date.
45. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (Cont’d.)

(d) Financing, Advances and Other Receivables

The fair values of financing are estimated based on future cash flows of contractual instalments payments, discounted at applicable prevailing rates at reporting date offered for similar facilities to new financing with similar credit profiles. In respect of impaired financing, the fair values are deemed to approximate the carrying values which are net of individual impairment for impaired financing.

(e) Deposits from Customers, Deposits and Placement of Banks and Other Financial Institutions

The fair values of deposits payable on demand and deposits and placements with maturities of less than one year approximate their carrying values due to the relatively short maturity of these instruments. The fair values of general investment deposits and placements with remaining maturities of more than one year are estimated based on discounted cash flows using applicable prevailing rates currently offered for deposits and placements with similar remaining maturities. For negotiable instruments of deposits, the estimated fair values are estimated based on quoted or observable market prices at the reporting date. Where such quoted or observable market prices are not available, the fair values of negotiable instruments of deposits are estimated using discounted cash flow technique.

46. OPERATING LEASES

The Group and the Bank lease a number of premises under operating leases. The leases typically run for an initial period of 3 years, with an option to renew the leases. None of the leases include contingent rentals. Total future minimum lease payments under these non-cancellable operating leases are as follows:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Group</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Within one year</td>
<td>19,521</td>
<td>21,170</td>
<td>9,812</td>
</tr>
<tr>
<td>Between one and five years</td>
<td>23,044</td>
<td>31,599</td>
<td>6,662</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>42,565</td>
<td>52,769</td>
<td>16,474</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Bank</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Within one year</td>
<td>18,622</td>
<td>20,288</td>
<td>9,019</td>
</tr>
<tr>
<td>Between one and five years</td>
<td>22,229</td>
<td>31,171</td>
<td>5,754</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>40,851</td>
<td>51,459</td>
<td>14,773</td>
</tr>
</tbody>
</table>
47 EVENTS OCCURRING AFTER THE REPORTING DATE

There were no material events subsequent to the statements of financial position date that requires disclosure or adjustments to the financial statements.

48 HOLDING COMPANY

The holding company for the Bank is Kuwait Finance House K.S.C, a licensed Islamic Bank incorporated in Kuwait.

49 MATURITY ANALYSIS

The table below shows an analysis of assets and liabilities analysed according to when they are expected to be recovered or settled:

<table>
<thead>
<tr>
<th>Group</th>
<th>Less than 12 months</th>
<th>Over 12 months</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>RM’000</td>
<td>RM’000</td>
<td>RM’000</td>
</tr>
<tr>
<td>31.12.2012 Assets</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and short-term funds</td>
<td>1,400,684</td>
<td>-</td>
<td>1,400,684</td>
</tr>
<tr>
<td>Deposits and placements with banks and other financial institutions</td>
<td>244,147</td>
<td>-</td>
<td>244,147</td>
</tr>
<tr>
<td>Securities held-for-trading</td>
<td>-</td>
<td>79,493</td>
<td>79,493</td>
</tr>
<tr>
<td>Securities available-for-sale</td>
<td>242,952</td>
<td>712,878</td>
<td>955,830</td>
</tr>
<tr>
<td>Securities held-to-maturity</td>
<td>-</td>
<td>81,493</td>
<td>81,493</td>
</tr>
<tr>
<td>Financing, advances and receivables</td>
<td>3,849,903</td>
<td>1,438,842</td>
<td>5,288,745</td>
</tr>
<tr>
<td>Musyarakah capital investment</td>
<td>-</td>
<td>5,898</td>
<td>5,898</td>
</tr>
<tr>
<td>Other assets</td>
<td>-</td>
<td>1,040,401</td>
<td>1,040,401</td>
</tr>
<tr>
<td>Total Assets</td>
<td>5,737,686</td>
<td>3,359,005</td>
<td>9,096,691</td>
</tr>
</tbody>
</table>

| Liabilities                                |                     |                |        |
|                                            | RM’000              | RM’000         | RM’000 |
| Deposits from customers                    | 4,465,788           | 904,477        | 5,370,265 |
| Deposits and placements of banks and other financial institutions | 1,324,476         | -              | 1,324,476 |
| Subordinated Murabahah Tawarruq            | 374,054             | -              | 374,054  |
| Other liabilities                          | -                   | 508,601        | 508,601  |
| Total Liabilities                          | 6,164,318           | 1,413,078      | 7,577,396 |

Net                                                                 | (426,632)          | 1,945,927      | 1,519,295 |
49. MATURITY ANALYSIS (Cont'd.)

The table below shows an analysis of assets and liabilities analysed according to when they are expected to be recovered or settled: (Cont'd.)

<table>
<thead>
<tr>
<th>Group (Cont'd.)</th>
<th>Less than 12 months</th>
<th>Over 12 months</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>RM'000</td>
<td>RM'000</td>
<td>RM'000</td>
</tr>
<tr>
<td>31.12.2011</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Assets</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and short-term funds</td>
<td>1,973,012</td>
<td>-</td>
<td>1,973,012</td>
</tr>
<tr>
<td>Deposits and placements with banks and other financial institutions</td>
<td>734,973</td>
<td>-</td>
<td>734,973</td>
</tr>
<tr>
<td>Securities held-for-trading</td>
<td>60,907</td>
<td>29,309</td>
<td>90,216</td>
</tr>
<tr>
<td>Securities available-for-sale</td>
<td>281,394</td>
<td>814,946</td>
<td>1,096,340</td>
</tr>
<tr>
<td>Securities held-to-maturity</td>
<td>47,125</td>
<td>-</td>
<td>47,125</td>
</tr>
<tr>
<td>Financing, advances and receivables</td>
<td>2,854,605</td>
<td>2,343,159</td>
<td>5,197,764</td>
</tr>
<tr>
<td>Musyarakah capital investment</td>
<td>-</td>
<td>5,898</td>
<td>5,898</td>
</tr>
<tr>
<td>Other assets</td>
<td>-</td>
<td>976,838</td>
<td>976,838</td>
</tr>
<tr>
<td>Total Assets</td>
<td>8,408,630</td>
<td>2,507,574</td>
<td>10,122,166</td>
</tr>
<tr>
<td>Liabilities</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deposits from customers</td>
<td>4,097,047</td>
<td>620,807</td>
<td>4,717,854</td>
</tr>
<tr>
<td>Deposits and placements of banks and other financial institutions</td>
<td>3,134,572</td>
<td>-</td>
<td>3,134,572</td>
</tr>
<tr>
<td>Subordinated Murabahah Tawarruq</td>
<td>-</td>
<td>373,589</td>
<td>373,589</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>-</td>
<td>442,180</td>
<td>442,180</td>
</tr>
<tr>
<td>Total Liabilities</td>
<td>7,231,619</td>
<td>1,436,576</td>
<td>8,668,195</td>
</tr>
<tr>
<td>Net</td>
<td>1,177,011</td>
<td>1,070,998</td>
<td>1,453,971</td>
</tr>
<tr>
<td>Group</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>01.01.2011</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Assets</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and short-term funds</td>
<td>2,651,695</td>
<td>-</td>
<td>2,651,695</td>
</tr>
<tr>
<td>Deposits and placements with banks and other financial institutions</td>
<td>267,590</td>
<td>7,502</td>
<td>275,092</td>
</tr>
<tr>
<td>Securities held-for-trading</td>
<td>-</td>
<td>110,083</td>
<td>110,083</td>
</tr>
<tr>
<td>Securities available-for-sale</td>
<td>416,567</td>
<td>636,939</td>
<td>1,053,506</td>
</tr>
<tr>
<td>Securities held-to-maturity</td>
<td>-</td>
<td>46,266</td>
<td>46,266</td>
</tr>
<tr>
<td>Financing, advances and receivables</td>
<td>2,639,804</td>
<td>3,291,811</td>
<td>5,931,615</td>
</tr>
<tr>
<td>Musyarakah capital investment</td>
<td>5,898</td>
<td>-</td>
<td>5,898</td>
</tr>
<tr>
<td>Other assets</td>
<td>692,558</td>
<td>-</td>
<td>692,558</td>
</tr>
<tr>
<td>Total Assets</td>
<td>6,674,112</td>
<td>4,092,601</td>
<td>10,766,713</td>
</tr>
</tbody>
</table>
49. MATURITY ANALYSIS (Cont’d.)

The table below shows an analysis of assets and liabilities analysed according to when they are expected to be recovered or settled: (Cont’d.)

<table>
<thead>
<tr>
<th>Group (Cont’d.)</th>
<th>Less than 12 months</th>
<th>Over 12 months</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>RM’000</td>
<td>RM’000</td>
<td>RM’000</td>
</tr>
<tr>
<td><strong>Liabilities</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deposits from customers</td>
<td>4,154,948</td>
<td>405,089</td>
<td>4,560,037</td>
</tr>
<tr>
<td>Deposits and placements of banks and other financial institutions</td>
<td>3,422,181</td>
<td>56,508</td>
<td>3,478,689</td>
</tr>
<tr>
<td>Subordinated Murabahah Tawarruq</td>
<td>-</td>
<td>350,797</td>
<td>350,797</td>
</tr>
<tr>
<td>Murabahah bank financing</td>
<td>23,233</td>
<td>-</td>
<td>23,233</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>-</td>
<td>441,531</td>
<td>441,531</td>
</tr>
<tr>
<td><strong>Total Liabilities</strong></td>
<td>7,600,362</td>
<td>1,253,925</td>
<td>8,854,287</td>
</tr>
<tr>
<td><strong>Net</strong></td>
<td>(926,250)</td>
<td>2,838,676</td>
<td>1,912,426</td>
</tr>
<tr>
<td><strong>Bank</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and short-term funds</td>
<td>1,370,167</td>
<td>-</td>
<td>1,370,167</td>
</tr>
<tr>
<td>Deposits and placements with banks and other financial institutions</td>
<td>228,838</td>
<td>-</td>
<td>228,838</td>
</tr>
<tr>
<td>Securities held-for-trading</td>
<td>-</td>
<td>79,493</td>
<td>79,493</td>
</tr>
<tr>
<td>Securities available-for-sale</td>
<td>227,317</td>
<td>619,297</td>
<td>846,614</td>
</tr>
<tr>
<td>Securities held-to-maturity</td>
<td>-</td>
<td>81,493</td>
<td>81,493</td>
</tr>
<tr>
<td>Financing, advances and receivables</td>
<td>3,849,903</td>
<td>1,438,842</td>
<td>5,288,745</td>
</tr>
<tr>
<td>Musyarakah capital investment</td>
<td>-</td>
<td>5,898</td>
<td>5,898</td>
</tr>
<tr>
<td>Other assets</td>
<td>-</td>
<td>1,069,592</td>
<td>1,069,592</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td>5,676,225</td>
<td>3,294,615</td>
<td>8,970,840</td>
</tr>
<tr>
<td><strong>Liabilities</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deposits from customers</td>
<td>4,472,561</td>
<td>904,478</td>
<td>5,377,039</td>
</tr>
<tr>
<td>Deposits and placements of banks and other financial institutions</td>
<td>1,204,490</td>
<td>-</td>
<td>1,204,490</td>
</tr>
<tr>
<td>Subordinated Murabahah Tawarruq</td>
<td>374,054</td>
<td>-</td>
<td>374,054</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>-</td>
<td>507,758</td>
<td>507,758</td>
</tr>
<tr>
<td><strong>Total Liabilities</strong></td>
<td>6,051,105</td>
<td>1,412,236</td>
<td>7,463,341</td>
</tr>
<tr>
<td><strong>Net</strong></td>
<td>(374,880)</td>
<td>1,882,379</td>
<td>1,507,499</td>
</tr>
</tbody>
</table>
49. MATURITY ANALYSIS (Cont'd.)

The table below shows an analysis of assets and liabilities analysed according to when they are expected to be recovered or settled (Cont'd.):

<table>
<thead>
<tr>
<th>Bank</th>
<th>Less than 12 months</th>
<th>Over 12 months</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>RM'000</td>
<td>RM'000</td>
<td>RM'000</td>
</tr>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and short-term funds</td>
<td>2,076,287</td>
<td>-</td>
<td>2,076,287</td>
</tr>
<tr>
<td>Deposits and placements with banks and</td>
<td>734,973</td>
<td>-</td>
<td>734,973</td>
</tr>
<tr>
<td>other financial institutions</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Securities held-for-trading</td>
<td>60,907</td>
<td>22,869</td>
<td>83,776</td>
</tr>
<tr>
<td>Securities available-for-sale</td>
<td>281,393</td>
<td>695,862</td>
<td>977,255</td>
</tr>
<tr>
<td>Securities held-to-maturity</td>
<td>47,125</td>
<td>-</td>
<td>47,125</td>
</tr>
<tr>
<td>Financing, advances and receivables</td>
<td>2,854,605</td>
<td>2,343,159</td>
<td>5,197,764</td>
</tr>
<tr>
<td>Musyarakah capital investment</td>
<td>-</td>
<td>5,898</td>
<td>5,898</td>
</tr>
<tr>
<td>Other assets</td>
<td>-</td>
<td>1,002,671</td>
<td>1,002,671</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td>6,055,290</td>
<td>4,070,459</td>
<td>10,125,749</td>
</tr>
<tr>
<td><strong>Liabilities</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deposits from customers</td>
<td>4,100,028</td>
<td>619,558</td>
<td>4,719,586</td>
</tr>
<tr>
<td>Deposits and placements of banks and</td>
<td>3,152,042</td>
<td>-</td>
<td>3,152,042</td>
</tr>
<tr>
<td>other financial institutions</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Subordinated Murabahah Tawarruq</td>
<td>-</td>
<td>373,589</td>
<td>373,589</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>-</td>
<td>440,983</td>
<td>440,983</td>
</tr>
<tr>
<td><strong>Total Liabilities</strong></td>
<td>7,252,070</td>
<td>1,434,130</td>
<td>8,686,200</td>
</tr>
<tr>
<td><strong>Net</strong></td>
<td>(1,196,780)</td>
<td>2,636,329</td>
<td>1,439,549</td>
</tr>
</tbody>
</table>
49. **Maturity Analysis (Cont'd.)**

The table below shows an analysis of assets and liabilities analysed according to when they are expected to be recovered or settled (Cont'd.):

<table>
<thead>
<tr>
<th>Bank (Cont'd.)</th>
<th>Less than 12 months</th>
<th>Over 12 months</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td>RM'000</td>
<td>RM'000</td>
<td>RM'000</td>
</tr>
<tr>
<td>Cash and short-term funds</td>
<td>2,744,436</td>
<td>-</td>
<td>2,744,436</td>
</tr>
<tr>
<td>Deposits and placements with banks and other financial institutions</td>
<td>267,590</td>
<td>7,502</td>
<td>275,092</td>
</tr>
<tr>
<td>Securities held-for-trading</td>
<td>-</td>
<td>110,083</td>
<td>110,083</td>
</tr>
<tr>
<td>Securities available-for-sale</td>
<td>330,260</td>
<td>595,673</td>
<td>925,933</td>
</tr>
<tr>
<td>Securities held-to-maturity</td>
<td>-</td>
<td>46,266</td>
<td>46,266</td>
</tr>
<tr>
<td>Financing, advances and receivables</td>
<td>2,639,804</td>
<td>3,291,811</td>
<td>5,931,615</td>
</tr>
<tr>
<td>Musyarakah capital investment</td>
<td>5,898</td>
<td>-</td>
<td>5,898</td>
</tr>
<tr>
<td>Other assets</td>
<td>703,963</td>
<td>-</td>
<td>703,963</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td><strong>6,691,951</strong></td>
<td><strong>4,051,335</strong></td>
<td><strong>10,743,286</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Liabilities</th>
<th>Less than 12 months</th>
<th>Over 12 months</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deposits from customers</td>
<td>4,561,610</td>
<td>-</td>
<td>4,561,610</td>
</tr>
<tr>
<td>Deposits and placements of banks and other financial institutions</td>
<td>3,430,134</td>
<td>56,508</td>
<td>3,486,642</td>
</tr>
<tr>
<td>Subordinated Murabah and Tawarruq</td>
<td>-</td>
<td>350,797</td>
<td>350,797</td>
</tr>
<tr>
<td>Murabahah bank financing</td>
<td>23,233</td>
<td>-</td>
<td>23,233</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>440,462</td>
<td>-</td>
<td>440,462</td>
</tr>
<tr>
<td><strong>Total Liabilities</strong></td>
<td><strong>8,455,439</strong></td>
<td><strong>407,305</strong></td>
<td><strong>8,862,744</strong></td>
</tr>
</tbody>
</table>

| Net         | (1,763,488)        | 3,644,030      | 1,880,542 |
50. FINANCIAL RISK MANAGEMENT

As an Islamic Bank with diverse financial product offerings, the Group and the Bank are exposed to different types of financial risks arising from financial instruments. Financial risks encompass credit risks, liquidity risks, operational risks and market risks. Due to these, risk management is integral to the Bank’s operation.

The main financial risks affecting the Group and the Bank are discussed further as follow:

(a) CREDIT RISK

(i) Maximum exposure to credit risk without taking account of any collateral

The following tables show the maximum exposure to credit risk for the components of the statements of financial position, including derivatives, before the effect of mitigation through the use of master netting and collateral agreements.

Where financial instruments are recorded at fair value, the amounts shown represent the current credit risk exposure but not the maximum risk exposure that could arise in the future as a result of changes in values.
50. FINANCIAL RISK MANAGEMENT (Cont'd.)

(a) CREDIT RISK (Cont'd.)

(i) Maximum exposure to credit risk without taking account of any collateral (Cont'd.)

<table>
<thead>
<tr>
<th></th>
<th>Group</th>
<th>Bank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and short-term funds</td>
<td>1,400,684</td>
<td>1,370,167</td>
</tr>
<tr>
<td>Deposits and placements with banks and other financial institutions</td>
<td>244,147</td>
<td>228,838</td>
</tr>
<tr>
<td>Securities held-for-trading</td>
<td>79,493</td>
<td>79,493</td>
</tr>
<tr>
<td>Securities available-for-sale</td>
<td>896,623</td>
<td>787,407</td>
</tr>
<tr>
<td>Securities held-to-maturity</td>
<td>81,493</td>
<td>81,493</td>
</tr>
<tr>
<td>Financing, advances and other receivables</td>
<td>5,974,169</td>
<td>5,974,169</td>
</tr>
<tr>
<td>Other assets</td>
<td>481,381</td>
<td>481,255</td>
</tr>
<tr>
<td>Statutory deposits with Bank Negara Malaysia (&quot;BNM&quot;)</td>
<td>191,717</td>
<td>191,717</td>
</tr>
<tr>
<td>Hedging financial instruments</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Ijarah rental swap</td>
<td>21,470</td>
<td>21,470</td>
</tr>
<tr>
<td><strong>Total On-Balance Sheet</strong></td>
<td>9,371,177</td>
<td>9,216,009</td>
</tr>
<tr>
<td>Financial guarantees</td>
<td>448,398</td>
<td>448,398</td>
</tr>
<tr>
<td>Contingent liabilities</td>
<td>158,720</td>
<td>158,720</td>
</tr>
<tr>
<td>Commitments</td>
<td>1,234,777</td>
<td>1,234,777</td>
</tr>
<tr>
<td><strong>Total Off-Balance Sheet</strong></td>
<td>1,841,895</td>
<td>1,841,895</td>
</tr>
<tr>
<td><strong>Total On and Off-Balance Sheet</strong></td>
<td>11,213,072</td>
<td>11,057,904</td>
</tr>
</tbody>
</table>
50. FINANCIAL RISK MANAGEMENT (Cont'd.)

(a) CREDIT RISK (Cont'd.)

(i) Maximum exposure to credit risk without taking account of any collateral (Cont'd.)

<table>
<thead>
<tr>
<th></th>
<th>Group RM'000</th>
<th>Bank RM'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and short-term funds</td>
<td>1,973,012</td>
<td>2,076,287</td>
</tr>
<tr>
<td>Deposits and placements with banks and other financial institutions</td>
<td>734,973</td>
<td>734,973</td>
</tr>
<tr>
<td>Securities held-for-trading</td>
<td>90,216</td>
<td>83,776</td>
</tr>
<tr>
<td>Securities available-for-sale</td>
<td>1,076,569</td>
<td>957,484</td>
</tr>
<tr>
<td>Securities held-to-maturity</td>
<td>47,125</td>
<td>47,125</td>
</tr>
<tr>
<td>Financing, advances and other receivables</td>
<td>6,428,508</td>
<td>6,428,508</td>
</tr>
<tr>
<td>Other assets</td>
<td>411,762</td>
<td>406,980</td>
</tr>
<tr>
<td>Statutory deposits with Bank Negara Malaysia (&quot;BNM&quot;)</td>
<td>180,200</td>
<td>180,200</td>
</tr>
<tr>
<td>Hedging financial instruments</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Ijarah rental swap</td>
<td>24,334</td>
<td>24,334</td>
</tr>
<tr>
<td>- Cross-currency Ijarah rental swap</td>
<td>18,635</td>
<td>18,635</td>
</tr>
<tr>
<td>- Promissory foreign exchange contract</td>
<td>719</td>
<td>719</td>
</tr>
<tr>
<td><strong>Total On-Balance Sheet</strong></td>
<td><strong>10,986,053</strong></td>
<td><strong>10,959,021</strong></td>
</tr>
<tr>
<td>Financial guarantees</td>
<td>637,113</td>
<td>637,113</td>
</tr>
<tr>
<td>Contingent liabilities</td>
<td>137,542</td>
<td>137,542</td>
</tr>
<tr>
<td>Commitments</td>
<td>1,204,978</td>
<td>1,204,978</td>
</tr>
<tr>
<td><strong>Total Off-Balance Sheet</strong></td>
<td><strong>1,979,633</strong></td>
<td><strong>1,979,633</strong></td>
</tr>
<tr>
<td><strong>Total On and Off-Balance Sheet</strong></td>
<td><strong>12,965,686</strong></td>
<td><strong>12,938,654</strong></td>
</tr>
</tbody>
</table>
50. FINANCIAL RISK MANAGEMENT (Cont'd.)

(a) CREDIT RISK (Cont'd.)

(i) Maximum exposure to credit risk without taking account of any collateral (Cont'd.)

<table>
<thead>
<tr>
<th>01.01.2011</th>
<th>Group</th>
<th>Bank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and short-term funds</td>
<td>2,651,695</td>
<td>2,744,436</td>
</tr>
<tr>
<td>Deposits and placements with banks and other financial institutions</td>
<td>275,092</td>
<td>275,092</td>
</tr>
<tr>
<td>Securities held-for-trading</td>
<td>110,083</td>
<td>110,083</td>
</tr>
<tr>
<td>Securities available-for-sale</td>
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<td>Financing, advances and other receivables</td>
<td>6,603,272</td>
<td>6,603,272</td>
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<td>Other assets</td>
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<td>Statutory deposits with Bank Negara Malaysia (&quot;BNM&quot;)</td>
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<td>Hedging financial instruments</td>
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<tr>
<td>- Ijarah rental swap</td>
<td>19,862</td>
<td>19,862</td>
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<td>24,846</td>
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<td>- Promissory foreign exchange contract</td>
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<tr>
<td><strong>Total On-Balance Sheet</strong></td>
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50. FINANCIAL RISK MANAGEMENT (Cont'd.)

(a) CREDIT RISK (Cont'd.)

(i) Maximum exposure to credit risk without taking account of any collateral (Cont'd.)

By geographical segment:

<table>
<thead>
<tr>
<th>Geographic region</th>
<th>Total gross maximum exposure</th>
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<td>Securities available-for-sale</td>
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<td>- Unquoted</td>
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<td>Financing, advances and other receivables</td>
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<td>Hedging financial instruments</td>
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<td>- Ijarah rental swap</td>
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<td>Total On and Off-Balance Sheet</td>
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50. FINANCIAL RISK MANAGEMENT (Cont'd.)

(a) CREDIT RISK (Cont’d.)

(i) Maximum exposure to credit risk without taking account of any collateral (Cont’d.)

By geographical segment: (Cont’d.)

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<td>Hedging financial instruments</td>
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<td>- Ijarah rental swap</td>
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<td>- Cross-currency Ijarah rental swap</td>
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<td>- Promissory foreign exchange contract</td>
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<td><strong>Total On-Balance Sheet</strong></td>
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50. FINANCIAL RISK MANAGEMENT (Cont'd.)

(a) CREDIT RISK (Cont'd.)

(i) Maximum exposure to credit risk without taking account of any collateral (Cont'd.)

By geographical segment: (Cont'd.)

### Geographic region

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<th>Group</th>
<th>Total gross maximum exposure</th>
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<th>Middle East</th>
<th>Others</th>
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<td>- Unquoted</td>
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<td>- Ijarah rental swap</td>
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<td>19,862</td>
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<td>19,862</td>
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<td>- Cross-currency Ijarah rental swap</td>
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<td>150,000</td>
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<td>81,976</td>
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<td>1,155,836</td>
<td>1,082,265</td>
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50. FINANCIAL RISK MANAGEMENT (Cont'd.)

(a) CREDIT RISK (Cont'd.)

(i) Maximum exposure to credit risk without taking account of any collateral (Cont'd.)

By geographical segment: (Cont'd.)

<table>
<thead>
<tr>
<th>Geographic region</th>
<th>Malaysia</th>
<th>Middle East</th>
<th>Others</th>
<th>Total gross maximum exposure</th>
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<td>- Unquoted</td>
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<td>41,212</td>
<td>-</td>
<td>79,493</td>
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<td></td>
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<tr>
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<td>292,852</td>
<td>-</td>
<td>787,407</td>
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<tr>
<td>- Unquoted</td>
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<td>-</td>
<td>51,122</td>
<td>81,493</td>
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<td>-</td>
<td>191,717</td>
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<tr>
<td>Hedging financial instruments</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Ijarah rental swap</td>
<td>21,470</td>
<td>-</td>
<td>-</td>
<td>21,470</td>
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<tr>
<td><strong>Total On-Balance Sheet</strong></td>
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<td>448,398</td>
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<td>383,823</td>
<td>460,862</td>
<td>11,057,904</td>
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</table>
50. FINANCIAL RISK MANAGEMENT (Cont'd.)

(a) CREDIT RISK (Cont'd.)

(i) Maximum exposure to credit risk without taking account of any collateral (Cont'd.)

By geographical segment: (Cont'd.)

<table>
<thead>
<tr>
<th>Geographic region</th>
<th>Malaysia</th>
<th>Middle East</th>
<th>Others</th>
<th>Total gross maximum exposure</th>
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<td></td>
<td>RM'000</td>
<td>RM'000</td>
<td>RM'000</td>
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<td>- Unquoted</td>
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<td>- Unquoted</td>
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<td>31,857</td>
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<td>47,125</td>
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<td>6,428,508</td>
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<td>406,980</td>
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<td>-</td>
<td>-</td>
<td>180,200</td>
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<td>Hedging financial instruments</td>
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<td></td>
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<td></td>
</tr>
<tr>
<td>- Ijarah rental swap</td>
<td>24,334</td>
<td>-</td>
<td>-</td>
<td>24,334</td>
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<td>- Cross-currency Ijarah rental swap</td>
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<td>-</td>
<td>-</td>
<td>18,635</td>
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<td>- Promissory foreign exchange contract</td>
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<td>719</td>
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<td>Commitments</td>
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50. FINANCIAL RISK MANAGEMENT (Cont'd.)
(a) CREDIT RISK (Cont'd.)
(i) Maximum exposure to credit risk without taking account of any collateral (Cont'd.)

By geographical segment: (Cont'd.)

<table>
<thead>
<tr>
<th>Geographic region</th>
<th>Total gross maximum exposure</th>
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<td>Malaysia</td>
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<td>Commitments</td>
<td>1,236,616</td>
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<td>Total Off-Balance Sheet</td>
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<td>Total On and Off-Balance Sheet</td>
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50. FINANCIAL RISK MANAGEMENT (Cont'd.)

(a) CREDIT RISK (Cont'd.)

(i) Maximum exposure to credit risk without taking account of any collateral (Cont'd.)

By industry sector:

<table>
<thead>
<tr>
<th>Industry</th>
<th>Trading and manufacturing</th>
<th>Banks and financial institutions</th>
<th>Construction and real estate</th>
<th>Transportation, storage and communication</th>
<th>Government</th>
<th>Others</th>
<th>Total gross maximum exposure</th>
</tr>
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<tbody>
<tr>
<td>Group</td>
<td>RM'000</td>
<td>RM'000</td>
<td>RM'000</td>
<td>RM'000</td>
<td>RM'000</td>
<td>RM'000</td>
<td>RM'000</td>
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50. FINANCIAL RISK MANAGEMENT (Cont'd.)

(a) CREDIT RISK (Cont'd.)

(i) Maximum exposure to credit risk without taking account of any collateral (Cont'd.)

By industry sector: (Cont'd.)

<table>
<thead>
<tr>
<th>Industry</th>
<th>Trading and manufacturing</th>
<th>Banks and financial institutions</th>
<th>Construction and real estate</th>
<th>Transportation, storage and communication</th>
<th>Government</th>
<th>Others</th>
<th>Total gross maximum exposure</th>
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<td>RM'000</td>
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<td>480,435</td>
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<td>411,762</td>
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<td>180,200</td>
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<td>3,665,796</td>
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<td>808,693</td>
<td>3,665,796</td>
<td>12,965,886</td>
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KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD
(672174-T)
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2012

50. FINANCIAL RISK MANAGEMENT (Cont'd.)

(a) CREDIT RISK (Cont'd.)

(i) Maximum exposure to credit risk without taking account of any collateral (Cont'd.)

By industry sector: (Cont'd.)

<table>
<thead>
<tr>
<th>Industry</th>
<th>Trading and manufacturing</th>
<th>Banks and financial institutions</th>
<th>Construction and real estate</th>
<th>Transportation, storage and communication</th>
<th>Government</th>
<th>Others</th>
<th>Total gross maximum exposure</th>
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<td>RM'000</td>
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<td>RM'000</td>
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<td>-</td>
<td>80,632</td>
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50. FINANCIAL RISK MANAGEMENT (Cont'd.)

(a) CREDIT RISK (Cont'd.)

(i) Maximum exposure to credit risk without taking account of any collateral (Cont'd.)

By industry sector: (Cont'd.)

<table>
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<tr>
<th></th>
<th></th>
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<tr>
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<td>Trading and manufacturing</td>
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<td>360,993</td>
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<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Statutory deposits with BNM</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Hedging financial instruments</td>
<td>-</td>
<td>-</td>
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<td><strong>Total On and Off-Balance Sheet</strong></td>
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<td>2,249,962</td>
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KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD
(672174-T)
(Incorporated in Malaysia)
50. FINANCIAL RISK MANAGEMENT (Cont’d.)

(a) CREDIT RISK (Cont’d.)

(i) Maximum exposure to credit risk without taking account of any collateral (Cont’d.)

By industry sector: (Cont’d.)

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<th>Industry</th>
<th>Total gross maximum exposure</th>
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<td>Financing, advances and other receivables</td>
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<td>-</td>
</tr>
<tr>
<td>Statutory deposits with BNM</td>
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<th>Others</th>
<th>Total On-Balance Sheet</th>
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<td>RM’000</td>
<td>RM’000</td>
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<td>110,204</td>
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<td>957,484</td>
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<td>630,003</td>
<td>110,204</td>
<td>361,350</td>
<td>6,428,508</td>
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<td>180,200</td>
<td>180,200</td>
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<td>15,918</td>
<td>-</td>
<td>24,315</td>
<td>-</td>
<td>3,081</td>
<td>43,688</td>
</tr>
<tr>
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<td>3,060,093</td>
<td>10,959,021</td>
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<td>Financial guarantees</td>
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<td>1,137</td>
<td>-</td>
<td>159,513</td>
<td>637,113</td>
</tr>
<tr>
<td>Contingent liabilities</td>
<td>31,914</td>
<td>66,976</td>
<td>28,246</td>
<td>9,958</td>
<td>-</td>
<td>448</td>
<td>137,542</td>
</tr>
<tr>
<td>Commitments</td>
<td>279,128</td>
<td>126,564</td>
<td>411,948</td>
<td>71,903</td>
<td>-</td>
<td>315,435</td>
<td>1,204,978</td>
</tr>
<tr>
<td>Total Off-Balance Sheet</td>
<td>750,510</td>
<td>214,913</td>
<td>455,815</td>
<td>82,998</td>
<td>-</td>
<td>475,396</td>
<td>1,979,633</td>
</tr>
<tr>
<td>Total On and Off-Balance Sheet</td>
<td>2,139,372</td>
<td>3,904,163</td>
<td>2,247,275</td>
<td>808,693</td>
<td>303,662</td>
<td>3,535,489</td>
<td>12,938,654</td>
</tr>
</tbody>
</table>
50. FINANCIAL RISK MANAGEMENT (Cont’d.)

(a) CREDIT RISK (Cont’d.)

(i) Maximum exposure to credit risk without taking account of any collateral (Cont’d.)

By industry sector: (Cont’d.)

<table>
<thead>
<tr>
<th>Industry</th>
<th>Trading and manufacturing</th>
<th>Banks and financial institutions</th>
<th>Construction and real estate</th>
<th>Transportation, storage and communication</th>
<th>Government</th>
<th>Others</th>
<th>Total gross maximum exposure</th>
</tr>
</thead>
<tbody>
<tr>
<td>01.01.2011</td>
<td>RM'000</td>
<td>RM'000</td>
<td>RM'000</td>
<td>RM'000</td>
<td>RM'000</td>
<td>RM'000</td>
<td>RM'000</td>
</tr>
<tr>
<td>Bank</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and short-term funds</td>
<td>-</td>
<td>2,744,436</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>2,744,436</td>
</tr>
<tr>
<td>Deposits and placements with banks and other financial institutions</td>
<td>-</td>
<td>275,092</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>275,092</td>
</tr>
<tr>
<td>Securities held-for-trading</td>
<td>-</td>
<td>106,886</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>3,197</td>
</tr>
<tr>
<td>Securities available-for-sale</td>
<td>-</td>
<td>231,950</td>
<td>117,177</td>
<td>56,874</td>
<td>212,181</td>
<td>288,751</td>
<td>906,933</td>
</tr>
<tr>
<td>Securities held-to-maturity</td>
<td>-</td>
<td>-</td>
<td>31,016</td>
<td>-</td>
<td>-</td>
<td>15,250</td>
<td>46,266</td>
</tr>
<tr>
<td>Financing, advances and other receivables</td>
<td>1,639,681</td>
<td>696,682</td>
<td>2,100,177</td>
<td>721,796</td>
<td>-</td>
<td>1,444,936</td>
<td>6,603,272</td>
</tr>
<tr>
<td>Other assets</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>366,482</td>
</tr>
<tr>
<td>Statutory deposits with BNM</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>44,854</td>
</tr>
<tr>
<td>Hedging financial instruments</td>
<td>10</td>
<td>60,770</td>
<td>-</td>
<td>19,852</td>
<td>-</td>
<td>-</td>
<td>80,632</td>
</tr>
<tr>
<td>Total On-Balance Sheet</td>
<td>1,639,691</td>
<td>4,115,816</td>
<td>2,248,370</td>
<td>798,522</td>
<td>257,035</td>
<td>2,118,616</td>
<td>11,178,050</td>
</tr>
<tr>
<td>Financial guarantees</td>
<td>34,130</td>
<td>21,273</td>
<td>160,830</td>
<td>421,550</td>
<td>-</td>
<td>-</td>
<td>644,403</td>
</tr>
<tr>
<td>Contingent liabilities</td>
<td>93,663</td>
<td>106,044</td>
<td>126,007</td>
<td>9,862</td>
<td>-</td>
<td>-</td>
<td>345,931</td>
</tr>
<tr>
<td>Commitments</td>
<td>166,024</td>
<td>96,084</td>
<td>698,443</td>
<td>61,855</td>
<td>-</td>
<td>-</td>
<td>1,243,002</td>
</tr>
<tr>
<td>Total Off-Balance Sheet</td>
<td>293,817</td>
<td>223,401</td>
<td>985,280</td>
<td>493,267</td>
<td>-</td>
<td>-</td>
<td>2,233,336</td>
</tr>
<tr>
<td>Total On and Off-Balance Sheet</td>
<td>1,933,508</td>
<td>4,339,217</td>
<td>3,233,650</td>
<td>1,291,789</td>
<td>257,035</td>
<td>2,356,187</td>
<td>13,411,386</td>
</tr>
</tbody>
</table>
50. FINANCIAL RISK MANAGEMENT (Cont'd.)

(a) CREDIT RISK (Cont’d.)

(i) Maximum exposure to credit risk without taking account of any collateral (Cont’d.)

An industry residual maturity analysis of the Bank’s financial assets, before taking into account collateral held is as follows:

By residual maturity:

<table>
<thead>
<tr>
<th>31.12.2012 Group</th>
<th>Residual Maturity</th>
<th>Not on demand and no maturity date</th>
<th>Total gross maximum exposure</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Less than 6 months</td>
<td>6 months to 1 year</td>
<td>1 year to 5 years</td>
</tr>
<tr>
<td>Cash and short-term funds</td>
<td>1,315,832</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Deposits and placements with banks and other financial institutions</td>
<td>151,741</td>
<td>92,406</td>
<td>-</td>
</tr>
<tr>
<td>Securities held-for-trading</td>
<td>20,238</td>
<td>232,758</td>
<td>286,292</td>
</tr>
<tr>
<td>Securities available-for-sale</td>
<td>-</td>
<td>-</td>
<td>56,172</td>
</tr>
<tr>
<td>Financing, advances and other receivables</td>
<td>3,342,481</td>
<td>335,670</td>
<td>327,863</td>
</tr>
<tr>
<td>Other assets</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Statutory deposits with BNM</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Hedging financial instruments</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total On-Balance Sheet</strong></td>
<td><strong>4,830,292</strong></td>
<td><strong>660,834</strong></td>
<td><strong>680,105</strong></td>
</tr>
<tr>
<td>Financial guarantees</td>
<td>423,087</td>
<td>13,032</td>
<td>12,279</td>
</tr>
<tr>
<td>Contingent liabilities</td>
<td>58,337</td>
<td>55,435</td>
<td>40,699</td>
</tr>
<tr>
<td>Commitments</td>
<td>736,925</td>
<td>14,447</td>
<td>243,232</td>
</tr>
<tr>
<td><strong>Total Off-Balance Sheet</strong></td>
<td><strong>1,218,349</strong></td>
<td><strong>82,914</strong></td>
<td><strong>296,210</strong></td>
</tr>
<tr>
<td><strong>Total On and Off-Balance Sheet</strong></td>
<td><strong>6,048,641</strong></td>
<td><strong>743,748</strong></td>
<td><strong>976,315</strong></td>
</tr>
</tbody>
</table>
50. FINANCIAL RISK MANAGEMENT (Cont'd.)

(a) CREDIT RISK (Cont'd.)

(i) Maximum exposure to credit risk without taking account of any collateral (Cont'd.)

An industry residual maturity analysis of the Bank's financial assets, before taking into account collateral held is as follows: (Cont'd.)

By residual maturity: (Cont'd.)

<table>
<thead>
<tr>
<th>Residual Maturity</th>
<th>Not on demand and no maturity date</th>
<th>Total gross maximum exposure</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and short-term funds</td>
<td>1,973,012</td>
<td>1,973,012</td>
</tr>
<tr>
<td>Deposits and placements with banks and other financial institutions</td>
<td>689,983 44,990</td>
<td>734,973</td>
</tr>
<tr>
<td>Securities held-for-trading</td>
<td>- 60,907 22,870 6,439</td>
<td>90,216</td>
</tr>
<tr>
<td>Securities available-for-sale</td>
<td>120,904 183,434 598,060 119,745 54,426 1,076,569</td>
<td></td>
</tr>
<tr>
<td>Securities held-to-maturity</td>
<td>15,268 31,857 -</td>
<td>47,125</td>
</tr>
<tr>
<td>Financing, advances and other receivables</td>
<td>3,990,687 29,484 717,915 1,608,101 82,321 6,428,508</td>
<td></td>
</tr>
<tr>
<td>Other assets</td>
<td>- -</td>
<td>411,762</td>
</tr>
<tr>
<td>Statutory deposits with BNM</td>
<td>-</td>
<td>180,200</td>
</tr>
<tr>
<td>Hedging financial instruments</td>
<td>3,625 15,922 24,141</td>
<td>43,688</td>
</tr>
<tr>
<td><strong>Total On-Balance Sheet</strong></td>
<td>6,793,479 366,594 1,338,845 1,758,426 728,709 10,986,053</td>
<td></td>
</tr>
<tr>
<td>Financial guarantees</td>
<td>41,851 10,686 14,576 -</td>
<td>570,000 637,113</td>
</tr>
<tr>
<td>Contingent liabilities</td>
<td>91,332 7,287 34,372 4,551</td>
<td>137,542</td>
</tr>
<tr>
<td>Commitments</td>
<td>522,020 103,269 356,485 196,104 27,100 1,204,978</td>
<td></td>
</tr>
<tr>
<td><strong>Total Off-Balance Sheet</strong></td>
<td>655,203 121,242 405,433 200,655 597,100 1,979,633</td>
<td></td>
</tr>
<tr>
<td><strong>Total On and Off-Balance Sheet</strong></td>
<td>7,448,682 487,836 1,744,278 1,959,081 1,325,809 12,965,686</td>
<td></td>
</tr>
</tbody>
</table>
50. FINANCIAL RISK MANAGEMENT (Cont'd.)
   (a) CREDIT RISK (Cont'd.)
   (i) Maximum exposure to credit risk without taking account of any collateral (Cont'd.)

   An industry residual maturity analysis of the Bank's financial assets, before taking into account collateral held is as follows: (Cont'd.)

   By residual maturity: (Cont'd.)

<table>
<thead>
<tr>
<th>Residual Maturity</th>
<th>01.01.2011</th>
<th>01.01.2012</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Less than 6 months</td>
<td>6 months to 1 year</td>
</tr>
<tr>
<td>Group</td>
<td>RM’000</td>
<td>RM’000</td>
</tr>
<tr>
<td>Cash and short-term funds</td>
<td>2,651,695</td>
<td>-</td>
</tr>
<tr>
<td>Deposits and placements with banks and other financial institutions</td>
<td>-</td>
<td>275,092</td>
</tr>
<tr>
<td>Securities held-for-trading</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Securities available-for-sale</td>
<td>121,106</td>
<td>174,895</td>
</tr>
<tr>
<td>Securities held-to-maturity</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Financing, advances and other receivables</td>
<td>4,875,465</td>
<td>53,974</td>
</tr>
<tr>
<td>Other assets</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Statutory deposits with BNM</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Hedging financial instruments</td>
<td>38,760</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total On-Balance Sheet</strong></td>
<td>7,687,026</td>
<td>503,961</td>
</tr>
<tr>
<td>Financial guarantees</td>
<td>32,475</td>
<td>828</td>
</tr>
<tr>
<td>Contingent liabilities</td>
<td>277,537</td>
<td>18,143</td>
</tr>
<tr>
<td>Commitments</td>
<td>615,320</td>
<td>107,535</td>
</tr>
<tr>
<td><strong>Total Off-Balance Sheet</strong></td>
<td>925,332</td>
<td>126,506</td>
</tr>
<tr>
<td><strong>Total On and Off-Balance Sheet</strong></td>
<td>8,612,358</td>
<td>630,467</td>
</tr>
</tbody>
</table>
50. FINANCIAL RISK MANAGEMENT (Cont'd.)

(a) CREDIT RISK (Cont'd.)

(i) Maximum exposure to credit risk without taking account of any collateral (Cont'd.)

An industry residual maturity analysis of the Bank’s financial assets, before taking into account collateral held is as follows: (Cont'd.)

By residual maturity: (Cont'd.)

<table>
<thead>
<tr>
<th>Residual Maturity</th>
<th>Not on demand</th>
<th>Total gross maximum exposure</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 6 months</td>
<td>6 months to 1 year</td>
<td>1 year to 5 years</td>
</tr>
<tr>
<td>Bank</td>
<td>RM'000</td>
<td>RM’000</td>
</tr>
<tr>
<td>Cash and short-term funds</td>
<td>1,370,167</td>
<td>-</td>
</tr>
<tr>
<td>Deposits and placements with banks and other financial institutions</td>
<td>137,098</td>
<td>91,740</td>
</tr>
<tr>
<td>Securities held-for-trading</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Securities available-for-sale</td>
<td>20,238</td>
<td>217,124</td>
</tr>
<tr>
<td>Securities held-to-maturity</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Financing, advances and other receivables</td>
<td>3,342,481</td>
<td>335,670</td>
</tr>
<tr>
<td>Other assets</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Statutory deposits with BNM</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Hedging financial instruments</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total On-Balance Sheet</td>
<td>4,869,984</td>
<td>644,534</td>
</tr>
<tr>
<td>Financial guarantees</td>
<td>423,087</td>
<td>13,032</td>
</tr>
<tr>
<td>Contingent liabilities</td>
<td>58,337</td>
<td>55,435</td>
</tr>
<tr>
<td>Commitments</td>
<td>736,925</td>
<td>14,447</td>
</tr>
<tr>
<td>Total Off-Balance Sheet</td>
<td>1,218,349</td>
<td>82,914</td>
</tr>
<tr>
<td>Total On and Off-Balance Sheet</td>
<td>6,088,333</td>
<td>727,448</td>
</tr>
</tbody>
</table>
50. FINANCIAL RISK MANAGEMENT (Cont'd.)

(a) CREDIT RISK (Cont'd.)

(i) Maximum exposure to credit risk without taking account of any collateral (Cont'd.)

An industry residual maturity analysis of the Bank’s financial assets, before taking into account collateral held is as follows: (Cont'd.)

By residual maturity: (Cont'd.)

<table>
<thead>
<tr>
<th>Time to Maturity</th>
<th>Residual Maturity</th>
<th>Not on demand and no maturity date</th>
<th>Total gross maximum exposure</th>
</tr>
</thead>
<tbody>
<tr>
<td>31.12.2011</td>
<td>Less than 6 months</td>
<td>6 months to 1 year</td>
<td>1 year to 5 years</td>
</tr>
<tr>
<td>Bank</td>
<td>RM’000</td>
<td>RM’000</td>
<td>RM’000</td>
</tr>
<tr>
<td>Cash and short-term funds</td>
<td>2,076,287</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Deposits and placements with banks and other financial institutions</td>
<td>689,983</td>
<td>44,990</td>
<td>-</td>
</tr>
<tr>
<td>Securities held-for-trading</td>
<td>107,643</td>
<td>183,434</td>
<td>562,857</td>
</tr>
<tr>
<td>Securities available-for-sale</td>
<td>15,268</td>
<td>31,857</td>
<td>-</td>
</tr>
<tr>
<td>Financing, advances and other receivables</td>
<td>3,990,687</td>
<td>29,484</td>
<td>717,915</td>
</tr>
<tr>
<td>Other assets</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Statutory deposits with BNM</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Hedging financial instruments</td>
<td>3,625</td>
<td>15,922</td>
<td>-</td>
</tr>
<tr>
<td>Total On-Balance Sheet</td>
<td>6,883,493</td>
<td>366,593</td>
<td>1,303,642</td>
</tr>
<tr>
<td>Financial guarantees</td>
<td>41,850</td>
<td>10,686</td>
<td>14,576</td>
</tr>
<tr>
<td>Contingent liabilities</td>
<td>91,332</td>
<td>7,287</td>
<td>34,372</td>
</tr>
<tr>
<td>Commitments</td>
<td>15,268</td>
<td>31,857</td>
<td>-</td>
</tr>
<tr>
<td>Total Off-Balance Sheet</td>
<td>655,202</td>
<td>121,242</td>
<td>405,433</td>
</tr>
<tr>
<td>Total On and Off-Balance Sheet</td>
<td>7,538,695</td>
<td>487,835</td>
<td>1,709,075</td>
</tr>
</tbody>
</table>
50. FINANCIAL RISK MANAGEMENT (Cont'd.)

(a) CREDIT RISK (Cont'd.)

(i) Maximum exposure to credit risk without taking account of any collateral (Cont'd.)

An industry residual maturity analysis of the Bank’s financial assets, before taking into account collateral held is as follows: (Cont'd.)

By residual maturity: (Cont'd.)

<table>
<thead>
<tr>
<th>Residual Maturity</th>
<th>Less than 6 months</th>
<th>6 months to 1 year</th>
<th>1 year to 5 years</th>
<th>More than 5 years</th>
<th>Not on demand and no maturity date</th>
<th>Total gross maximum exposure</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and short-term funds</td>
<td>2,744,436</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>2,744,436</td>
</tr>
<tr>
<td>Deposits and placements with banks and other financial institutions</td>
<td>-</td>
<td>275,092</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>275,092</td>
</tr>
<tr>
<td>Securities held-for-trading</td>
<td>-</td>
<td>-</td>
<td>110,083</td>
<td>-</td>
<td>-</td>
<td>110,083</td>
</tr>
<tr>
<td>Securities available-for-sale</td>
<td>121,105</td>
<td>174,895</td>
<td>490,964</td>
<td>119,969</td>
<td>-</td>
<td>906,933</td>
</tr>
<tr>
<td>Securities held-to-maturity</td>
<td>-</td>
<td>-</td>
<td>46,266</td>
<td>-</td>
<td>-</td>
<td>46,266</td>
</tr>
<tr>
<td>Financing, advances and other receivables</td>
<td>4,875,465</td>
<td>53,974</td>
<td>957,500</td>
<td>681,041</td>
<td>35,292</td>
<td>6,603,272</td>
</tr>
<tr>
<td>Other assets</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>366,482</td>
<td>366,482</td>
</tr>
<tr>
<td>Statutory deposits with BNM</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>44,854</td>
<td>44,854</td>
</tr>
<tr>
<td>Hedging financial instruments</td>
<td>38,760</td>
<td>-</td>
<td>22,170</td>
<td>19,702</td>
<td>-</td>
<td>80,632</td>
</tr>
<tr>
<td><strong>Total On-Balance Sheet</strong></td>
<td>7,779,766</td>
<td>503,961</td>
<td>1,516,900</td>
<td>930,795</td>
<td>446,628</td>
<td>11,178,050</td>
</tr>
<tr>
<td>Financial guarantees</td>
<td>32,475</td>
<td>828</td>
<td>41,100</td>
<td>-</td>
<td>570,000</td>
<td>644,403</td>
</tr>
<tr>
<td>Contingent liabilities</td>
<td>277,537</td>
<td>18,143</td>
<td>45,700</td>
<td>4,551</td>
<td>-</td>
<td>345,931</td>
</tr>
<tr>
<td>Commitments</td>
<td>615,320</td>
<td>107,535</td>
<td>440,095</td>
<td>52,952</td>
<td>27,100</td>
<td>1,243,002</td>
</tr>
<tr>
<td><strong>Total Off-Balance Sheet</strong></td>
<td>925,332</td>
<td>126,506</td>
<td>526,895</td>
<td>57,503</td>
<td>597,100</td>
<td>2,233,336</td>
</tr>
<tr>
<td><strong>Total On and Off-Balance Sheet</strong></td>
<td>8,705,098</td>
<td>630,467</td>
<td>2,043,795</td>
<td>988,298</td>
<td>1,043,728</td>
<td>13,411,386</td>
</tr>
</tbody>
</table>
(a) CREDIT RISK (Cont'd.)

(ii) Credit quality per class of financial assets

The credit quality of financial assets is managed by the Bank using internal credit ratings. The table below shows the credit quality by class of asset for all financial assets exposed to credit risk, based on the Bank’s internal credit rating system. The amount presented are gross of impairment allowances.

<table>
<thead>
<tr>
<th>31.12.2012</th>
<th>Performing</th>
<th>Unrated</th>
<th>Past due but not impaired</th>
<th>Restructured &amp; rescheduled</th>
<th>Impaired</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Group</td>
<td>RM’000</td>
<td>RM’000</td>
<td>RM’000</td>
<td>RM’000</td>
<td>RM’000</td>
<td>RM’000</td>
</tr>
<tr>
<td>Securities held-for-trading</td>
<td>79,493</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
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<tr>
<td>Securities available-for-sale</td>
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<td>-</td>
<td>-</td>
<td>-</td>
<td>46,166</td>
<td>896,623</td>
</tr>
<tr>
<td>Securities held-to-maturity</td>
<td>81,493</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>81,493</td>
</tr>
<tr>
<td>Financing, advances and other receivables</td>
<td>2,003,777</td>
<td>918,913</td>
<td>1,171,842</td>
<td>946,083</td>
<td>933,554</td>
<td>5,974,169</td>
</tr>
<tr>
<td>Other assets</td>
<td>2,575</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>2,575</td>
</tr>
<tr>
<td>Hedging financial instruments</td>
<td>21,470</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>21,470</td>
</tr>
<tr>
<td><strong>Total On-Balance Sheet</strong></td>
<td>3,039,265</td>
<td>918,913</td>
<td>1,171,842</td>
<td>946,083</td>
<td>979,720</td>
<td>7,055,823</td>
</tr>
<tr>
<td>Financial guarantees</td>
<td>448,398</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>448,398</td>
</tr>
<tr>
<td>Contingent liabilities</td>
<td>158,720</td>
<td>-</td>
<td>-</td>
<td>-</td>
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<td>158,720</td>
</tr>
<tr>
<td>Commitments</td>
<td>1,234,777</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1,234,777</td>
</tr>
<tr>
<td><strong>Total Off-Balance Sheet</strong></td>
<td>1,841,895</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1,841,895</td>
</tr>
<tr>
<td><strong>Total On and Off-Balance Sheet</strong></td>
<td>4,881,160</td>
<td>918,913</td>
<td>1,171,842</td>
<td>946,083</td>
<td>979,720</td>
<td>8,897,718</td>
</tr>
</tbody>
</table>
50. FINANCIAL RISK MANAGEMENT (Cont'd.)

(a) CREDIT RISK (Cont'd.)

(ii) Credit quality per class of financial assets (Cont'd.)

The credit quality of financial assets is managed by the Bank using internal credit ratings. The table below shows the credit quality by class of asset for all financial assets exposed to credit risk, based on the Bank's internal credit rating system. The amount presented are gross of impairment allowances. (Cont'd.)

<table>
<thead>
<tr>
<th>Group</th>
<th>Performing</th>
<th>Unrated</th>
<th>Past due but not impaired</th>
<th>Restructured &amp; rescheduled</th>
<th>Impaired</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Securities held-for-trading</td>
<td>90,216</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>90,216</td>
</tr>
<tr>
<td>Securities available-for-sale</td>
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<td>-</td>
<td>-</td>
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<td>1,076,569</td>
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<tr>
<td>Securities held-to-maturity</td>
<td>47,125</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>47,125</td>
</tr>
<tr>
<td>Financing, advances and other receivables</td>
<td>2,741,712</td>
<td>1,188,364</td>
<td>555,173</td>
<td>449,611</td>
<td>1,493,648</td>
<td>6,428,508</td>
</tr>
<tr>
<td>Other assets</td>
<td>270</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>270</td>
</tr>
<tr>
<td>Hedging financial instruments</td>
<td>43,688</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>43,688</td>
</tr>
<tr>
<td><strong>Total On-Balance Sheet</strong></td>
<td>3,914,381</td>
<td>1,209,454</td>
<td>555,173</td>
<td>449,611</td>
<td>1,557,757</td>
<td>7,686,376</td>
</tr>
<tr>
<td>Financial guarantees</td>
<td>637,113</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>637,113</td>
</tr>
<tr>
<td>Contingent liabilities</td>
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<td>-</td>
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<td>137,542</td>
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<tr>
<td>Commitments</td>
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<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1,204,978</td>
</tr>
<tr>
<td><strong>Total Off-Balance Sheet</strong></td>
<td>1,979,633</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1,979,633</td>
</tr>
<tr>
<td><strong>Total On and Off-Balance Sheet</strong></td>
<td>5,894,014</td>
<td>1,209,454</td>
<td>555,173</td>
<td>449,611</td>
<td>1,557,757</td>
<td>9,666,009</td>
</tr>
</tbody>
</table>
50. FINANCIAL RISK MANAGEMENT (Cont'd.)

(a) CREDIT RISK (Cont'd.)

(ii) Credit quality per class of financial assets (Cont'd.)

The credit quality of financial assets is managed by the Bank using internal credit ratings. The table below shows the credit quality by class of asset for all financial assets exposed to credit risk, based on the Bank's internal credit rating system. The amount presented are gross of impairment allowances. (Cont'd.)

<table>
<thead>
<tr>
<th>01.01.2011 Group</th>
<th>Performing</th>
<th>Unrated</th>
<th>Past due but not impaired</th>
<th>Restructured &amp; rescheduled</th>
<th>Impaired</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>RM’000</td>
<td>RM’000</td>
<td>RM’000</td>
<td>RM’000</td>
<td>RM’000</td>
<td>RM’000</td>
<td>RM’000</td>
</tr>
<tr>
<td>Securities held-for-trading</td>
<td>110,083</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>110,083</td>
</tr>
<tr>
<td>Securities available-for-sale</td>
<td>1,023,882</td>
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<td>10,624</td>
<td>-</td>
<td>1,034,506</td>
</tr>
<tr>
<td>Securities held-to-maturity</td>
<td>46,266</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>46,266</td>
</tr>
<tr>
<td>Financing, advances and other receivables</td>
<td>4,049,357</td>
<td>-</td>
<td>886,415</td>
<td>873,513</td>
<td>793,987</td>
<td>6,603,272</td>
</tr>
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<td>Hedging financial instruments</td>
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<td>-</td>
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<td>-</td>
<td>80,632</td>
</tr>
<tr>
<td><strong>Total On-Balance Sheet</strong></td>
<td>5,310,220</td>
<td>-</td>
<td>886,415</td>
<td>884,137</td>
<td>793,987</td>
<td>7,874,759</td>
</tr>
<tr>
<td>Financial guarantees</td>
<td>644,403</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>644,403</td>
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<td>Contingent liabilities</td>
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<td>345,931</td>
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<tr>
<td>Commitments</td>
<td>1,243,002</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1,243,002</td>
</tr>
<tr>
<td><strong>Total Off-Balance Sheet</strong></td>
<td>2,233,336</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>2,233,336</td>
</tr>
<tr>
<td><strong>Total On and Off-Balance Sheet</strong></td>
<td>7,543,556</td>
<td>-</td>
<td>886,415</td>
<td>884,137</td>
<td>793,987</td>
<td>10,108,095</td>
</tr>
</tbody>
</table>
50. FINANCIAL RISK MANAGEMENT (Cont’d.)

(a) CREDIT RISK (Cont’d.)

(ii) Credit quality per class of financial assets (Cont’d.)

The credit quality of financial assets is managed by the Bank using internal credit ratings. The table below shows the credit quality by class of asset for all financial assets exposed to credit risk, based on the Bank’s internal credit rating system. The amount presented are gross of impairment allowances. (Cont’d.)

<table>
<thead>
<tr>
<th></th>
<th>31.12.2012</th>
<th>Performing</th>
<th>Unrated</th>
<th>Past due but not impaired</th>
<th>Restructured &amp; rescheduled</th>
<th>Impaired</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bank</td>
<td></td>
<td>RM’000</td>
<td>RM’000</td>
<td>RM’000</td>
<td>RM’000</td>
<td>RM’000</td>
<td>RM’000</td>
</tr>
<tr>
<td>Bank Securities held-for-trading</td>
<td>79,493</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>79,493</td>
</tr>
<tr>
<td>Securities available-for-sale</td>
<td>777,363</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>10,044</td>
<td>787,407</td>
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<tr>
<td>Securities held-to-maturity</td>
<td>81,493</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>81,493</td>
</tr>
<tr>
<td>Financing, advances and other receivables</td>
<td>2,003,777</td>
<td>918,913</td>
<td>1,171,842</td>
<td>946,083</td>
<td>933,554</td>
<td>5,974,169</td>
<td></td>
</tr>
<tr>
<td>Other assets</td>
<td>2,575</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>2,575</td>
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<tr>
<td>Hedging financial instruments</td>
<td>21,470</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>21,470</td>
</tr>
<tr>
<td><strong>Total On-Balance Sheet</strong></td>
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<td>918,913</td>
<td>1,171,842</td>
<td>946,083</td>
<td>943,598</td>
<td>6,946,607</td>
<td></td>
</tr>
<tr>
<td>Financial guarantees</td>
<td>448,398</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>448,398</td>
</tr>
<tr>
<td>Contingent liabilities</td>
<td>158,720</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>158,720</td>
</tr>
<tr>
<td>Commitments</td>
<td>1,234,777</td>
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<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1,234,777</td>
</tr>
<tr>
<td><strong>Total Off-Balance Sheet</strong></td>
<td>1,841,895</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1,841,895</td>
</tr>
<tr>
<td><strong>Total On and Off-Balance Sheet</strong></td>
<td>4,808,066</td>
<td>918,913</td>
<td>1,171,842</td>
<td>946,083</td>
<td>943,598</td>
<td>8,788,502</td>
<td></td>
</tr>
</tbody>
</table>
50. FINANCIAL RISK MANAGEMENT (Cont'd.)

(a) CREDIT RISK (Cont'd.)

(ii) Credit quality per class of financial assets (Cont'd.)

The credit quality of financial assets is managed by the Bank using internal credit ratings. The table below shows the credit quality by class of asset for all financial assets exposed to credit risk, based on the Bank's internal credit rating system. The amount presented are gross of impairment allowances. (Cont'd.)

<table>
<thead>
<tr>
<th>31.12.2011</th>
<th>Performing</th>
<th>Unrated</th>
<th>Past due but not impaired</th>
<th>Restructured &amp; rescheduled</th>
<th>Impaired</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bank</td>
<td>RM'000</td>
<td>RM'000</td>
<td>RM'000</td>
<td>RM'000</td>
<td>RM'000</td>
<td>RM'000</td>
</tr>
<tr>
<td>Securities held-for-trading</td>
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<td>-</td>
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<td>83,776</td>
</tr>
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<td>-</td>
<td>-</td>
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<td>957,484</td>
</tr>
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<td>Securities held-to-maturity</td>
<td>47,125</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>47,125</td>
</tr>
<tr>
<td>Financing, advances and other receivables</td>
<td>2,741,712</td>
<td>1,188,364</td>
<td>555,173</td>
<td>449,611</td>
<td>1,493,648</td>
<td>6,428,508</td>
</tr>
<tr>
<td>Other assets</td>
<td>270</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>270</td>
</tr>
<tr>
<td>Hedging financial instruments</td>
<td>43,688</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>43,688</td>
</tr>
<tr>
<td><strong>Total On-Balance Sheet</strong></td>
<td>3,864,372</td>
<td>1,188,364</td>
<td>555,173</td>
<td>449,611</td>
<td>1,503,331</td>
<td>7,560,851</td>
</tr>
<tr>
<td>Financial guarantees</td>
<td>637,113</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>637,113</td>
</tr>
<tr>
<td>Contingent liabilities</td>
<td>137,542</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>137,542</td>
</tr>
<tr>
<td>Commitments</td>
<td>1,204,978</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1,204,978</td>
</tr>
<tr>
<td><strong>Total Off-Balance Sheet</strong></td>
<td>1,979,633</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1,979,633</td>
</tr>
<tr>
<td><strong>Total On and Off-Balance Sheet</strong></td>
<td>5,844,005</td>
<td>1,188,364</td>
<td>555,173</td>
<td>449,611</td>
<td>1,503,331</td>
<td>9,540,484</td>
</tr>
</tbody>
</table>
The credit quality of financial assets is managed by the Bank using internal credit ratings. The table below shows the credit quality by class of asset for all financial assets exposed to credit risk, based on the Bank's internal credit rating system. The amount presented are gross of impairment allowances. (Cont'd.)

<table>
<thead>
<tr>
<th>Date</th>
<th>Performing</th>
<th>Unrated</th>
<th>Past due but not impaired</th>
<th>Restructured &amp; rescheduled</th>
<th>Impaired</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bank</td>
<td>RM'000</td>
<td>RM'000</td>
<td>RM'000</td>
<td>RM'000</td>
<td>RM'000</td>
<td>RM'000</td>
</tr>
<tr>
<td>Securities held-for-trading 110,083</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>110,083</td>
</tr>
<tr>
<td>Securities available-for-sale 896,309</td>
<td>-</td>
<td>-</td>
<td>10,624</td>
<td>-</td>
<td>-</td>
<td>906,933</td>
</tr>
<tr>
<td>Securities held-to-maturity 46,266</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>46,266</td>
</tr>
<tr>
<td>Financing, advances and other receivables 4,049,357</td>
<td>-</td>
<td>886,415</td>
<td>873,513</td>
<td>793,987</td>
<td>-</td>
<td>6,603,272</td>
</tr>
<tr>
<td>Hedging financial instruments 80,632</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>80,632</td>
</tr>
<tr>
<td><strong>Total On-Balance Sheet</strong></td>
<td>5,182,647</td>
<td>-</td>
<td>886,415</td>
<td>884,137</td>
<td>793,987</td>
<td>7,747,186</td>
</tr>
<tr>
<td>Financial guarantees 644,403</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>644,403</td>
</tr>
<tr>
<td>Contingent liabilities 345,931</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>345,931</td>
</tr>
<tr>
<td>Commitments 1,243,002</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1,243,002</td>
</tr>
<tr>
<td><strong>Total Off-Balance Sheet</strong></td>
<td>2,233,336</td>
<td>-</td>
<td>886,415</td>
<td>884,137</td>
<td>793,987</td>
<td>5,930,322</td>
</tr>
<tr>
<td><strong>Total On and Off-Balance Sheet</strong></td>
<td>7,415,983</td>
<td>-</td>
<td>886,415</td>
<td>884,137</td>
<td>793,987</td>
<td>9,980,522</td>
</tr>
</tbody>
</table>
50. FINANCIAL RISK MANAGEMENT (Cont'd.)

(a) CREDIT RISK (Cont'd.)

(iii) Credit risk exposure based on the Bank's internal credit risk rating

The principal objective of credit risk measurement for KFHM B is to produce accurate quantitative assessment of the credit risk to which the Bank is exposed to. To determine the counterparty risk, KFHMB has a risk rating system that enables the rank-ordering of the customers' risk profile to assess the credit quality of customers and assigns them an internal risk rating. Over the year, to ensure that the integrity of the data used is in place, KFHMB has undergone a verification exercise with an independent consultant and is in the midst of further refining the rating process. The rating system is actively monitored and a monthly analysis of the corporate and commercial customers are provided to the senior management and the Board for oversight.

For retail banking, KFHMB has in place a series of scorecards, which will assess the credit worthiness of the individual customers prior to approval. The main attributes of the credit assessment within the scorecard is mostly based on statistically derived default patterns within the customer profile and also credit bureau data. The performance of the scorecard is being monitored to ensure that it continues to effectively discriminate between good and potentially bad customers.

<table>
<thead>
<tr>
<th>31.12.2012 Group and Bank</th>
<th>Total RM'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corporate, Commercial and Retail</td>
<td></td>
</tr>
<tr>
<td>Excellent</td>
<td>76,315</td>
</tr>
<tr>
<td>Strong</td>
<td>806,036</td>
</tr>
<tr>
<td>Minimum</td>
<td>717,132</td>
</tr>
<tr>
<td>Pass with condition</td>
<td>1,124,902</td>
</tr>
<tr>
<td>Early care</td>
<td>315,943</td>
</tr>
<tr>
<td>Impaired</td>
<td>932,829</td>
</tr>
<tr>
<td>New/ SPV</td>
<td>121,072</td>
</tr>
<tr>
<td>Unrated</td>
<td>1,855,307</td>
</tr>
<tr>
<td><strong>Total Corporate, Commercial and Retail</strong></td>
<td><strong>5,949,536</strong></td>
</tr>
</tbody>
</table>

* Unrated segment includes retail credit exposures
50. FINANCIAL RISK MANAGEMENT (Cont'd.)

(a) CREDIT RISK (Cont'd.)

(iii) Credit risk exposure based on the Bank’s internal credit risk rating (Cont'd.)

<table>
<thead>
<tr>
<th>31.12.2012 (Cont'd.)</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Group and Bank</td>
<td>RM’000</td>
</tr>
<tr>
<td>SME</td>
<td></td>
</tr>
<tr>
<td>Good</td>
<td>2,462</td>
</tr>
<tr>
<td>Very High Satisfactory</td>
<td>8,083</td>
</tr>
<tr>
<td>High Satisfactory</td>
<td>3,447</td>
</tr>
<tr>
<td>Upper Medium Satisfactory</td>
<td>250</td>
</tr>
<tr>
<td>Lower Medium Satisfactory</td>
<td>1,371</td>
</tr>
<tr>
<td>Low Satisfactory</td>
<td>2,084</td>
</tr>
<tr>
<td>Very Low Satisfactory</td>
<td>2,561</td>
</tr>
<tr>
<td>Marginal/ Watchlist</td>
<td>3,650</td>
</tr>
<tr>
<td>Default - Impaired</td>
<td>725</td>
</tr>
<tr>
<td>Total SME</td>
<td>24,633</td>
</tr>
<tr>
<td>Total</td>
<td>5,974,169</td>
</tr>
</tbody>
</table>
## 50. FINANCIAL RISK MANAGEMENT (Cont'd.)

(a) CREDIT RISK (Cont'd.)

(iii) Credit risk exposure based on the Bank’s internal credit risk rating (Cont'd.)

<table>
<thead>
<tr>
<th>31.12.2011 Group and Bank</th>
<th>Total RM’000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Corporate, Commercial and Retail</strong></td>
<td></td>
</tr>
<tr>
<td>Excellent</td>
<td>68,096</td>
</tr>
<tr>
<td>Strong</td>
<td>649,006</td>
</tr>
<tr>
<td>Minimum</td>
<td>1,029,966</td>
</tr>
<tr>
<td>Pass with condition</td>
<td>1,104,802</td>
</tr>
<tr>
<td>Early care</td>
<td>468,849</td>
</tr>
<tr>
<td>Impaired</td>
<td>1,493,648</td>
</tr>
<tr>
<td>New/ SPV</td>
<td>63,126</td>
</tr>
<tr>
<td>Unrated</td>
<td>1,526,934</td>
</tr>
<tr>
<td><strong>Total Corporate, Commercial and Retail</strong></td>
<td>6,404,427</td>
</tr>
</tbody>
</table>

* Unrated segment includes retail credit exposures

<table>
<thead>
<tr>
<th><strong>SME</strong></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Strong</td>
<td>2,422</td>
</tr>
<tr>
<td>Good</td>
<td>1,760</td>
</tr>
<tr>
<td>Very High Satisfactory</td>
<td>2,286</td>
</tr>
<tr>
<td>Upper Medium Satisfactory</td>
<td>4,060</td>
</tr>
<tr>
<td>Very Low Satisfactory</td>
<td>9,739</td>
</tr>
<tr>
<td>Marginal/ Watchlist</td>
<td>3,814</td>
</tr>
<tr>
<td><strong>Total SME</strong></td>
<td>24,081</td>
</tr>
</tbody>
</table>

| **Total**                  | 6,428,508   |
50. FINANCIAL RISK MANAGEMENT (Cont'd.)

(a) CREDIT RISK (Cont'd.)

(iii) Credit risk exposure based on the Bank's internal credit risk rating (Cont'd.)

<table>
<thead>
<tr>
<th>01.01.2011 Group and Bank</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>RM'000</td>
</tr>
<tr>
<td><strong>Corporate, Commercial and Retail</strong></td>
<td></td>
</tr>
<tr>
<td>Excellent</td>
<td>173,871</td>
</tr>
<tr>
<td>Strong</td>
<td>758,980</td>
</tr>
<tr>
<td>Minimum</td>
<td>1,563,632</td>
</tr>
<tr>
<td>Pass with condition</td>
<td>1,186,932</td>
</tr>
<tr>
<td>Early care</td>
<td>1,104,259</td>
</tr>
<tr>
<td>Impaired</td>
<td>793,987</td>
</tr>
<tr>
<td>New/ SPV</td>
<td>480,536</td>
</tr>
<tr>
<td>Unrated</td>
<td>520,025</td>
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<tr>
<td>Total Corporate, Commercial and Retail</td>
<td>6,582,222</td>
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</table>

* Unrated segment includes retail credit exposures

<table>
<thead>
<tr>
<th><strong>SME</strong></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Strong</td>
<td>5,158</td>
</tr>
<tr>
<td>Minimum</td>
<td>5,254</td>
</tr>
<tr>
<td>Weak/pass with condition</td>
<td>10,638</td>
</tr>
<tr>
<td>Total SME</td>
<td>21,050</td>
</tr>
<tr>
<td>Total</td>
<td>6,603,272</td>
</tr>
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</table>
50. FINANCIAL RISK MANAGEMENT (Cont'd.)

(a) CREDIT RISK (Cont'd.)

(iii) Credit risk exposure based on the Bank’s internal credit risk rating (Cont'd.)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Aaa to Aa3</td>
<td>A1 to A3</td>
<td>Baa1 to Ba3</td>
<td>B+ to C</td>
<td>Aaa to A3</td>
<td>A to A3</td>
<td>BBB to BB</td>
<td>B+ to D</td>
<td>RM'000</td>
</tr>
<tr>
<td>Securities</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td></td>
<td>Securities</td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>held-for-trading</td>
<td>25,063</td>
<td>54,430</td>
<td>-</td>
<td>-</td>
<td>25,063</td>
<td>54,430</td>
<td>-</td>
<td>-</td>
<td>79,493</td>
</tr>
<tr>
<td></td>
<td>available-for-sale</td>
<td>130,830</td>
<td>264,540</td>
<td>111,978</td>
<td>-</td>
<td>118,266</td>
<td>251,502</td>
<td>64,487</td>
<td>-</td>
<td>896,623</td>
</tr>
<tr>
<td></td>
<td>held-to-maturity</td>
<td>81,493</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>81,493</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>81,493</td>
</tr>
<tr>
<td>Bank</td>
<td>Securities</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>held-for-trading</td>
<td>25,063</td>
<td>54,430</td>
<td>-</td>
<td>-</td>
<td>25,063</td>
<td>54,430</td>
<td>-</td>
<td>-</td>
<td>79,493</td>
</tr>
<tr>
<td></td>
<td>available-for-sale</td>
<td>118,266</td>
<td>251,502</td>
<td>64,487</td>
<td>-</td>
<td>118,266</td>
<td>251,502</td>
<td>64,487</td>
<td>-</td>
<td>787,407</td>
</tr>
<tr>
<td></td>
<td>held-to-maturity</td>
<td>81,493</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>81,493</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>81,493</td>
</tr>
</tbody>
</table>
50. FINANCIAL RISK MANAGEMENT (Cont’d.)

(a) CREDIT RISK (Cont’d.)

(iii) Credit risk exposure based on the Bank’s internal credit risk rating (Cont’d.)

<table>
<thead>
<tr>
<th>31.12.2011</th>
<th>Securities held-for-trading</th>
<th>Securities available-for-sale</th>
<th>Securities held-to-maturity</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Moody’s</td>
<td>Aaa to Aa3</td>
<td>A1 to A3</td>
<td>Baa1 to Ba3</td>
<td></td>
</tr>
<tr>
<td>S&amp;P</td>
<td>AAA to AA-</td>
<td>A+ to A-</td>
<td>BBB+ to BB-</td>
<td></td>
</tr>
<tr>
<td>Fitch</td>
<td>AAA to AA-</td>
<td>A+ to A-</td>
<td>BBB+ to BB-</td>
<td></td>
</tr>
<tr>
<td>RAM</td>
<td>AAA to Aa3</td>
<td>A to A3</td>
<td>BBB to BB</td>
<td></td>
</tr>
<tr>
<td>MARC</td>
<td>AAA to AA-</td>
<td>A+ to A-</td>
<td>BBB+ to BB-</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Unrated</td>
<td>Government -guaranteed</td>
<td></td>
</tr>
<tr>
<td></td>
<td>RM’000</td>
<td>RM’000</td>
<td>RM’000</td>
<td>RM’000</td>
</tr>
<tr>
<td>Group</td>
<td>-</td>
<td>22,870</td>
<td>67,346</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>144,653</td>
<td>343,430</td>
<td>284,009</td>
<td>102,980</td>
</tr>
<tr>
<td>Bank</td>
<td>-</td>
<td>22,870</td>
<td>60,906</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>132,127</td>
<td>330,168</td>
<td>284,009</td>
<td>9,683</td>
</tr>
</tbody>
</table>

Total:

- Securities held-for-trading: RM’000 90,216
- Securities available-for-sale: RM’000 1,076,569
- Securities held-to-maturity: RM’000 47,125
50. FINANCIAL RISK MANAGEMENT (Cont'd.)

(a) CREDIT RISK (Cont'd.)

(iii) Credit risk exposure based on the Bank's internal credit risk rating (Cont'd.)

<table>
<thead>
<tr>
<th>01.01.2011</th>
<th>Aaa to Aa3</th>
<th>A1 to A3</th>
<th>Baa1 to Ba3</th>
<th>B+ to C</th>
<th>Moody's</th>
<th>AAA to AA-</th>
<th>A+ to A-</th>
<th>BBB+ to BB-</th>
<th>B+ to D</th>
<th>S&amp;P</th>
<th>AAA to AA-</th>
<th>A+ to A-</th>
<th>BBB+ to BB-</th>
<th>B+ to D</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fitch</td>
<td>AAA to AA-</td>
<td>A+ to A-</td>
<td>BBB+ to BB-</td>
<td>B+ to D</td>
<td>106,886</td>
<td>90,504</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>RAM</td>
<td>AAA to Aa3</td>
<td>A to A3</td>
<td>BBB to BB</td>
<td>B to D</td>
<td>432,345</td>
<td>106,886</td>
<td>90,504</td>
<td>-</td>
<td>-</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>MARC</td>
<td>AAA to AA-</td>
<td>A+ to A-</td>
<td>BBB+ to BB-</td>
<td>B+ to D</td>
<td>3,197</td>
<td>106,886</td>
<td>90,504</td>
<td>123,898</td>
<td>303,240</td>
<td>1,034,506</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>RM'000</th>
<th>RM'000</th>
<th>RM'000</th>
<th>RM'000</th>
<th>RM'000</th>
<th>RM'000</th>
<th>Total RM'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Group</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Securities held-for-trading</td>
<td>-</td>
<td>3,197</td>
<td>106,886</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>110,083</td>
</tr>
<tr>
<td>Securities available-for-sale</td>
<td>84,519</td>
<td>432,345</td>
<td>90,504</td>
<td>-</td>
<td>123,898</td>
<td>303,240</td>
<td>1,034,506</td>
</tr>
<tr>
<td>Securities held-to-maturity</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>46,266</td>
<td>-</td>
<td>46,266</td>
</tr>
<tr>
<td>Bank</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Securities held-for-trading</td>
<td>-</td>
<td>3,197</td>
<td>106,886</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>110,083</td>
</tr>
<tr>
<td>Securities available-for-sale</td>
<td>72,324</td>
<td>419,100</td>
<td>90,504</td>
<td>-</td>
<td>21,765</td>
<td>303,240</td>
<td>906,933</td>
</tr>
<tr>
<td>Securities held-to-maturity</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>46,266</td>
<td>-</td>
<td>46,266</td>
</tr>
</tbody>
</table>
50. FINANCIAL RISK MANAGEMENT (Cont'd.)

(a) CREDIT RISK (Cont'd.)

(iv) Aging analysis of past due but not impaired financing by class of financial assets

<table>
<thead>
<tr>
<th>31.12.2012</th>
<th>Less than 30 days</th>
<th>31 to 60 days</th>
<th>61 to 90 days</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Group and Bank</td>
<td>RM'000</td>
<td>RM'000</td>
<td>RM'000</td>
<td>RM'000</td>
</tr>
</tbody>
</table>

Financing and advances to customers

<table>
<thead>
<tr>
<th></th>
<th>Financing and advances to customers</th>
<th>31.12.2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corporate financing</td>
<td>RM'000</td>
<td>100,030</td>
</tr>
<tr>
<td>Commercial financing</td>
<td>RM'000</td>
<td>119,911</td>
</tr>
<tr>
<td>Retail &amp; Consumer financing</td>
<td>RM'000</td>
<td>256,821</td>
</tr>
<tr>
<td></td>
<td>Total RM'000</td>
<td>476,762</td>
</tr>
</tbody>
</table>

Impaired and past due financing by geographical regions

<table>
<thead>
<tr>
<th>31.12.2012</th>
<th>Impaired</th>
<th>Past due but not impaired</th>
<th>Individual impairment</th>
<th>Collective impairment</th>
<th>Write-off</th>
</tr>
</thead>
<tbody>
<tr>
<td>Group and Bank</td>
<td>RM'000</td>
<td>RM'000</td>
<td>RM'000</td>
<td>RM'000</td>
<td>RM'000</td>
</tr>
<tr>
<td>Malaysia</td>
<td>866,307</td>
<td>1,167,753</td>
<td>546,821</td>
<td>-</td>
<td>407,885</td>
</tr>
<tr>
<td>Middle East</td>
<td>5,258</td>
<td>1,203</td>
<td>3</td>
<td>-</td>
<td>138,723</td>
</tr>
<tr>
<td>Others</td>
<td>61,989</td>
<td>2,886</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total</td>
<td>933,554</td>
<td>1,171,842</td>
<td>546,824</td>
<td>138,600</td>
<td>546,608</td>
</tr>
</tbody>
</table>
50. FINANCIAL RISK MANAGEMENT (Cont’d.)

(a) CREDIT RISK (Cont’d.)

(iv) Aging analysis of past due but not impaired financing by class of financial assets (Cont’d.)

Impaired and past due financing by industry sector

<table>
<thead>
<tr>
<th>31.12.2012</th>
<th>Impaired</th>
<th>Past due but not impaired</th>
<th>Individual impairment</th>
<th>Collective impairment</th>
<th>Write-off</th>
</tr>
</thead>
<tbody>
<tr>
<td>Group and Bank</td>
<td>RM’000</td>
<td>RM’000</td>
<td>RM’000</td>
<td>RM’000</td>
<td>RM’000</td>
</tr>
<tr>
<td>Trading and manufacturing</td>
<td>436,422</td>
<td>177,928</td>
<td>336,316</td>
<td></td>
<td>96,328</td>
</tr>
<tr>
<td>Banks and financial institutions</td>
<td>38,575</td>
<td>47,864</td>
<td>3,495</td>
<td></td>
<td>66,370</td>
</tr>
<tr>
<td>Construction and real estate</td>
<td>101,444</td>
<td>12,629</td>
<td>18,845</td>
<td></td>
<td>184,346</td>
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<tr>
<td>Transportation, storage and Others</td>
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<td>10,599</td>
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<td>Total</td>
<td>933,554</td>
<td>1,171,842</td>
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<table>
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<th>31 to 60 days</th>
<th>61 to 90 days</th>
<th>Total</th>
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<tr>
<td>Group and Bank</td>
<td>RM’000</td>
<td>RM’000</td>
<td>RM’000</td>
<td>RM’000</td>
</tr>
<tr>
<td>Financing and advances to customers</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Corporate financing</td>
<td></td>
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<tr>
<td>Commercial financing</td>
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<td>259,615</td>
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<tr>
<td>Total</td>
<td>412,330</td>
<td>128,190</td>
<td>14,653</td>
<td>555,173</td>
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50. FINANCIAL RISK MANAGEMENT (Cont'd.)

(a) CREDIT RISK (Cont'd.)

(iv) Aging analysis of past due but not impaired financing by class of financial assets (Cont'd.)

Impaired and past due financing by geographical regions

<table>
<thead>
<tr>
<th></th>
<th>Impaired</th>
<th>Past due but not impaired</th>
<th>Individual impairment</th>
<th>Collective impairment</th>
<th>Write-off</th>
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<tr>
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<td></td>
<td></td>
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<td></td>
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</tr>
<tr>
<td>Group and Bank</td>
<td>RM'000</td>
<td>RM'000</td>
<td>RM'000</td>
<td>RM'000</td>
<td>RM'000</td>
</tr>
<tr>
<td>Malaysia</td>
<td>1,277,834</td>
<td>553,317</td>
<td>943,997</td>
<td></td>
<td>54,945</td>
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<tr>
<td>Middle East</td>
<td>93,574</td>
<td>773</td>
<td>86,574</td>
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<td>55,782</td>
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<tr>
<td>Others</td>
<td>122,240</td>
<td>1,083</td>
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</tr>
<tr>
<td>Total</td>
<td>1,493,648</td>
<td>555,173</td>
<td>1,089,878</td>
<td>140,866</td>
<td>110,727</td>
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Impaired and past due financing by industry sector

<table>
<thead>
<tr>
<th></th>
<th>Impaired</th>
<th>Past due but not impaired</th>
<th>Individual impairment</th>
<th>Collective impairment</th>
<th>Write-off</th>
</tr>
</thead>
<tbody>
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<td>31.12.2011</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Group and Bank</td>
<td>RM'000</td>
<td>RM'000</td>
<td>RM'000</td>
<td>RM'000</td>
<td>RM'000</td>
</tr>
<tr>
<td>Trading and manufacturing</td>
<td>570,080</td>
<td>89,057</td>
<td>485,976</td>
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<td>Banks and financial institutions</td>
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<tr>
<td>Construction and real estate</td>
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<td>17,985</td>
<td>209,321</td>
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<td>45,518</td>
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<tr>
<td>Transportation, storage and</td>
<td>174,350</td>
<td>52,420</td>
<td>117,559</td>
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<td>Others</td>
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<td>394,274</td>
<td>199,009</td>
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<td>28,646</td>
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<tr>
<td>Total</td>
<td>1,493,648</td>
<td>555,173</td>
<td>1,089,878</td>
<td>140,866</td>
<td>110,727</td>
</tr>
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</table>
50. FINANCIAL RISK MANAGEMENT (Cont'd.)

(a) CREDIT RISK (Cont'd.)

(iv) Aging analysis of past due but not impaired financing by class of financial assets (Cont'd.)

<table>
<thead>
<tr>
<th></th>
<th>Less than 30 days</th>
<th>31 to 60 days</th>
<th>61 to 90 days</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Group and Bank</strong></td>
<td>RM'000</td>
<td>RM'000</td>
<td>RM'000</td>
<td>RM'000</td>
</tr>
<tr>
<td>Financing and advances to customers</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Commercial financing</td>
<td>401,655</td>
<td>127,435</td>
<td>301,210</td>
<td>830,300</td>
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<tr>
<td>Retail &amp; Consumer financing</td>
<td>55,875</td>
<td>240</td>
<td>-</td>
<td>56,115</td>
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<tr>
<td></td>
<td>457,530</td>
<td>127,675</td>
<td>301,210</td>
<td>886,415</td>
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</table>

Impaired and past due financing by geographical regions

<table>
<thead>
<tr>
<th></th>
<th>Impaired</th>
<th>Past due but not impaired</th>
<th>Individual impairment</th>
<th>Collective impairment</th>
<th>Write-off</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Group and Bank</strong></td>
<td>RM’000</td>
<td>RM’000</td>
<td>RM’000</td>
<td>RM’000</td>
<td>RM’000</td>
</tr>
<tr>
<td>Malaysia</td>
<td>615,147</td>
<td>880,737</td>
<td>293,522</td>
<td>-</td>
<td>-</td>
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<tr>
<td>Middle East</td>
<td>117,713</td>
<td>3,830</td>
<td>116,428</td>
<td>-</td>
<td>-</td>
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<tr>
<td>Others</td>
<td>61,127</td>
<td>1,848</td>
<td>1,765</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>793,987</td>
<td>886,415</td>
<td>411,715</td>
<td>259,942</td>
<td>-</td>
</tr>
</tbody>
</table>
50. FINANCIAL RISK MANAGEMENT (Cont'd.)

(a) CREDIT RISK (Cont'd.)

(iv) Aging analysis of past due but not impaired financing by class of financial assets (Cont'd.)

Impaired and past due financing by industry sector

<table>
<thead>
<tr>
<th>Date</th>
<th>Impaired</th>
<th>Past due but not impaired</th>
<th>Individual impairment</th>
<th>Collective impairment</th>
<th>Write-off</th>
</tr>
</thead>
<tbody>
<tr>
<td>01.01.2011</td>
<td>793,987</td>
<td>886,415</td>
<td>411,715</td>
<td>259,942</td>
<td>-</td>
</tr>
<tr>
<td>Group and Bank</td>
<td>RM’000</td>
<td>RM’000</td>
<td>RM’000</td>
<td>RM’000</td>
<td>RM’000</td>
</tr>
<tr>
<td>Trading and manufacturing</td>
<td>64,763</td>
<td>305,768</td>
<td>45,505</td>
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<td>-</td>
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<tr>
<td>Banks and financial institutions</td>
<td>76,663</td>
<td>125,717</td>
<td>72,034</td>
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<td>-</td>
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<tr>
<td>Construction and real estate</td>
<td>228,084</td>
<td>91,005</td>
<td>105,657</td>
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<td>-</td>
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<tr>
<td>Transportation, storage and</td>
<td>175,430</td>
<td>57,317</td>
<td>7,000</td>
<td>-</td>
<td>-</td>
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<tr>
<td>Others</td>
<td>249,047</td>
<td>306,608</td>
<td>181,519</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total</td>
<td>793,987</td>
<td>886,415</td>
<td>411,715</td>
<td>259,942</td>
<td>-</td>
</tr>
</tbody>
</table>
50. FINANCIAL RISK MANAGEMENT (Cont'd.)
(a) CREDIT RISK (Cont'd.)
(v) Carrying amount by class of financial assets whose terms have been renegotiated

Collateral
The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. The Bank has established clear guidelines that have been approved by the management and the Board on the types of acceptable collateral, valuation parameters and processes and secured margins to be taken.

The main types of collateral accepted include real estate, securities, cash and bank guarantees. The Bank also obtains guarantees from parent companies for finance facilities extended to their subsidiaries. In line with the Bank's established credit guidelines, proper due diligence on the guarantor is conducted to ascertain their creditworthiness. Management monitors the market value of collateral, requests additional collateral in accordance with the underlying agreements, and monitors the market value of collateral obtained during its review of the adequacy of the allowance for impairment losses.

The financial effect of collateral (quantification of the extent to which collateral and other enhancements mitigate credit risk) held for financing, advances and other receivables for the Bank is at 74.1% as at 31 December 2012, (2011: 70.3%; 2010: 90.2%). The financial effect of collateral held for other financial assets is not significant.

Guidelines on Musyarakah and Mudharabah Contracts for Islamic Banking Institutions
In order to cater for the inherently higher credit risks associated to dealings in Musyarakah and Mudharabah contracts, the Bank has been maintaining an internal credit policy to cover the Bank's activities in such portfolio, in addition to complying with BNM's Guidelines on Musyarakah and Mudharabah Contracts for Islamic Banking Institutions. The internal policy, which sets stricter and more clearly defined guidelines, encompasses areas of managing risks associated to profit-sharing activities such as the business management, strategy, exit mechanisms, business monitoring/control, and trigger alerts for potential watchlist and impaired accounts. The credit policy is enhanced from time to time to cater for latest changes in the risk profile of the portfolio.

In terms of approval of new Musyarakah and Mudharabah contracts, the Bank has introduced greater control where all new proposals are tabled to Management Committee for approval and subsequently to Board Credit and Investment Committee for concurrence. This further augments the Board's credit monitoring oversight role, specifically on the relatively higher risk profit-sharing portfolio.
50. FINANCIAL RISK MANAGEMENT (Cont'd.)

(b) LIQUIDITY RISK

Liquidity risk is defined as the exposure to loss as a result of the inability to meet cash flow obligations in a timely and cost-effective manner. It arises when the Bank does not have sufficient maturing assets to cover maturing liabilities that are not rolled-over. The Bank uses the Bank Negara Malaysia’s New Liquidity Framework as a foundation in managing its liquidity.

The objective of liquidity risk management is to ensure that cash needs always can be met at reasonable cost, either by:

(i) maturity or sale of assets, or

(ii) the acquisition of deposits or additional funding from the Islamic money markets.

Liquidity risk management function is overseen by the Asset and Liability Management Committee (“ALCO”), who is guided by the Bank’s Asset and Liability Management Policy.

Contractual maturity of total assets and liabilities

The maturities of on-balance sheet assets and liabilities as well as other off-balance sheets assets and liabilities, commitments and counter-guarantees are important factors in assessing liquidity of the Group and the Bank.

The tables below provide analysis of assets and liabilities into relevant maturity tenures based on their behavioural profile. The disclosure is made in accordance with the requirement of revised BNM’s GP8-i “Guidelines on Financial Reporting for Licensed Islamic Banks".
50. FINANCIAL RISK MANAGEMENT (Cont'd.)

(b) LIQUIDITY RISK (Cont'd.)

Contractual maturity of total assets and liabilities (Cont'd.)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Up to 6 months</td>
<td>&gt;6 - 12 months</td>
<td>&gt;1 - 5 years</td>
<td>Over 5 years</td>
<td>Not on demand &amp; no maturity date</td>
</tr>
<tr>
<td>Group</td>
<td>RM'000</td>
<td>RM'000</td>
<td>RM'000</td>
<td>RM'000</td>
<td>RM'000</td>
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<tr>
<td>ASSETS</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and short-term funds</td>
<td>1,315,832</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>84,852</td>
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<td>151,741</td>
<td>92,406</td>
<td>-</td>
<td>-</td>
<td>-</td>
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<tr>
<td>Securities held-for-trading</td>
<td>-</td>
<td>-</td>
<td>24,300</td>
<td>55,193</td>
<td>-</td>
</tr>
<tr>
<td>Securities available-for-sale</td>
<td>10,194</td>
<td>232,758</td>
<td>348,425</td>
<td>259,080</td>
<td>105,373</td>
</tr>
<tr>
<td>Securities held-to-maturity</td>
<td>-</td>
<td>-</td>
<td>56,172</td>
<td>25,321</td>
<td>-</td>
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<tr>
<td>Financing, advances and receivables</td>
<td>3,646,164</td>
<td>203,739</td>
<td>44,444</td>
<td>1,300,356</td>
<td>94,042</td>
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<td>Musyarakah capital investment</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>5,898</td>
</tr>
<tr>
<td>Other assets</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1,040,401</td>
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<td>Total Assets</td>
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<td>528,903</td>
<td>473,341</td>
<td>1,639,950</td>
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50. FINANCIAL RISK MANAGEMENT (Cont’d.)

(b) LIQUIDITY RISK (Cont’d.)

Contractual maturity of total assets and liabilities (Cont’d.)

<table>
<thead>
<tr>
<th>31.12.2012 (Cont’d.)</th>
<th>Up to 6 months</th>
<th>&gt;6 - 12 months</th>
<th>&gt;1 - 5 years</th>
<th>Over 5 years</th>
<th>Not on demand &amp; no maturity date</th>
<th>Total</th>
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<tbody>
<tr>
<td>Group (Cont’d.)</td>
<td>RM’000</td>
<td>RM’000</td>
<td>RM’000</td>
<td>RM’000</td>
<td>RM’000</td>
<td>RM’000</td>
</tr>
<tr>
<td>LIABILITIES AND SHAREHOLDER'S EQUITY</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deposits from customers</td>
<td>3,355,692</td>
<td>1,110,096</td>
<td>99,012</td>
<td>-</td>
<td>805,465</td>
<td>5,370,265</td>
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<td>20,776</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1,324,476</td>
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<tr>
<td>Subordinated Murabahah Tawarruq</td>
<td>374,054</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>374,054</td>
</tr>
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<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>508,601</td>
<td>508,601</td>
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<tr>
<td>Total Liabilities</td>
<td>5,033,446</td>
<td>1,130,872</td>
<td>99,012</td>
<td>-</td>
<td>1,314,066</td>
<td>7,577,396</td>
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<tr>
<td>Shareholder's equity</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1,519,295</td>
<td>1,519,295</td>
</tr>
<tr>
<td>Total Liabilities and Shareholder's equity</td>
<td>5,033,446</td>
<td>1,130,872</td>
<td>99,012</td>
<td>-</td>
<td>2,833,361</td>
<td>9,096,691</td>
</tr>
</tbody>
</table>

OFF-BALANCE SHEET LIABILITIES

| Commitments & contingencies | 588,933 | 42,110 | 157,082 | 271,793 | - | 1,059,918 |
| Net maturity mismatch | (498,448) | (644,079) | 217,247 | 1,368,157 | (1,502,795) | (1,059,918) |
50. FINANCIAL RISK MANAGEMENT (Cont'd.)
(b) LIQUIDITY RISK (Cont'd.)

Contractual maturity of total assets and liabilities (Cont'd.)

<table>
<thead>
<tr>
<th>31.12.2011</th>
<th>Up to 6 months</th>
<th>&gt;6 - 12 months</th>
<th>&gt;1 - 5 years</th>
<th>Over 5 years</th>
<th>Not on demand &amp; no maturity date</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Group</td>
<td>RM'000</td>
<td>RM'000</td>
<td>RM'000</td>
<td>RM'000</td>
<td>RM'000</td>
<td>RM'000</td>
</tr>
<tr>
<td><strong>ASSETS</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and short-term funds</td>
<td>1,901,177</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>71,835</td>
<td>1,973,012</td>
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<td>Deposits and placements with banks and other financial institutions</td>
<td>689,982</td>
<td>44,991</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>734,973</td>
</tr>
<tr>
<td>Securities held-for-trading</td>
<td>60,907</td>
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<td>22,870</td>
<td>6,439</td>
<td>-</td>
<td>90,216</td>
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<tr>
<td>Securities available-for-sale</td>
<td>97,959</td>
<td>183,435</td>
<td>621,005</td>
<td>119,745</td>
<td>74,196</td>
<td>1,096,340</td>
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<tr>
<td>Securities held-to-maturity</td>
<td>15,268</td>
<td>31,857</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>47,125</td>
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<tr>
<td>Financing, advances and receivables</td>
<td>2,834,068</td>
<td>20,537</td>
<td>834,938</td>
<td>1,426,990</td>
<td>81,231</td>
<td>5,197,764</td>
</tr>
<tr>
<td>Musyarakah capital investment</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>5,898</td>
<td>5,898</td>
</tr>
<tr>
<td>Other assets</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>976,838</td>
<td>976,838</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td>5,538,454</td>
<td>341,727</td>
<td>1,478,813</td>
<td>1,553,174</td>
<td>1,209,998</td>
<td>10,122,166</td>
</tr>
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<td><strong>LIABILITIES AND SHAREHOLDER'S EQUITY</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deposits from customers</td>
<td>3,315,023</td>
<td>782,024</td>
<td>4,512</td>
<td>-</td>
<td>616,295</td>
<td>4,717,854</td>
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<td>3,073,215</td>
<td>61,357</td>
<td>-</td>
<td>-</td>
<td>3,134,572</td>
<td>3,134,572</td>
</tr>
<tr>
<td>Subordinated Murabahah Tawarruq</td>
<td>-</td>
<td>-</td>
<td>373,589</td>
<td>-</td>
<td>-</td>
<td>373,589</td>
</tr>
<tr>
<td>Murabahah bank financing</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>442,180</td>
<td>442,180</td>
</tr>
<tr>
<td><strong>Total Liabilities</strong></td>
<td>6,388,238</td>
<td>843,381</td>
<td>378,101</td>
<td>-</td>
<td>1,058,475</td>
<td>8,668,195</td>
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<tr>
<td>Shareholder's equity</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1,453,971</td>
<td>1,453,971</td>
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<tr>
<td><strong>Total Liabilities and Shareholder's equity</strong></td>
<td>6,388,238</td>
<td>843,381</td>
<td>378,101</td>
<td>-</td>
<td>2,512,446</td>
<td>10,122,166</td>
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<tr>
<td><strong>OFF-BALANCE SHEET LIABILITIES</strong></td>
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</tr>
<tr>
<td>Commitments &amp; contingencies</td>
<td>140,171</td>
<td>60,480</td>
<td>1,060,988</td>
<td>-</td>
<td>-</td>
<td>1,261,639</td>
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<tr>
<td>Net maturity mismatch</td>
<td>(989,955)</td>
<td>(562,134)</td>
<td>39,724</td>
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<td>(1,302,448)</td>
<td>(1,261,639)</td>
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</table>
## FINANCIAL RISK MANAGEMENT (Cont’d.)

### LIQUIDITY RISK (Cont’d.)

Contractual maturity of total assets and liabilities (Cont’d.)

<table>
<thead>
<tr>
<th>01.01.2011</th>
<th>Up to 6 months</th>
<th>&gt;6 - 12 months</th>
<th>&gt;1 - 5 years</th>
<th>Over 5 years</th>
<th>Not on demand &amp; no maturity date</th>
<th>Total</th>
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<tbody>
<tr>
<td><strong>Group</strong></td>
<td>RM’000</td>
<td>RM’000</td>
<td>RM’000</td>
<td>RM’000</td>
<td>RM’000</td>
<td>RM’000</td>
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<tr>
<td><strong>ASSETS</strong></td>
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<td></td>
</tr>
<tr>
<td>Cash and short-term funds</td>
<td>2,370,840</td>
<td>-</td>
<td>-</td>
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<td>280,855</td>
<td>2,651,695</td>
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<tr>
<td>Deposits and placements with banks and other financial institutions</td>
<td>267,590</td>
<td>-</td>
<td>7,502</td>
<td>-</td>
<td>-</td>
<td>275,092</td>
</tr>
<tr>
<td>Securities held-for-trading</td>
<td>-</td>
<td>-</td>
<td>110,083</td>
<td>-</td>
<td>-</td>
<td>110,083</td>
</tr>
<tr>
<td>Securities available-for-sale</td>
<td>160,967</td>
<td>236,600</td>
<td>516,970</td>
<td>119,969</td>
<td>19,000</td>
<td>1,053,506</td>
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<td>Securities held-to-maturity</td>
<td>-</td>
<td>-</td>
<td>46,266</td>
<td>-</td>
<td>-</td>
<td>46,266</td>
</tr>
<tr>
<td>Financing, advances and receivables</td>
<td>2,399,906</td>
<td>239,898</td>
<td>2,346,745</td>
<td>945,336</td>
<td>-</td>
<td>5,931,615</td>
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<tr>
<td>Musyarakah capital investment</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>5,898</td>
<td>5,898</td>
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<td>Other assets</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>692,558</td>
<td>692,558</td>
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<tr>
<td><strong>Total Assets</strong></td>
<td>5,199,303</td>
<td>476,498</td>
<td>3,027,296</td>
<td>1,065,305</td>
<td>998,311</td>
<td>10,766,713</td>
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<tr>
<td><strong>LIABILITIES AND SHAREHOLDER’S EQUITY</strong></td>
<td></td>
<td></td>
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<td></td>
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<tr>
<td>Deposits from customers</td>
<td>3,872,469</td>
<td>282,479</td>
<td>-</td>
<td>-</td>
<td>405,089</td>
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<td>-</td>
<td>3,478,689</td>
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<td>Subordinated Murabahah Tawarruq</td>
<td>-</td>
<td>-</td>
<td>350,797</td>
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<td>-</td>
<td>350,797</td>
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<tr>
<td>Murabahah bank financing</td>
<td>23,233</td>
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<td>Other liabilities</td>
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<td>-</td>
<td>-</td>
<td>-</td>
<td>441,531</td>
<td>441,531</td>
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<td><strong>Total Liabilities</strong></td>
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<td>407,305</td>
<td>-</td>
<td>846,620</td>
<td>8,854,287</td>
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<td>-</td>
<td>-</td>
<td>-</td>
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<tr>
<td><strong>Total Liabilities and Shareholder’s equity</strong></td>
<td>7,276,300</td>
<td>324,062</td>
<td>407,305</td>
<td>-</td>
<td>2,759,046</td>
<td>10,766,713</td>
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<tr>
<td><strong>OFF-BALANCE SHEET LIABILITIES</strong></td>
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<td></td>
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<td></td>
</tr>
<tr>
<td>Commitments &amp; contingencies</td>
<td>140,171</td>
<td>60,480</td>
<td>1,060,988</td>
<td>-</td>
<td>-</td>
<td>1,261,639</td>
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<tr>
<td><strong>Net maturity mismatch</strong></td>
<td>(2,217,168)</td>
<td>91,956</td>
<td>1,559,003</td>
<td>1,065,305</td>
<td>(1,760,735)</td>
<td>(1,261,639)</td>
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</table>
NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2012

50. FINANCIAL RISK MANAGEMENT (Cont'd.)
(b) LIQUIDITY RISK (Cont'd.)

Contractual maturity of total assets and liabilities (Cont'd.)

<table>
<thead>
<tr>
<th>31.12.2012</th>
<th>Up to 6 months</th>
<th>&gt;6 - 12 months</th>
<th>&gt;1 - 5 years</th>
<th>Over 5 years</th>
<th>Not on demand &amp; no maturity date</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bank</td>
<td>RM'000</td>
<td>RM'000</td>
<td>RM'000</td>
<td>RM'000</td>
<td>RM'000</td>
<td>RM'000</td>
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<td>ASSETS</td>
<td></td>
<td></td>
<td></td>
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<td></td>
</tr>
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<td>Cash and short-term funds</td>
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<td>91,740</td>
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<td>228,838</td>
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<td>217,124</td>
<td>322,823</td>
<td>227,223</td>
<td>69,251</td>
<td>846,614</td>
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<td>-</td>
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<td>25,321</td>
<td>-</td>
<td>81,493</td>
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<td>-</td>
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<td></td>
<td>-</td>
<td>-</td>
<td></td>
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<td>Financing, advances and receivables</td>
<td>3,646,164</td>
<td>203,739</td>
<td>44,444</td>
<td>1,300,356</td>
<td>94,042</td>
<td>5,288,745</td>
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<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Musyarakah capital investment</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>5,898</td>
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<tr>
<td>Other assets</td>
<td>-</td>
<td>-</td>
<td>-</td>
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<td>5,898</td>
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<td>Total Assets</td>
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<td>447,739</td>
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<td>1,322,820</td>
<td>8,970,840</td>
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<td></td>
</tr>
<tr>
<td>Deposits from customers</td>
<td>3,362,465</td>
<td>1,110,096</td>
<td>99,013</td>
<td>-</td>
<td>805,465</td>
<td>5,377,039</td>
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<td>20,776</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1,204,490</td>
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<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>374,054</td>
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<tr>
<td>Murabahah bank financing</td>
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<td>-</td>
<td>-</td>
<td>-</td>
<td>507,758</td>
<td>507,758</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>507,758</td>
<td>507,758</td>
</tr>
<tr>
<td>Total Liabilities</td>
<td>4,920,233</td>
<td>1,130,872</td>
<td>99,013</td>
<td>-</td>
<td>1,313,223</td>
<td>7,463,341</td>
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<td>-</td>
<td>-</td>
<td>-</td>
<td>1,507,499</td>
<td>1,507,499</td>
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<tr>
<td>Total Liabilities and Shareholder's equity</td>
<td>4,920,233</td>
<td>1,130,872</td>
<td>99,013</td>
<td>-</td>
<td>2,820,722</td>
<td>8,970,840</td>
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<tr>
<td>OFF-BALANCE SHEET LIABILITIES</td>
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<td></td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Commitments &amp; contingencies</td>
<td>588,933</td>
<td>42,110</td>
<td>157,082</td>
<td>271,793</td>
<td>-</td>
<td>1,059,918</td>
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<tr>
<td>Net maturity mismatch</td>
<td>(429,581)</td>
<td>(660,379)</td>
<td>191,644</td>
<td>1,336,300</td>
<td>(1,497,902)</td>
<td>(1,059,918)</td>
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</tbody>
</table>
50. FINANCIAL RISK MANAGEMENT (Cont’d.)

(b) LIQUIDITY RISK (Cont’d.)

Contractual maturity of total assets and liabilities (Cont’d.)

<table>
<thead>
<tr>
<th></th>
<th>31.12.2011</th>
</tr>
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<tbody>
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<td></td>
<td>Bank</td>
</tr>
<tr>
<td></td>
<td>Up to 6 months</td>
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<tr>
<td>Cash and short-term funds</td>
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<td>Deposits and placements with banks and other financial institutions</td>
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<td>Securities available-for-sale</td>
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<td>Financing, advances and receivables</td>
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<td>Musyarakah capital investment</td>
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</tr>
<tr>
<td>Other assets</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
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<tr>
<td><strong>LIABILITIES AND SHAREHOLDER'S EQUITY</strong></td>
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<td>Other liabilities</td>
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</tr>
<tr>
<td><strong>Total Liabilities</strong></td>
<td>6,408,688</td>
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<tr>
<td>Shareholder's equity</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total Liabilities and Shareholder's equity</strong></td>
<td>6,408,688</td>
</tr>
<tr>
<td><strong>OFF-BALANCE SHEET LIABILITIES</strong></td>
<td></td>
</tr>
<tr>
<td>Commitments &amp; contingencies</td>
<td>140,171</td>
</tr>
<tr>
<td><strong>Net maturity mismatch</strong></td>
<td>(906,147)</td>
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</tbody>
</table>
50. **FINANCIAL RISK MANAGEMENT (Cont'd.)**

(b) **LIQUIDITY RISK (Cont'd.)**

Contractual maturity of total assets and liabilities (Cont'd.)

<table>
<thead>
<tr>
<th>01.01.2011</th>
<th>Up to 6 months</th>
<th>&gt;6 - 12 months</th>
<th>&gt;1 - 5 years</th>
<th>Over 5 years</th>
<th>Not on demand &amp; no maturity date</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bank</td>
<td>RM'000</td>
<td>RM'000</td>
<td>RM'000</td>
<td>RM'000</td>
<td>RM'000</td>
<td>RM'000</td>
</tr>
<tr>
<td><strong>ASSETS</strong></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Cash and short-term funds</td>
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<td>-</td>
<td>7,502</td>
<td>-</td>
<td>-</td>
<td>275,092</td>
</tr>
<tr>
<td>Securities held-for-trading</td>
<td>-</td>
<td>-</td>
<td>110,083</td>
<td>-</td>
<td>-</td>
<td>110,083</td>
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<td>Securities available-for-sale</td>
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<td>19,000</td>
<td>925,933</td>
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<td>Securities held-to-maturity</td>
<td>-</td>
<td>-</td>
<td>46,266</td>
<td>-</td>
<td>-</td>
<td>46,266</td>
</tr>
<tr>
<td>Financing, advances and receivables</td>
<td>2,399,906</td>
<td>239,895</td>
<td>2,346,475</td>
<td>945,336</td>
<td>-</td>
<td>5,931,615</td>
</tr>
<tr>
<td>Murabahah trading automobile</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>5,898</td>
<td>5,898</td>
</tr>
<tr>
<td>Musyarakah capital investment</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
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<td>-</td>
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<td>703,963</td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deposits from customers</td>
<td>3,874,042</td>
<td>282,479</td>
<td>-</td>
<td>-</td>
<td>405,089</td>
<td>4,561,610</td>
</tr>
<tr>
<td>Deposits and placements of banks and other financial institutions</td>
<td>3,388,551</td>
<td>41,583</td>
<td>56,508</td>
<td>-</td>
<td>-</td>
<td>3,486,642</td>
</tr>
<tr>
<td>Subordinated Murabahah Tawarruq</td>
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<td>-</td>
<td>350,797</td>
<td>-</td>
<td>-</td>
<td>350,797</td>
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<tr>
<td>Murabahah bank financing</td>
<td>23,233</td>
<td>-</td>
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<td>-</td>
<td>-</td>
<td>23,233</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>440,462</td>
<td>440,462</td>
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<td><strong>Total Liabilities</strong></td>
<td>7,285,826</td>
<td>324,062</td>
<td>407,305</td>
<td>-</td>
<td>845,551</td>
<td>8,862,744</td>
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<tr>
<td>Shareholder's equity</td>
<td>-</td>
<td>-</td>
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<td>-</td>
<td>1,880,542</td>
<td>1,880,542</td>
</tr>
<tr>
<td><strong>Total Liabilities and Shareholder's equity</strong></td>
<td>7,285,826</td>
<td>324,062</td>
<td>407,305</td>
<td>-</td>
<td>2,726,093</td>
<td>10,743,286</td>
</tr>
<tr>
<td><strong>OFF-BALANCE SHEET LIABILITIES</strong></td>
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<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Commitments &amp; contingencies</td>
<td>140,171</td>
<td>60,480</td>
<td>1,060,988</td>
<td>-</td>
<td>-</td>
<td>1,261,638</td>
</tr>
<tr>
<td><strong>Net maturity mismatch</strong></td>
<td>(2,156,779)</td>
<td>30,251</td>
<td>1,517,737</td>
<td>1,065,305</td>
<td>(1,718,153)</td>
<td>(1,261,638)</td>
</tr>
</tbody>
</table>
(b) LIQUIDITY RISK (Cont'd.)

Contractual maturity of financial liabilities on an undiscounted basis

The tables below present the cash flows payable by the Group and the Bank under financial liabilities by remaining contractual maturities at the end of the reporting period. The amounts disclosed in the tables are the contractual undiscounted cash flow. The Group and the Bank manage inherent liquidity risk based on discounted expected cash flows.

<table>
<thead>
<tr>
<th>Group</th>
<th>Up to 6 months</th>
<th>&gt; 6 -12 months</th>
<th>&gt; 1 – 5 years</th>
<th>Not on demand &amp; no maturity</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>RM'000</td>
<td>RM'000</td>
<td>RM'000</td>
<td>RM'000</td>
<td>RM'000</td>
</tr>
<tr>
<td>Deposits from customers</td>
<td>3,377,672</td>
<td>1,131,909</td>
<td>104,200</td>
<td>805,465</td>
<td>5,419,246</td>
</tr>
<tr>
<td>Deposit and placements of banks and other financial institutions</td>
<td>1,311,620</td>
<td>21,155</td>
<td>-</td>
<td>-</td>
<td>1,332,775</td>
</tr>
<tr>
<td>Subordinated Murabahah Tawarruq</td>
<td>377,439</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>377,439</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>508,601</td>
<td>508,601</td>
</tr>
<tr>
<td>Total</td>
<td>5,066,731</td>
<td>1,153,064</td>
<td>104,200</td>
<td>1,314,066</td>
<td>7,638,061</td>
</tr>
</tbody>
</table>

| 31.12.2011 |                |                |              |                            |       |
| Deposits from customers | 3,337,482 | 797,919 | 4,757 | 616,295 | 4,756,453 |
| Deposit and placements of banks and other financial institutions | 3,093,958 | 62,659 | - | - | 3,156,617 |
| Subordinated Murabahah Tawarruq | - | - | 400,637 | - | 400,637 |
| Murabahah bank financing | - | - | - | - | - |
| Other liabilities | - | - | - | 442,180 | 442,180 |
| Total | 6,431,440 | 860,578 | 405,394 | 1,058,475 | 8,755,887 |
### 50. FINANCIAL RISK MANAGEMENT (Cont'd.)

#### (b) LIQUIDITY RISK (Cont'd.)

Contractual maturity of financial liabilities on an undiscounted basis (Cont'd.)

<table>
<thead>
<tr>
<th>Group (Cont'd.)</th>
<th>Up to 6 months</th>
<th>&gt; 6-12 months</th>
<th>&gt; 1 – 5 years</th>
<th>Not on demand &amp; no maturity</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>RM'000</td>
<td>RM'000</td>
<td>RM'000</td>
<td>RM'000</td>
<td>RM'000</td>
</tr>
<tr>
<td><strong>01.01.2011</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deposits from customers</td>
<td>3,898,222</td>
<td>288,114</td>
<td>-</td>
<td>405,088</td>
<td>4,591,424</td>
</tr>
<tr>
<td>Deposit and placements of banks and other financial institutions</td>
<td>3,402,825</td>
<td>42,403</td>
<td>59,480</td>
<td>-</td>
<td>3,504,708</td>
</tr>
<tr>
<td>Subordinated Murabahah Tawarruq</td>
<td>-</td>
<td>-</td>
<td>376,265</td>
<td>-</td>
<td>376,265</td>
</tr>
<tr>
<td>Murabahah bank financing</td>
<td>23,325</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>23,325</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>441,531</td>
<td>441,531</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>7,324,372</td>
<td>330,518</td>
<td>435,745</td>
<td>846,619</td>
<td>8,937,254</td>
</tr>
</tbody>
</table>

**Bank**

| **31.12.2012**                     |                |               |               |                           |          |
| Deposits from customers            | 3,384,406      | 1,131,826     | 104,180       | 805,465                    | 5,425,877|
| Deposit and placements of banks and other financial institutions | 1,191,438 | 21,340 | - | - | 1,212,778 |
| Subordinated Murabahah Tawarruq    | 377,439        | -             | -             | -                          | 377,439  |
| Other liabilities                   | -              | -             | -             | 507,758                    | 507,758  |
| **Total**                           | 4,953,283      | 1,153,166     | 104,180       | 1,313,223                  | 7,523,852|
### 50. FINANCIAL RISK MANAGEMENT (Cont'd.)

#### (b) LIQUIDITY RISK (Cont'd.)

Contractual maturity of financial liabilities on an undiscounted basis (Cont'd.)

<table>
<thead>
<tr>
<th>Bank (Cont'd.)</th>
<th>Up to 6 months</th>
<th>&gt; 6 -12 months</th>
<th>&gt; 1 – 5 years</th>
<th>Not on demand &amp; no maturity</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>RM'000</td>
<td>RM'000</td>
<td>RM'000</td>
<td>RM'000</td>
<td>RM'000</td>
</tr>
<tr>
<td><strong>31.12.2011</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deposits from customers</td>
<td>3,340,483</td>
<td>797,919</td>
<td>4,757</td>
<td>615,046</td>
<td>4,758,205</td>
</tr>
<tr>
<td>Deposit and placements of banks and other financial institutions</td>
<td>3,112,551</td>
<td>62,660</td>
<td>-</td>
<td>-</td>
<td>3,175,211</td>
</tr>
<tr>
<td>Subordinated Murabahah Tawarruq</td>
<td>-</td>
<td>-</td>
<td>400,637</td>
<td>-</td>
<td>400,637</td>
</tr>
<tr>
<td>Murabahah bank financing</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>440,983</td>
<td>440,983</td>
</tr>
<tr>
<td>Total</td>
<td>6,453,034</td>
<td>860,579</td>
<td>405,394</td>
<td>1,056,029</td>
<td>8,775,036</td>
</tr>
<tr>
<td><strong>01.01.2011</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deposits from customers</td>
<td>3,900,470</td>
<td>288,114</td>
<td>-</td>
<td>405,088</td>
<td>4,593,672</td>
</tr>
<tr>
<td>Deposit and placements of banks and other financial institutions</td>
<td>3,410,831</td>
<td>42,403</td>
<td>59,480</td>
<td>-</td>
<td>3,512,714</td>
</tr>
<tr>
<td>Subordinated Murabahah Tawarruq</td>
<td>-</td>
<td>-</td>
<td>376,265</td>
<td>-</td>
<td>376,265</td>
</tr>
<tr>
<td>Murabahah bank financing</td>
<td>23,325</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>23,325</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>440,462</td>
<td>440,462</td>
</tr>
<tr>
<td>Total</td>
<td>7,334,626</td>
<td>330,518</td>
<td>435,745</td>
<td>845,550</td>
<td>8,946,439</td>
</tr>
</tbody>
</table>
50. FINANCIAL RISK MANAGEMENT (Cont'd.)

(b) LIQUIDITY RISK (Cont'd.)

To manage the risk inherent from the above position, limits on the following ratios are imposed to ensure that the Bank has sufficient liquidity to meet the liability obligations:

(i) The sum of assets to mature within a period of one week and liquefiable assets over the liabilities that will mature within a period of 1 week;

(ii) The sum of assets to mature within a period of one month and liquefiable assets over the liabilities that will mature within a period of 1 month; and

(iii) The sum of cash, bank balances, placements and deposits with banks and financial institutions, and liquefiable assets over the total deposits from the 10 largest depositors of the Bank.
(c) MARKET RISK

Trading

All positions, when the change in fair values will affect the current financial year net profit, are classified as trading positions. Limits on the trading exposures, annual loss and holding period are imposed to manage the potential impact of the trading positions on the Bank’s profit and loss. Risk Management Division will review these limits regularly and will recommend to Board Risk Management Committee changes or additional limits, when necessary.

The capital requirement for the Bank’s trading exposures is guided by Bank Negara Malaysia’s Capital Adequacy Framework for Islamic Bank (“CAFIB”).

(i) Benchmark Rate Risk

Rate sensitive financial instruments are normally affected by general changes in the market profit rate, known as general risk. Changes in factor related to a specific issuer, in particular issuer’s credit quality, which would affect the instrument, are known as specific risk. The Bank has adopted the maturity method as defined in CAFIB in computing the general risk charge of rate sensitive instruments.

The Bank’s exposures to benchmark rate risk comprise of exposures in Held-for-Trading (“HFT”) sukuk, ijarah rental swap (“IRS”) and cross currency ijarah rental swap (“CCIRS”). As at 31 December 2012, the total risk weighted assets for exposures with benchmark rate risk was RM61.50 million (31 December 2011: RM20.81 million; 31 December 2010: RM31.35 million) with a total capital charge of RM4.93 million (31 December 2011: RM1.67 million; 31 December 2010: RM2.51 million).

All positions in IRS and CCIRS were fully squared (31 December 2011: Squared; 31 December 2010: Squared). The table below indicates the Basis Point Value (“BPV”) sensitivity analysis of the securities held-for-trading against the movement in market benchmark rates.
### 50. FINANCIAL RISK MANAGEMENT (Cont’d.)

(c) MARKET RISK

(i) Benchmark Rate Risk (Cont’d.)

#### Securities held-for-trading

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Nominal amount RM’000</td>
<td>Modified duration</td>
<td>BPV</td>
<td>Nominal amount RM’000</td>
<td>Modified duration</td>
<td>BPV</td>
<td>Nominal amount RM’000</td>
</tr>
<tr>
<td>US Dollar (USD)</td>
<td>62,689</td>
<td>6.07</td>
<td>41,858</td>
<td>76,032</td>
<td>0.96</td>
<td>7,405</td>
<td>107,984</td>
</tr>
</tbody>
</table>

#### Securities held-for-trading

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Nominal amount RM’000</td>
<td>Modified duration</td>
<td>BPV</td>
<td>Nominal amount RM’000</td>
<td>Modified duration</td>
<td>BPV</td>
<td>Nominal amount RM’000</td>
</tr>
<tr>
<td>US Dollar (USD)</td>
<td>62,689</td>
<td>6.07</td>
<td>41,858</td>
<td>69,696</td>
<td>0.50</td>
<td>3,567</td>
<td>107,984</td>
</tr>
</tbody>
</table>
(c) MARKET RISK (Cont’d.)

(ii) Foreign exchange risk

Foreign exchange risk is the risk to earnings and value of foreign currency assets, liabilities and derivative financial instruments caused by fluctuation in foreign exchange rates.

As at 31 December 2012, the total risk weighted assets for exposures with foreign exchange rate risk was RM75.148 million (31 December 2011: RM81.926 million; 31 December 2010: RM148.190 million) with a total capital charge of RM6.012 million (31 December 2011: RM6.554 million; 31 December 2010: RM11.966 million).

The table below indicates the currencies to which the Bank had significant exposure at 31 December 2012. The analysis calculates the effect of a reasonably possible movement of the currencies’ exchange rates against Ringgit Malaysia, with all other variables held constant, on the income statement. A negative amount in the table reflects a potential net reduction in income statement, while a positive amount reflects a net potential increase.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Change in</td>
<td>Effect on</td>
<td>Change in</td>
<td>Effect on</td>
<td>Change in</td>
<td>Effect on</td>
</tr>
<tr>
<td></td>
<td>exchange</td>
<td>Income</td>
<td>exchange</td>
<td>Income</td>
<td>exchange</td>
<td>Income</td>
</tr>
<tr>
<td></td>
<td>rate %</td>
<td>Statements/</td>
<td>rate %</td>
<td>Statements/</td>
<td>rate %</td>
<td>Statements/</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Equity RM'000</td>
<td></td>
<td>Equity RM'000</td>
<td></td>
<td>Equity RM'000</td>
</tr>
<tr>
<td>Singapore Dollar (SGD)</td>
<td>1</td>
<td>563</td>
<td>1</td>
<td>(390)</td>
<td>1</td>
<td>(92)</td>
</tr>
<tr>
<td>US Dollar (USD)</td>
<td>1</td>
<td>(1,610)</td>
<td>1</td>
<td>742</td>
<td>1</td>
<td>(323)</td>
</tr>
<tr>
<td>Euro (EUR)</td>
<td>1</td>
<td>(1,628)</td>
<td>1</td>
<td>(724)</td>
<td>1</td>
<td>(1,651)</td>
</tr>
<tr>
<td>Bank</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Singapore Dollar (SGD)</td>
<td>1</td>
<td>563</td>
<td>1</td>
<td>(390)</td>
<td>1</td>
<td>(92)</td>
</tr>
<tr>
<td>US Dollar (USD)</td>
<td>1</td>
<td>(473)</td>
<td>1</td>
<td>(838)</td>
<td>1</td>
<td>(1,328)</td>
</tr>
<tr>
<td>Euro (EUR)</td>
<td>1</td>
<td>(659)</td>
<td>1</td>
<td>(736)</td>
<td>1</td>
<td>(817)</td>
</tr>
</tbody>
</table>

01.01.2011
50. FINANCIAL RISK MANAGEMENT (Cont'd.)

(c) MARKET RISK (Cont'd.)

(iii) Inventory risk

Inventory risk is defined as the risk arising from the holding of items in inventory either for resale under a Murabahah contract, or with a view to leasing under an ijarah contract. The Bank’s exposures in inventory risk mainly are due from the holding of vehicles held for resale.

A vehicle held in inventory under sale or return basis carries risk weight similar to normal financing as it is considered as a financing of an inventory item. As at 31 December 2012, the total risk weighted assets for exposures with inventory risk was RM0.032 million (31 December 2011: RM0.032 million; 31 December 2010: RM0.032 million) with total capital charge of RM0.005 million (31 December 2011: RM0.005 million; 31 December 2010: RM0.005 million).

The table below indicates the breakdown of the risk-weighted assets of inventories held under resale or return basis and the normal inventories.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Type of Inventory</td>
<td>RM’000</td>
<td>RM’000</td>
<td>RM’000</td>
</tr>
<tr>
<td>Not held under resale or return basis</td>
<td>32</td>
<td>32</td>
<td>32</td>
</tr>
</tbody>
</table>

Non-Trading

All positions, when the change in fair values will affect the Bank’s equity, are classified as non-trading positions. The Bank’s exposures in securities available-for-sale are classified as non-trading market risk positions. At present, these exposures are not subject to market risk capital charge requirement.
50. FINANCIAL RISK MANAGEMENT (Cont’d.)

(c) MARKET RISK (Cont’d.)

(iii) Inventory risk (Cont’d.)

The table below indicates the Basis Point Value ("BPV") sensitivity analysis of the securities available-for-sale against the movement in market benchmark rates.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Nominal amount RM’000</td>
<td>Modified duration</td>
<td>BPV</td>
</tr>
<tr>
<td>Ringgit Malaysia</td>
<td>404,050</td>
<td>2.47</td>
<td>98,781</td>
</tr>
<tr>
<td></td>
<td>425,062</td>
<td>8.57</td>
<td>226,388</td>
</tr>
<tr>
<td>US Dollar</td>
<td>354,728</td>
<td>5.37</td>
<td>202,946</td>
</tr>
</tbody>
</table>

The table above indicates the Basis Point Value ("BPV") sensitivity analysis of the securities available-for-sale against the movement in market benchmark rates.
50. FINANCIAL RISK MANAGEMENT (Cont’d.)

(d) RATE OF RETURN RISK

The Group and the Bank are exposed to risks associated with the effects of fluctuations in the prevailing levels of yield/profit rate on the financial position. The rate of return risk is the potential impacts of market factors affecting rates on returns in comparison with the expected rates on return for investment account holders. Yield/profit rate is monitored and managed by the Asset and Liability Management Committee (“ALCO”) to protect the income of its operations. The following table summarises the exposure to rate of return risk. The assets and liabilities at carrying amount are categorised by the earlier of the next contractual repricing dates and maturity dates.

<table>
<thead>
<tr>
<th>Non-trading book</th>
<th>Up to 1 month</th>
<th>&gt;1 - 3 months</th>
<th>&gt;3 - 12 months</th>
<th>&gt;1 - 5 years</th>
<th>Over 5 years</th>
<th>Non-profit sensitive</th>
<th>Trading book</th>
<th>Total</th>
<th>Effective profit rate %</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>GROUP</strong></td>
<td><strong>31.12.2012</strong></td>
<td><strong>RM’000</strong></td>
<td><strong>RM’000</strong></td>
<td><strong>RM’000</strong></td>
<td><strong>RM’000</strong></td>
<td><strong>RM’000</strong></td>
<td><strong>RM’000</strong></td>
<td><strong>RM’000</strong></td>
<td><strong>%</strong></td>
</tr>
<tr>
<td>ASSETS</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and short-term funds</td>
<td>1,315,832</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>84,852</td>
<td>-</td>
<td>1,400,684</td>
<td>2.59</td>
<td></td>
</tr>
<tr>
<td>Deposits and placements</td>
<td></td>
<td>-</td>
<td>90,397</td>
<td>153,750</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>244,147</td>
<td>2.18</td>
</tr>
<tr>
<td>Securities held-for-trading</td>
<td></td>
<td>-</td>
<td>10,194</td>
<td>232,758</td>
<td>286,292</td>
<td>321,213</td>
<td>105,373</td>
<td>955,830</td>
<td>2.92</td>
</tr>
<tr>
<td>Securities available-for-sale</td>
<td></td>
<td>-</td>
<td>10,194</td>
<td>232,758</td>
<td>286,292</td>
<td>321,213</td>
<td>105,373</td>
<td>955,830</td>
<td>2.92</td>
</tr>
<tr>
<td>Securities held-to-maturity</td>
<td></td>
<td>-</td>
<td>10,194</td>
<td>232,758</td>
<td>286,292</td>
<td>321,213</td>
<td>105,373</td>
<td>955,830</td>
<td>2.92</td>
</tr>
<tr>
<td>Financing, advances and receivables</td>
<td>1,958,525</td>
<td>1,465,717</td>
<td>425,661</td>
<td>44,444</td>
<td>1,300,356</td>
<td>94,042</td>
<td>-</td>
<td>5,288,745</td>
<td>6.38</td>
</tr>
<tr>
<td>Musyarakah capital investment</td>
<td></td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>5,898</td>
<td>-</td>
<td>5,898</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Other assets</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1,040,369</td>
<td>32</td>
<td>1,040,401</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL ASSETS</strong></td>
<td><strong>3,274,357</strong></td>
<td><strong>1,566,308</strong></td>
<td><strong>812,169</strong></td>
<td><strong>386,908</strong></td>
<td><strong>1,646,890</strong></td>
<td><strong>1,330,534</strong></td>
<td><strong>79,525</strong></td>
<td><strong>9,096,691</strong></td>
<td></td>
</tr>
</tbody>
</table>
### Non-trading book

<table>
<thead>
<tr>
<th></th>
<th>1 month</th>
<th>&gt;1 - 3 months</th>
<th>&gt;3 - 12 months</th>
<th>&gt;1 - 5 years</th>
<th>Over 5 years</th>
<th>Non-profit sensitive</th>
<th>Trading book</th>
<th>Total</th>
<th>Effective profit rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Group (Cont'd.)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>31.12.2012 (Cont'd.)</td>
<td></td>
<td></td>
<td></td>
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<td>On-balance sheet profit sensitivity gap</td>
<td>620,183</td>
<td>(189,003)</td>
<td>(942,665)</td>
<td>287,896</td>
<td>1,646,890</td>
<td>(1,502,826)</td>
<td>79,525</td>
<td>-</td>
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<tr>
<td>Off-balance sheet profit sensitivity gap</td>
<td>-</td>
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<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
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</tr>
<tr>
<td>Total profit sensitivity gap</td>
<td>620,183</td>
<td>(189,003)</td>
<td>(942,665)</td>
<td>287,896</td>
<td>1,646,890</td>
<td>(1,502,826)</td>
<td>79,525</td>
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### NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2012

#### 50. FINANCIAL RISK MANAGEMENT (Cont’d.)

#### (d) RATE OF RETURN RISK (Cont’d.)

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<thead>
<tr>
<th>Group</th>
<th>Non-trading book</th>
<th>Rate of Return</th>
<th>Trading book</th>
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<td>&gt;1 - 3 months</td>
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</tr>
<tr>
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<td>RM’000</td>
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<td>Cash and short-term funds</td>
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<tr>
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<td>Deposits and placements</td>
</tr>
<tr>
<td></td>
<td>Securities held-for-trading</td>
</tr>
<tr>
<td></td>
<td>Securities available-for-sale</td>
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<td>Securities held-to-maturity</td>
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<tr>
<td></td>
<td>Financing, advances and receivables</td>
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<tr>
<td></td>
<td>Murabahah trading automobile</td>
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<tr>
<td></td>
<td>Musyarakah capital investment</td>
</tr>
<tr>
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<td>Other assets</td>
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<table>
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<tr>
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<td>Deposits and placements of banks and other financial institutions</td>
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<td>Subordinated Murabahah Tawarruq</td>
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<tr>
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<td>Other liabilities</td>
</tr>
<tr>
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<td>Total Liabilities</td>
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<td>On-balance sheet profit sensitivity gap</td>
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<td>Off-balance sheet profit sensitivity gap</td>
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<tr>
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<td>Total profit sensitivity gap</td>
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50. FINANCIAL RISK MANAGEMENT (Cont'd.)
(d) RATE OF RETURN RISK (Cont'd.)

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<th>Group</th>
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<th>&gt;1 - 3 months</th>
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<th>&gt;1 - 5 years</th>
<th>Over 5 years</th>
<th>Non-profit sensitive</th>
<th>Trading book</th>
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<th>Effective profit rate</th>
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<td><strong>ASSETS</strong></td>
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<td>with banks and other financial institutions</td>
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<td>5,898</td>
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<td>998,279</td>
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<td>441,531</td>
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<tr>
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<td>1,681,712</td>
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<td>404,374</td>
<td>-</td>
<td>845,047</td>
<td>-</td>
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<td>1,912,426</td>
<td>-</td>
<td>1,912,426</td>
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<tr>
<td><strong>Total Liabilities and Shareholder's equity</strong></td>
<td>5,265,770</td>
<td>1,681,712</td>
<td>657,384</td>
<td>404,374</td>
<td>-</td>
<td>2,757,473</td>
<td>-</td>
<td>10,766,713</td>
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<tr>
<td>On-balance sheet profit sensitivity gap</td>
<td>(515,306)</td>
<td>1,420,848</td>
<td>(99,016)</td>
<td>723,422</td>
<td>119,131</td>
<td>(1,759,194)</td>
<td>110,115</td>
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<td>Off-balance sheet profit sensitivity gap</td>
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<td>-</td>
<td>-</td>
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<td>-</td>
<td>-</td>
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</tr>
<tr>
<td><strong>Total profit sensitivity gap</strong></td>
<td>(515,306)</td>
<td>1,420,848</td>
<td>(99,016)</td>
<td>723,422</td>
<td>119,131</td>
<td>(1,759,194)</td>
<td>110,115</td>
<td>-</td>
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KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD
(672174-T)
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2012

50. FINANCIAL RISK MANAGEMENT (Cont’d.)

(d) RATE OF RETURN RISK (Cont’d.)

<table>
<thead>
<tr>
<th>Bank</th>
<th>Up to 1 month</th>
<th>&gt;1 - 3 months</th>
<th>&gt;3 - 12 months</th>
<th>&gt;1 - 5 years</th>
<th>Over 5 years</th>
<th>Non-profit sensitive</th>
<th>Trading book</th>
<th>Total</th>
<th>Effective profit rate</th>
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<td>RM'000</td>
<td>RM'000</td>
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<td>RM'000</td>
<td>RM'000</td>
<td>RM'000</td>
<td>RM'000</td>
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<tr>
<td>ASSETS</td>
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<tr>
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<td>1.370,167 2.46</td>
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<td>228,838 2.36</td>
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<td></td>
<td></td>
<td></td>
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<td>79,493 4.12</td>
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<td>846,614 6.38</td>
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<td>94,042</td>
<td>79,493</td>
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<td>81,493 6.38</td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>5,898 3.62</td>
</tr>
<tr>
<td>Other assets</td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>5,898 3.62</td>
</tr>
<tr>
<td>TOTAL ASSETS</td>
<td>3,244,655</td>
<td>1,551,849</td>
<td>795,685</td>
<td>1,077,356</td>
<td>1,615,032</td>
<td>1,322,788</td>
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<td></td>
<td>8,970,840</td>
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</tbody>
</table>

LIABILITIES AND SHAREHOLDER'S EQUITY

| Deposits from customers | 1,862,036 | 911,370 | 1,699,156 | 99,012 | - | 805,465 | - | 5,377,039 | 2.61 |
| Deposits and placements of banks and other financial institutions | 748,031 | 400,782 | 55,677 | - | - | - | - | 1,204,490 | 2.61 |
| Subordinated Murabahah Tawarruq | - | - | 374,054 | - | - | - | - | 374,054 | 3.62 |
| Other liabilities | - | - | - | - | - | 507,758 | - | 507,758 | - |
| Total Liabilities | 2,610,067 | 1,312,152 | 1,754,833 | 473,066 | - | 1,313,223 | - | 7,463,341 |
| Shareholder's equity | - | - | 1,507,499 | - | - | 1,507,499 | - | 3,014,998 |
| Total Liabilities and Shareholder's equity | 2,610,067 | 1,312,152 | 1,754,833 | 473,066 | - | 2,820,722 | - | 8,970,840 |

On-balance sheet profit sensitivity gap | 634,588 | 239,697 | (959,148) | (111,760) | 1,615,032 | (1,497,934) | 79,525 | - |
| Off-balance sheet profit sensitivity gap | - | - | - | - | - | - | - | - |
| Total profit sensitivity gap | 634,588 | 239,697 | (959,148) | (111,760) | 1,615,032 | (1,497,934) | 79,525 | - |
50. FINANCIAL RISK MANAGEMENT (Cont’d.)

(d) RATE OF RETURN RISK (Cont’d.)

<table>
<thead>
<tr>
<th>Bank</th>
<th>Up to 1 month</th>
<th>&gt;1 - 3 months</th>
<th>&gt;3 - 12 months</th>
<th>&gt;1 - 5 years</th>
<th>Over 5 years</th>
<th>Non-profit sensitive</th>
<th>Trading book</th>
<th>Total</th>
<th>Effective profit rate</th>
</tr>
</thead>
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<td>31.12.2011</td>
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<td>RM’000</td>
<td>RM’000</td>
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<td>RM’000</td>
<td>RM’000</td>
<td>RM’000</td>
<td>RM’000</td>
<td>%</td>
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<tr>
<td>Assets</td>
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<tr>
<td>with banks and other financial institutions</td>
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<td>370,123</td>
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<td>3.52</td>
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<td>36,851</td>
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<td>Liabilities and Shareholder’s Equity</td>
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<td>Deposits from customers</td>
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<td>Deposits and placements of</td>
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<tr>
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<td>-</td>
<td>440,983</td>
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<tr>
<td>Total liabilities and Shareholder’s equity</td>
<td>3,883,660</td>
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<td>2,495,579</td>
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</tbody>
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216
## KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2012

### 50. FINANCIAL RISK MANAGEMENT (Cont’d.)

#### (d) RATE OF RETURN RISK (Cont’d.)

<table>
<thead>
<tr>
<th>Bank</th>
<th>Up to 1 month</th>
<th>&gt;1 - 3 months</th>
<th>&gt;3 - 12 months</th>
<th>&gt;1 - 5 years</th>
<th>Over 5 years</th>
<th>Non-profit sensitive</th>
<th>Trading book</th>
<th>Total</th>
<th>Effective profit rate %</th>
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<td></td>
<td>RM'000</td>
<td>RM'000</td>
<td>RM'000</td>
<td>RM'000</td>
<td>RM'000</td>
<td>RM'000</td>
<td>RM'000</td>
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<tr>
<td><strong>ASSETS</strong></td>
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<td>-</td>
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<td>91,076</td>
<td>19,000</td>
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<td>Securities held-to-maturity</td>
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<td>-</td>
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<td>Financing, advances and receivables</td>
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<td>5,898</td>
<td>-</td>
<td>5,898</td>
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<td>703,931</td>
<td>32</td>
<td>703,963</td>
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<td><strong>TOTAL ASSETS</strong></td>
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<td>3,102,560</td>
<td>472,062</td>
<td>1,086,529</td>
<td>119,131</td>
<td>1,007,908</td>
<td>10,743,286</td>
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<td></td>
</tr>
<tr>
<td><strong>LIABILITIES AND SHAREHOLDER’S EQUITY</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deposits from customers</td>
<td>2,450,410</td>
<td>1,182,224</td>
<td>523,877</td>
<td>-</td>
<td>405,089</td>
<td>-</td>
<td>4,561,610</td>
<td>2.66</td>
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<td>Deposits and placements of banks and other financial institutions</td>
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<td>115,264</td>
<td>53,577</td>
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<td>-</td>
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<td>-</td>
<td>350,797</td>
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<td>23,233</td>
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<td>440,462</td>
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<td><strong>Total Liabilities</strong></td>
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<td>1,681,712</td>
<td>662,384</td>
<td>404,374</td>
<td>-</td>
<td>845,551</td>
<td>8,862,744</td>
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<td>1,880,542</td>
<td>-</td>
<td>1,880,542</td>
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<tr>
<td><strong>Total Liabilities and Shareholder’s equity</strong></td>
<td>5,268,723</td>
<td>1,681,712</td>
<td>662,384</td>
<td>404,374</td>
<td>-</td>
<td>2,726,093</td>
<td>10,743,286</td>
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<tr>
<td>On-balance sheet profit sensitivity gap</td>
<td>(423,742)</td>
<td>1,420,848</td>
<td>(190,322)</td>
<td>682,155</td>
<td>119,131</td>
<td>(1,718,185)</td>
<td>110,115</td>
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<td></td>
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<tr>
<td>Off-balance sheet profit sensitivity gap</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td></td>
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</tr>
<tr>
<td><strong>Total profit sensitivity gap</strong></td>
<td>(423,742)</td>
<td>1,420,848</td>
<td>(190,322)</td>
<td>682,155</td>
<td>119,131</td>
<td>(1,718,185)</td>
<td>110,115</td>
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</tbody>
</table>
Foreign exchange risk is the risk to earnings and value of foreign currency assets, liabilities and hedging financial instruments caused by fluctuations in foreign exchange rates.

The banking activities of providing financial products and services to customers expose the Group and the Bank to foreign exchange risk. Foreign exchange risk is managed by treasury function, and monitored by Group Risk Management against delegated limits. The Group’s policy is to ensure, where appropriate and practical, that its capital is protected from foreign exchange exposures. Hedging against foreign exchange exposures is mainly to protect the real economic value, rather than to avoid the short-term accounting impact.

The table below analyses the net foreign exchange positions of the Group and the Bank by major currencies, which are mainly in Ringgit Malaysia, Singapore Dollar, US Dollar, Euro and Kuwait Dinar.
50. FINANCIAL RISK MANAGEMENT (Cont'd.)

(e) FOREIGN EXCHANGE RISK (Cont'd.)

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<tr>
<th>Group</th>
<th>MYR</th>
<th>SGD</th>
<th>USD</th>
<th>EUR</th>
<th>KWD</th>
<th>Others</th>
<th>Total</th>
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<td>31.12.2012 (Cont'd.)</td>
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<tr>
<td>LIABILITIES AND SHAREHOLDER'S EQUITY</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deposits from customers</td>
<td>4,531,132</td>
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<td>813,607</td>
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<td>-</td>
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<td>-</td>
<td>-</td>
<td>1,519,295</td>
</tr>
<tr>
<td><strong>Total Liabilities and Shareholder's equity</strong></td>
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<td>25,527</td>
<td>1,580,319</td>
<td>41,165</td>
<td>-</td>
<td>-</td>
<td>9,096,691</td>
</tr>
<tr>
<td>On-balance sheet open position</td>
<td>(118,162)</td>
<td>22,504</td>
<td>(52,653)</td>
<td>(40,348)</td>
<td>3,724</td>
<td>184,935</td>
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<tr>
<td>Off-balance sheet open position</td>
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<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Net open position</strong></td>
<td>(118,162)</td>
<td>22,504</td>
<td>(52,653)</td>
<td>(40,348)</td>
<td>3,724</td>
<td>184,935</td>
<td>-</td>
</tr>
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</table>
### FOREIGN EXCHANGE RISK (Cont'd.)

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<th>Group</th>
<th>MYR'000</th>
<th>SGD'000</th>
<th>USD'000</th>
<th>EUR'000</th>
<th>KWD'000</th>
<th>Others'000</th>
<th>Total'000</th>
</tr>
</thead>
<tbody>
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<td><strong>ASSETS</strong></td>
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<td>Cash and short-term funds</td>
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<td>5,685</td>
<td>11,329</td>
<td>1,973,012</td>
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<td>Deposits and placements with banks and other financial institutions</td>
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<td>436,852</td>
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<td>-</td>
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<td>734,973</td>
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<td>Securities held-for-trading</td>
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<td>-</td>
<td>90,216</td>
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<td>781,580</td>
<td>24,687</td>
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<td>-</td>
<td>1,096,340</td>
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<td>5,197,764</td>
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<td>Murabahah trading automobile</td>
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<td>-</td>
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<tr>
<td>Musyarakah capital investment</td>
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<td><strong>Total</strong></td>
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<td>5,685</td>
<td>158,740</td>
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<td></td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deposits from customers</td>
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<td>411,457</td>
<td>150</td>
<td>9,282</td>
<td>157,421</td>
<td>4,717,854</td>
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<td>873,239</td>
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<td>-</td>
<td>-</td>
<td>-</td>
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<td><strong>Total Liabilities</strong></td>
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<td>1,730,940</td>
<td>42,370</td>
<td>9,282</td>
<td>157,421</td>
<td>8,668,195</td>
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<td>1,453,971</td>
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<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1,453,971</td>
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<tr>
<td><strong>Total Liabilities and Shareholder’s equity</strong></td>
<td>7,985,811</td>
<td>196,342</td>
<td>1,730,940</td>
<td>42,370</td>
<td>9,282</td>
<td>157,421</td>
<td>10,122,166</td>
</tr>
<tr>
<td>On-balance sheet open position</td>
<td>(774,968)</td>
<td>(16,021)</td>
<td>810,950</td>
<td>(17,683)</td>
<td>(3,597)</td>
<td>1,319</td>
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<td>-</td>
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<td>(29,379)</td>
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<tr>
<td><strong>Net open position</strong></td>
<td>11,587</td>
<td>(16,021)</td>
<td>(4,984)</td>
<td>(17,683)</td>
<td>(3,597)</td>
<td>1,319</td>
<td>(29,379)</td>
</tr>
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**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2012**
50. FINANCIAL RISK MANAGEMENT (Cont'd.)

(e) FOREIGN EXCHANGE RISK (Cont'd.)

<table>
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<th>Group</th>
<th>MYR'000</th>
<th>SGD'000</th>
<th>USD'000</th>
<th>EUR'000</th>
<th>KWD'000</th>
<th>Others'000</th>
<th>Total'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>01.01.2011</td>
<td></td>
<td></td>
<td></td>
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<td></td>
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</tr>
<tr>
<td>ASSETS</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and short-term funds</td>
<td>2,391,405</td>
<td>44,141</td>
<td>209,856</td>
<td>-</td>
<td>-</td>
<td>6,293</td>
<td>2,651,695</td>
</tr>
<tr>
<td>Deposits and placements with banks and other financial institutions</td>
<td>78,531</td>
<td>196,561</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>275,092</td>
</tr>
<tr>
<td>Securities held-for-trading</td>
<td>-</td>
<td>-</td>
<td>110,083</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>110,083</td>
</tr>
<tr>
<td>Securities available-for-sale</td>
<td>394,564</td>
<td>-</td>
<td>634,340</td>
<td>24,602</td>
<td>-</td>
<td>-</td>
<td>1,053,506</td>
</tr>
<tr>
<td>Securities held-to-maturity</td>
<td>15,250</td>
<td>-</td>
<td>31,016</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>46,266</td>
</tr>
<tr>
<td>Financing, advances and receivables</td>
<td>4,677,095</td>
<td>14,746</td>
<td>1,197,170</td>
<td>-</td>
<td>-</td>
<td>42,604</td>
<td>5,931,615</td>
</tr>
<tr>
<td>Murabahah trading automobile</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Musyarakah capital investment</td>
<td>5,898</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>5,898</td>
</tr>
<tr>
<td>Other assets</td>
<td>583,437</td>
<td>-</td>
<td>80,632</td>
<td>-</td>
<td>-</td>
<td>28,489</td>
<td>692,558</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td>8,146,180</td>
<td>255,448</td>
<td>2,263,097</td>
<td>24,602</td>
<td>-</td>
<td>77,386</td>
<td>10,766,713</td>
</tr>
</tbody>
</table>

LIABILITIES AND SHAREHOLDER'S EQUITY

| Deposits from customers | 4,031,844 | 259,317 | 239,362 | - | - | 29,514 | 4,560,037 |
| Deposits and placements of banks and other financial institutions | 2,582,110 | - | 817,820 | 40,472 | - | 38,287 | 3,478,689 |
| Subordinated Murabahah Tawarruq | - | - | 350,797 | - | - | - | 350,797 |
| Murabahah bank financing | - | - | 23,233 | - | - | - | 23,233 |
| Other liabilities | 401,742 | - | 39,789 | - | - | - | 441,531 |
| **Total Liabilities** | 7,015,696 | 259,317 | 1,471,001 | 40,472 | - | 67,801 | 8,854,287 |
| Shareholder's equity | 1,912,426 | - | - | - | - | - | 1,912,426 |
| **Total Liabilities and Shareholder's equity** | 8,928,122 | 259,317 | 1,471,001 | 40,472 | - | 67,801 | 10,766,713 |

| On-balance sheet open position | (781,942) | (3,869) | 792,096 | (15,870) | - | 9,585 | - |
| Off-balance sheet open position | 786,555 | - | (815,934) | - | - | - | (29,379) |
| **Net open position** | 4,613 | (3,869) | (23,838) | (15,870) | - | 9,585 | (29,379) |
50. FINANCIAL RISK MANAGEMENT (Cont'd.)

(e) FOREIGN EXCHANGE RISK (Cont'd.)

<table>
<thead>
<tr>
<th>Bank</th>
<th>ASSETS</th>
<th>Liabilities and Shareholder's Equity</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total Liabilities</td>
<td>Total Liabilities and Shareholder's Equity</td>
</tr>
<tr>
<td></td>
<td>Total Assets</td>
<td></td>
</tr>
<tr>
<td></td>
<td>MYR'000</td>
<td>SGD'000</td>
</tr>
<tr>
<td>Cash and short-term funds</td>
<td>1,180,383</td>
<td>22,998</td>
</tr>
<tr>
<td>Deposits and placements with banks and other financial institutions</td>
<td>50,056</td>
<td>25,033</td>
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<tr>
<td>Securities held-for-trading</td>
<td>10,541</td>
<td>-</td>
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<td>Securities available-for-sale</td>
<td>424,242</td>
<td>-</td>
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<td>Securities held-to-maturity</td>
<td>81,493</td>
<td>-</td>
</tr>
<tr>
<td>Financing, advances and receivables</td>
<td>4,728,438</td>
<td>-</td>
</tr>
<tr>
<td>Murabahah trading automobile</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Musyarakah capital investment</td>
<td>5,898</td>
<td>-</td>
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<tr>
<td>Other assets</td>
<td>878,843</td>
<td>-</td>
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<td>Total Assets</td>
<td>7,359,894</td>
<td>48,031</td>
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On-balance sheet open position

Off-balance sheet open position

Net open position
50. FINANCIAL RISK MANAGEMENT (Cont'd.)

(e) FOREIGN EXCHANGE RISK (Cont'd.)

<table>
<thead>
<tr>
<th>Bank</th>
<th>31.12.2011</th>
<th></th>
<th></th>
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<th></th>
<th></th>
<th></th>
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</tr>
<tr>
<td></td>
<td></td>
<td>MYR'000</td>
<td>SGD'000</td>
<td>USD'000</td>
<td>EUR'000</td>
<td>KWD'000</td>
<td>Others'000</td>
<td>Total'000</td>
</tr>
<tr>
<td>Cash and short-term funds</td>
<td>1,570,941</td>
<td>120,764</td>
<td>343,173</td>
<td>24,395</td>
<td>5,685</td>
<td>11,329</td>
<td>2,076,287</td>
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<td>Deposits and placements with banks and other financial institutions</td>
<td>249,378</td>
<td>48,743</td>
<td>436,852</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>734,973</td>
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</tr>
<tr>
<td>Securities held-for-trading</td>
<td>-</td>
<td>-</td>
<td>83,776</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>83,776</td>
<td></td>
</tr>
<tr>
<td>Securities available-for-sale</td>
<td>307,854</td>
<td>-</td>
<td>669,401</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>977,255</td>
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<tr>
<td>Securities held-to-maturity</td>
<td>15,268</td>
<td>-</td>
<td>31,857</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>47,125</td>
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<td>Financing, advances and receivables</td>
<td>4,292,562</td>
<td>10,814</td>
<td>894,388</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>5,197,764</td>
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<tr>
<td>Musyarakah capital investment</td>
<td>5,898</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>5,898</td>
<td></td>
</tr>
<tr>
<td>Other assets</td>
<td>811,572</td>
<td>-</td>
<td>43,688</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1,002,671</td>
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<td><strong>Total Assets</strong></td>
<td>7,253,473</td>
<td>180,321</td>
<td>2,503,135</td>
<td>24,395</td>
<td>5,685</td>
<td>158,740</td>
<td>10,125,749</td>
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<tr>
<td></td>
<td>LIABILITIES AND SHAREHOLDER'S EQUITY</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>MYR'000</td>
<td>SGD'000</td>
<td>USD'000</td>
<td>EUR'000</td>
<td>KWD'000</td>
<td>Others'000</td>
<td>Total'000</td>
</tr>
<tr>
<td>Deposits from customers</td>
<td>3,944,933</td>
<td>196,342</td>
<td>411,457</td>
<td>150</td>
<td>9,283</td>
<td>-</td>
<td>4,719,586</td>
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<tr>
<td>Deposits and placements of banks and other financial institutions</td>
<td>2,225,494</td>
<td>-</td>
<td>884,328</td>
<td>42,220</td>
<td>-</td>
<td>-</td>
<td>3,152,042</td>
<td></td>
</tr>
<tr>
<td>Subordinated Murabahah Tawarruq</td>
<td>-</td>
<td>-</td>
<td>373,589</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>373,589</td>
<td></td>
</tr>
<tr>
<td>Other liabilities</td>
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<td>72,655</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>440,983</td>
<td></td>
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<tr>
<td><strong>Total Liabilities</strong></td>
<td>6,538,755</td>
<td>196,342</td>
<td>1,742,029</td>
<td>42,370</td>
<td>9,283</td>
<td>-</td>
<td>8,686,200</td>
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</tr>
<tr>
<td>Shareholder's equity</td>
<td>1,439,549</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1,439,549</td>
<td></td>
</tr>
<tr>
<td><strong>Total Liabilities and Shareholder's equity</strong></td>
<td>7,978,304</td>
<td>196,342</td>
<td>1,742,029</td>
<td>42,370</td>
<td>9,283</td>
<td>-</td>
<td>10,125,749</td>
<td></td>
</tr>
<tr>
<td>On-balance sheet open position</td>
<td>(724,831)</td>
<td>(16,021)</td>
<td>761,106</td>
<td>(17,975)</td>
<td>(3,598)</td>
<td>1,319</td>
<td>-</td>
<td></td>
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<tr>
<td>Off-balance sheet open position</td>
<td>786,555</td>
<td>-</td>
<td>(815,934)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(29,379)</td>
<td></td>
</tr>
<tr>
<td><strong>Net open position</strong></td>
<td>61,724</td>
<td>(16,021)</td>
<td>(54,828)</td>
<td>(17,975)</td>
<td>(3,598)</td>
<td>1,319</td>
<td>(29,379)</td>
<td></td>
</tr>
</tbody>
</table>
50. FINANCIAL RISK MANAGEMENT (Cont'd.)

(e) FOREIGN EXCHANGE RISK (Cont'd.)

<table>
<thead>
<tr>
<th>Bank</th>
<th>ASSETS</th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>01.01.2011</td>
<td>MYR</td>
<td>RM'000</td>
<td>SGD</td>
<td>RM'000</td>
<td>USD</td>
<td>RM'000</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and short-term funds</td>
<td>2,389,628</td>
<td>283,937</td>
<td>20,437</td>
<td>-</td>
<td>6,293</td>
<td>2,744,436</td>
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</tr>
<tr>
<td>Deposits and placements with banks and other financial institutions</td>
<td>78,531</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>78,531</td>
<td></td>
</tr>
<tr>
<td>Securities held-for-trading</td>
<td>-</td>
<td>110,083</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>110,083</td>
<td></td>
</tr>
<tr>
<td>Securities available-for-sale</td>
<td>394,564</td>
<td>531,369</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>925,933</td>
<td></td>
</tr>
<tr>
<td>Securities held-to-maturity</td>
<td>15,250</td>
<td>31,016</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>46,266</td>
<td></td>
</tr>
<tr>
<td>Financing, advances and receivables</td>
<td>4,677,095</td>
<td>1,197,170</td>
<td>-</td>
<td>-</td>
<td>42,604</td>
<td>5,931,615</td>
<td></td>
</tr>
<tr>
<td>Musyarakah capital investment</td>
<td>5,898</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>5,898</td>
<td></td>
</tr>
<tr>
<td>Other assets</td>
<td>594,842</td>
<td>80,632</td>
<td>-</td>
<td>-</td>
<td>28,489</td>
<td>703,963</td>
<td></td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td>8,155,808</td>
<td>2,234,207</td>
<td>20,437</td>
<td>-</td>
<td>77,386</td>
<td>10,743,286</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>LIABILITIES AND SHAREHOLDER'S EQUITY</th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Deposits from customers</td>
<td>4,033,417</td>
<td>239,362</td>
<td>-</td>
<td>29,514</td>
<td>4,561,610</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Deposits and placements of banks and other financial institutions</td>
<td>2,590,063</td>
<td>40,472</td>
<td>38,287</td>
<td>3,486,642</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Subordinated Murabahah Tawarruq</td>
<td>-</td>
<td>350,797</td>
<td>-</td>
<td>-</td>
<td>350,797</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Murabahah bank financing</td>
<td>-</td>
<td>23,233</td>
<td>-</td>
<td>-</td>
<td>23,233</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Other liabilities</td>
<td>400,673</td>
<td>39,789</td>
<td>-</td>
<td>-</td>
<td>440,462</td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>Total Liabilities</strong></td>
<td>7,024,153</td>
<td>1,471,001</td>
<td>40,472</td>
<td>67,801</td>
<td>8,862,744</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Shareholder’s equity</td>
<td>1,880,542</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1,880,542</td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>Total Liabilities and Shareholder’s equity</strong></td>
<td>8,904,695</td>
<td>1,471,001</td>
<td>40,472</td>
<td>67,801</td>
<td>10,743,286</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Net open position</th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>On-balance sheet open position</td>
<td>(748,887)</td>
<td>-</td>
<td>763,206</td>
<td>-</td>
<td>-</td>
<td>9,585</td>
</tr>
<tr>
<td></td>
<td>Off-balance sheet open position</td>
<td>786,555</td>
<td>-</td>
<td>(815,934)</td>
<td>-</td>
<td>-</td>
<td>(29,379)</td>
</tr>
<tr>
<td></td>
<td><strong>Net open position</strong></td>
<td>37,668</td>
<td>(3,869)</td>
<td>(52,728)</td>
<td>(20,035)</td>
<td>-</td>
<td>9,585</td>
</tr>
</tbody>
</table>
50. FINANCIAL RISK MANAGEMENT (Cont'd.)

(f) PROFIT RATE RISK

Profit rate risk refers to movements in profit rates that can expose the Bank to higher funding costs or lower investment and financing yields. Due to the nature of the Bank’s business, changes in profit rates can adversely affect the Bank in the form of lower net revenue depending on the mix and form of assets and liabilities.

The rate of return risk management function is overseen by Asset & Liability Management Committee ("ALCO"), with the secretariat resided at Risk Management Division. ALCO is chaired by Chief Executive Officer with members comprise of senior management representing major business units, Finance Division and Risk Management Division.

The primary aim of profit rate risk management is to maintain the Bank’s profit rate risk exposure within acceptable parameters when there is a change in the market profit rate. Profit rate risk limits shall provide the means for achieving this objective. ALCO had set the limits for the following ratios:

i) The total of non rate sensitive financing over the Bank’s total financing; and

ii) The 3 months rate sensitive assets over the 3 months rate sensitive liabilities.
50. FINANCIAL RISK MANAGEMENT (Cont'd.)

(f) PROFIT RATE RISK (Cont'd.)

The following table summarises the Bank's exposures to profit rate risk as at 31 December 2012. The assets and liabilities at carrying amount are categorised by the earlier of the next contractual repricing dates and maturity dates. All retail deposits (liabilities) are assumed to be re-priced immediately when the market profit rate changes.

**Exposures to profit rate risk**

**31.12.2012**

<table>
<thead>
<tr>
<th>Group</th>
<th>Rate sensitive assets</th>
<th>1-3 months</th>
<th>4-6 months</th>
<th>7-12 months</th>
<th>Over 12 months</th>
<th>Non-sensitive</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rate sensitive assets</td>
<td>4,918</td>
<td>283</td>
<td>528</td>
<td>2,799</td>
<td>568</td>
<td>9,096</td>
<td></td>
</tr>
<tr>
<td>Rate sensitive liabilities</td>
<td>4,409</td>
<td>624</td>
<td>1,131</td>
<td>99</td>
<td>1,314</td>
<td>7,577</td>
<td></td>
</tr>
<tr>
<td>Monthly mismatch</td>
<td>509</td>
<td>(341)</td>
<td>(603)</td>
<td>2,700</td>
<td>(746)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cumulative mismatch</td>
<td>1,628</td>
<td>836</td>
<td>(479)</td>
<td>2,265</td>
<td>1,519</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Bank**

| Rate sensitive assets | 4,795                | 283        | 513        | 2,741       | 639            | 8,971         |
| Rate sensitive liabilities | 3,922               | 624        | 1,131      | 99          | 1,687          | 7,463         |
| Monthly mismatch          | 873                  | (341)      | (618)      | 2,642       | (1,048)        |               |
| Cumulative mismatch       | 2,363                | 1,927      | 1,626      | 2,556       | 1,508          |               |

The above analysis is performed on a monthly basis and subsequently, reported to ALCO for review and deliberation.
50. FINANCIAL RISK MANAGEMENT (Cont'd.)

(f) PROFIT RATE RISK (Cont'd.)

Exposures to profit rate risk (Cont'd.)

31.12.2011
Group

<table>
<thead>
<tr>
<th>RM million</th>
<th>1-3 months</th>
<th>4-6 months</th>
<th>7-12 months</th>
<th>Over 12 months</th>
<th>Non-sensitive</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rate sensitive assets</td>
<td>6,226</td>
<td>404</td>
<td>42</td>
<td>2,046</td>
<td>1,404</td>
<td>10,122</td>
</tr>
<tr>
<td>Rate sensitive liabilities</td>
<td>5,815</td>
<td>560</td>
<td>836</td>
<td>5</td>
<td>1,452</td>
<td>8,668</td>
</tr>
<tr>
<td>Monthly mismatch</td>
<td>411</td>
<td>(157)</td>
<td>(794)</td>
<td>2,042</td>
<td>(204)</td>
<td></td>
</tr>
<tr>
<td>Cumulative mismatch</td>
<td>380</td>
<td>1,296</td>
<td>(339)</td>
<td>1,502</td>
<td>1,454</td>
<td></td>
</tr>
</tbody>
</table>

Bank

<table>
<thead>
<tr>
<th>RM million</th>
<th>1-3 months</th>
<th>4-6 months</th>
<th>7-12 months</th>
<th>Over 12 months</th>
<th>Non-sensitive</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rate sensitive assets</td>
<td>6,326</td>
<td>549</td>
<td>102</td>
<td>1,777</td>
<td>1,372</td>
<td>10,126</td>
</tr>
<tr>
<td>Rate sensitive liabilities</td>
<td>5,833</td>
<td>560</td>
<td>836</td>
<td>5</td>
<td>1,452</td>
<td>8,686</td>
</tr>
<tr>
<td>Monthly mismatch</td>
<td>493</td>
<td>(12)</td>
<td>(733)</td>
<td>1,772</td>
<td>(238)</td>
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</tr>
<tr>
<td>Cumulative mismatch</td>
<td>538</td>
<td>1,832</td>
<td>1,390</td>
<td>1,520</td>
<td>1,440</td>
<td></td>
</tr>
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</table>
50. FINANCIAL RISK MANAGEMENT (Cont’d.)

(f) PROFIT RATE RISK (Cont’d.)

Exposures to profit rate risk (Cont’d.)

01.01.2011

<table>
<thead>
<tr>
<th>RM million</th>
<th>1-3 months</th>
<th>4-6 months</th>
<th>7-12 months</th>
<th>Over 12 months</th>
<th>Non-sensitive</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rate sensitive assets</td>
<td>7,850</td>
<td>494</td>
<td>64</td>
<td>1,504</td>
<td>855</td>
<td>10,767</td>
</tr>
<tr>
<td>Rate sensitive liabilities</td>
<td>6,924</td>
<td>309</td>
<td>322</td>
<td>54</td>
<td>1,245</td>
<td>8,854</td>
</tr>
<tr>
<td>Monthly mismatch</td>
<td>926</td>
<td>185</td>
<td>(258)</td>
<td>1,451</td>
<td>(236)</td>
<td></td>
</tr>
<tr>
<td>Cumulative mismatch</td>
<td>926</td>
<td>1,111</td>
<td>853</td>
<td>2,304</td>
<td>1,913</td>
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</table>

<table>
<thead>
<tr>
<th>Bank</th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Rate sensitive assets</td>
<td>8,273</td>
<td>314</td>
<td>3</td>
<td>1,204</td>
<td>949</td>
<td>10,743</td>
</tr>
<tr>
<td>Rate sensitive liabilities</td>
<td>6,927</td>
<td>314</td>
<td>322</td>
<td>54</td>
<td>1,246</td>
<td>8,863</td>
</tr>
<tr>
<td>Monthly mismatch</td>
<td>1,346</td>
<td>-</td>
<td>(319)</td>
<td>1,150</td>
<td>(141)</td>
<td></td>
</tr>
<tr>
<td>Cumulative mismatch</td>
<td>1,346</td>
<td>1,346</td>
<td>1,026</td>
<td>2,177</td>
<td>1,880</td>
<td></td>
</tr>
</tbody>
</table>

The above analysis is performed on a monthly basis and subsequently, reported to ALCO for review and deliberation.
The following table indicates the sensitivity of the net revenue and the economic value of equity on over the rate of return upward and downward rate shocks.

**Profit rate risk simulation sensitivity analysis (%)**

<table>
<thead>
<tr>
<th></th>
<th>31.12.2012</th>
<th>Movement in market profit rate (%)</th>
</tr>
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<tbody>
<tr>
<td></td>
<td></td>
<td>(2.00)</td>
</tr>
<tr>
<td><strong>Group</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Bank</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Change in Net Revenue</td>
<td>Bank</td>
<td>(17.18)</td>
</tr>
<tr>
<td>Change in Economic Value of Equity</td>
<td>Bank</td>
<td>18.55</td>
</tr>
</tbody>
</table>
### 50. FINANCIAL RISK MANAGEMENT (Cont'd.)

#### (f) PROFIT RATE RISK (Cont'd.)

<table>
<thead>
<tr>
<th></th>
<th>31.12.2011</th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(2.00)</td>
<td>(1.00)</td>
<td>(0.50)</td>
<td>0.50</td>
<td>1.00</td>
<td>2.00</td>
</tr>
<tr>
<td>Group</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Change in Net Revenue</td>
<td>0.85</td>
<td>0.46</td>
<td>0.26</td>
<td>(0.28)</td>
<td>(0.56)</td>
<td>(1.13)</td>
</tr>
<tr>
<td>Change in Economic Value of Equity</td>
<td>14.84</td>
<td>6.89</td>
<td>3.32</td>
<td>(3.10)</td>
<td>(6.00)</td>
<td>(11.25)</td>
</tr>
<tr>
<td>Bank</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Change in Net Revenue</td>
<td>0.93</td>
<td>0.50</td>
<td>0.28</td>
<td>(0.30)</td>
<td>(0.61)</td>
<td>(1.21)</td>
</tr>
<tr>
<td>Change in Economic Value of Equity</td>
<td>14.10</td>
<td>6.53</td>
<td>3.15</td>
<td>(2.93)</td>
<td>(5.66)</td>
<td>(10.58)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>01.01.2011</th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(2.00)</td>
<td>(1.00)</td>
<td>(0.50)</td>
<td>0.50</td>
<td>1.00</td>
<td>2.00</td>
</tr>
<tr>
<td>Group</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Change in Net Revenue</td>
<td>(2.80)</td>
<td>(1.37)</td>
<td>(0.66)</td>
<td>0.83</td>
<td>1.66</td>
<td>3.32</td>
</tr>
<tr>
<td>Change in Economic Value of Equity</td>
<td>3.47</td>
<td>1.68</td>
<td>0.83</td>
<td>(0.80)</td>
<td>(1.58)</td>
<td>(3.07)</td>
</tr>
<tr>
<td>Bank</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Change in Net Revenue</td>
<td>(2.25)</td>
<td>(1.09)</td>
<td>(0.52)</td>
<td>0.69</td>
<td>1.39</td>
<td>2.78</td>
</tr>
<tr>
<td>Change in Economic Value of Equity</td>
<td>3.21</td>
<td>1.55</td>
<td>0.76</td>
<td>(0.74)</td>
<td>(1.46)</td>
<td>(2.83)</td>
</tr>
</tbody>
</table>
50. FINANCIAL RISK MANAGEMENT (Cont’d.)

(g) Credit Risk Disclosures for portfolios under the Standardised Approach

For the calculation of credit risk-weighted assets under the Standardised Approach for Capital Adequacy Framework for Islamic Bank (“CAFIB”) issued by Bank Negara Malaysia (“BNM”), external credit assessments (or external ratings) on the obligor (the issuer) or specific securities issued by the issuer (the issue) form as a basis for the determination of risk weights for exposures to sovereigns, central banks, public sector entities, banking institutions, corporates as well as certain other specific portfolios in the banking book. The Bank captures all available external ratings of obligor or issues and adheres to the conditions stipulated in the BNM CAFIB to choose the applicable rating assessment for exposures with single or multiple external ratings. The Bank then assigns the appropriate risk weight to the banking book exposure that is equivalent to the standard risk-weights in CAFIB for issue-specific rating. The Bank also applies the principles stipulated in CAFIB to determine the applicable risk weights to the exposures that do not have issue-specific rating.

(i) Names of External Credit Assessment Institution (“ECAs”) used are:
- Standard & Poor’s Rating Services (“S&P”)
- Moody’s Investor’s Service (“Moody’s”)
- Fitch Ratings (“Fitch”)
- Rating Agency Malaysia (“RAM”)
- Malaysian Rating Corporation Berhad (“MARC”)

(ii) Types of exposures for which each ECAI is used:
- Exposures to Sovereign and Central Banks
- Exposures to Non-Federal Government Public Sector Entities (“PSEs”)
- Exposures to Multilateral Banks (“MDB’s”)
- Exposures to Banking Institutions and Corporates

(iii) The breakdown of all rated and unrated exposures risk-weighted assets (“RWA”) by exposures in each major risk category for the current financial year are as follows:

<table>
<thead>
<tr>
<th>Exposure class</th>
<th>Rating of Corporates by approved ECAIs</th>
<th>31.12.2012</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Moody’s</td>
<td>Aaa to Aa3</td>
</tr>
<tr>
<td></td>
<td>S&amp;P</td>
<td>AAA to AA-</td>
</tr>
<tr>
<td></td>
<td>Fitch</td>
<td>AAA to AA-</td>
</tr>
<tr>
<td></td>
<td>RAM</td>
<td>AAA to AA3</td>
</tr>
<tr>
<td></td>
<td>MARC</td>
<td>AAA to AA-</td>
</tr>
<tr>
<td></td>
<td>Rating &amp; Investment Inc</td>
<td>AAA to AA-</td>
</tr>
<tr>
<td>On and Off-Balance Sheet Exposures</td>
<td>Credit exposures (using corporate risk-weights)</td>
<td>RM ’000</td>
</tr>
<tr>
<td>Group Corporates</td>
<td>95,176</td>
<td>603,258</td>
</tr>
<tr>
<td></td>
<td>95,176</td>
<td>603,258</td>
</tr>
</tbody>
</table>
### 50. FINANCIAL RISK MANAGEMENT (Cont’d.)

#### (g) Credit Risk Disclosures for portfolios under the Standardised Approach (Cont’d.)

**31.12.2012**

<table>
<thead>
<tr>
<th>Exposure class</th>
<th>Rating of Corporates by approved ECAIs</th>
<th>On and Off-Balance Sheet Exposures</th>
<th>Credit exposures (using corporate risk-weights)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Moodys: Aaa to Aa3 A1 to A3 Baa1 to Baa3 B+ to C Unrated</td>
<td>RM '000</td>
<td>RM '000</td>
</tr>
<tr>
<td></td>
<td>S&amp;P: AAA to AA- A+ to A- BBB+ to BB- B+ to D Unrated</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Fitch: AAA to AA- A+ to A- BBB+ to BB- B+ to D Unrated</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>RAM: AAA to AA3 A to A3 BBB to BB B to D Unrated</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>MARC: AAA to AA- A+ to A- BBB+ to BB- B+ to D Unrated</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Rating &amp;</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Investment</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Inc: AAA to AA- A+ to A- BBB+ to BB- B+ to D Unrated</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Bank</th>
<th>Corporates</th>
<th>95,176</th>
<th>603,258</th>
<th>46,906</th>
<th>-</th>
<th>3,778,939</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total</td>
<td>95,176</td>
<td>603,258</td>
<td>46,906</td>
<td>-</td>
<td>3,778,939</td>
</tr>
</tbody>
</table>

**31.12.2011**

<table>
<thead>
<tr>
<th>Exposure class</th>
<th>Rating of Corporates by approved ECAIs</th>
<th>On and Off-Balance Sheet Exposures</th>
<th>Credit exposures (using corporate risk-weights)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Moodys: Aaa to Aa3 A1 to A3 Baa1 to Baa3 B+ to C Unrated</td>
<td>RM '000</td>
<td>RM '000</td>
</tr>
<tr>
<td></td>
<td>S&amp;P: AAA to AA- A+ to A- BBB+ to BB- B+ to D Unrated</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Fitch: AAA to AA- A+ to A- BBB+ to BB- B+ to D Unrated</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>RAM: AAA to AA3 A to A3 BBB to BB B to D Unrated</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>MARC: AAA to AA- A+ to A- BBB+ to BB- B+ to D Unrated</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Rating &amp;</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Investment</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Inc: AAA to AA- A+ to A- BBB+ to BB- B+ to D Unrated</td>
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</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Group</th>
<th>Public sector entities (applicable for entities risk-weighted based on their external ratings as corporates)</th>
<th>112,778</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Corporates</td>
<td>56,374</td>
</tr>
<tr>
<td></td>
<td></td>
<td>15,268</td>
</tr>
<tr>
<td></td>
<td></td>
<td>-</td>
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<tr>
<td></td>
<td></td>
<td>5,412,691</td>
</tr>
<tr>
<td></td>
<td></td>
<td>56,374</td>
</tr>
<tr>
<td></td>
<td></td>
<td>15,268</td>
</tr>
<tr>
<td></td>
<td></td>
<td>-</td>
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<tr>
<td></td>
<td></td>
<td>5,525,469</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Bank</th>
<th>Public sector entities (applicable for entities risk-weighted based on their external ratings as corporates)</th>
<th>112,778</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Corporates</td>
<td>56,373</td>
</tr>
<tr>
<td></td>
<td></td>
<td>15,268</td>
</tr>
<tr>
<td></td>
<td></td>
<td>-</td>
</tr>
<tr>
<td></td>
<td></td>
<td>5,414,279</td>
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<tr>
<td></td>
<td></td>
<td>56,373</td>
</tr>
<tr>
<td></td>
<td></td>
<td>15,268</td>
</tr>
<tr>
<td></td>
<td></td>
<td>-</td>
</tr>
<tr>
<td></td>
<td></td>
<td>5,527,057</td>
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</tbody>
</table>
50. FINANCIAL RISK MANAGEMENT (Cont’d.)

(g) Credit Risk Disclosures for portfolios under the Standardised Approach (Cont’d.)

<table>
<thead>
<tr>
<th>01.01.2011</th>
<th>Rating of Corporates by approved ECAs</th>
<th>Exposure class</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Moody's</td>
<td>Aaa to Aa3</td>
</tr>
<tr>
<td>On and Off-Balance Sheet Exposures</td>
<td>Credit exposures (using corporate risk-weights)</td>
<td>Group and Bank</td>
</tr>
<tr>
<td>RM '000</td>
<td>RM '000</td>
<td>RM '000</td>
</tr>
<tr>
<td>129,068</td>
<td>101,658</td>
<td>13,523</td>
</tr>
</tbody>
</table>

- Moodys: 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
- Rating & Investment Inc: AAA to AA-, A+ to A-, BBB+ to BB-, B+ to D, Unrated
### 50. FINANCIAL RISK MANAGEMENT (Cont’d.)

#### (g) Credit Risk Disclosures for portfolios under the Standardised Approach (Cont’d.)

**31.12.2012**

<table>
<thead>
<tr>
<th>Exposure class</th>
<th>Rating of Sovereigns and Central Banks by approved ECAIs</th>
<th>Rating of Banking Institutions by approved ECAIs</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Moodys</td>
<td>Moodys</td>
</tr>
<tr>
<td></td>
<td>Aaa to Aa3</td>
<td>Aaa to Aa3</td>
</tr>
<tr>
<td></td>
<td>A1 to A3</td>
<td>A1 to A3</td>
</tr>
<tr>
<td></td>
<td>Baa1 to Baa3</td>
<td>Baa1 to Baa3</td>
</tr>
<tr>
<td></td>
<td>Ba1 to B3</td>
<td>Ba1 to B3</td>
</tr>
<tr>
<td></td>
<td>Caa1 to C</td>
<td>Caa1 to C</td>
</tr>
<tr>
<td></td>
<td>Unrated</td>
<td>Unrated</td>
</tr>
<tr>
<td></td>
<td>S&amp;P</td>
<td>S&amp;P</td>
</tr>
<tr>
<td></td>
<td>AAA to AA-</td>
<td>AAA to AA-</td>
</tr>
<tr>
<td></td>
<td>A+ to A-</td>
<td>A+ to A-</td>
</tr>
<tr>
<td></td>
<td>BBB+ to BBB-</td>
<td>BBB+ to BBB-</td>
</tr>
<tr>
<td></td>
<td>BB+ to B-</td>
<td>BB+ to B-</td>
</tr>
<tr>
<td></td>
<td>CCC+ to D</td>
<td>CCC+ to D</td>
</tr>
<tr>
<td></td>
<td>Unrated</td>
<td>Unrated</td>
</tr>
<tr>
<td></td>
<td>Fitch</td>
<td>Fitch</td>
</tr>
<tr>
<td></td>
<td>AAA to AA-</td>
<td>AAA to AA-</td>
</tr>
<tr>
<td></td>
<td>A+ to A-</td>
<td>A+ to A-</td>
</tr>
<tr>
<td></td>
<td>BBB+ to BBB-</td>
<td>BBB+ to BBB-</td>
</tr>
<tr>
<td></td>
<td>BB+ to B-</td>
<td>BB+ to B-</td>
</tr>
<tr>
<td></td>
<td>CCC+ to D</td>
<td>CCC+ to D</td>
</tr>
<tr>
<td></td>
<td>Unrated</td>
<td>Unrated</td>
</tr>
<tr>
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<td>On and Off-Balance Sheet Exposures</td>
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<tr>
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<tr>
<td></td>
<td>On and Off-Balance Sheet Exposures</td>
<td>RM '000</td>
</tr>
<tr>
<td>Group</td>
<td>Banks, MDBs and FDIs</td>
<td>RM '000</td>
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<tr>
<td></td>
<td>27,118</td>
<td>143,631</td>
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<td>180,661</td>
<td>5,303</td>
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<tr>
<td></td>
<td>864,095</td>
<td>864,095</td>
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<tr>
<td>Bank</td>
<td>Banks, MDBs and FDIs</td>
<td>RM '000</td>
</tr>
<tr>
<td></td>
<td>13,763</td>
<td>143,631</td>
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<tr>
<td></td>
<td>165,027</td>
<td>5,303</td>
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<td></td>
<td>5,303</td>
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<tr>
<td></td>
<td>819,142</td>
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50. FINANCIAL RISK MANAGEMENT (Cont’d.)

(g) Credit Risk Disclosures for portfolios under the Standardised Approach (Cont’d.)

<table>
<thead>
<tr>
<th>Exposure class</th>
<th>Rating of Sovereigns and Central Banks by approved ECAIs</th>
<th>Rating of Banking Institutions by approved ECAIs</th>
</tr>
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<tr>
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<td>A+ to A</td>
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<tr>
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<table>
<thead>
<tr>
<th>On and Off-Balance Sheet Exposures</th>
<th>RM '000</th>
<th>RM '000</th>
<th>RM '000</th>
<th>RM '000</th>
<th>RM '000</th>
<th>RM '000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Group Sovereigns/Central Banks</td>
<td>-</td>
<td>102,757</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1,232,542</td>
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<tr>
<td>Bank Sovereigns/Central Banks</td>
<td>-</td>
<td>89,495</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1,232,542</td>
</tr>
<tr>
<td>Group Banks, MDBs and FDIs</td>
<td>94,744</td>
<td>163,660</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1,992,951</td>
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<tr>
<td>Bank Banks, MDBs and FDIs</td>
<td>94,744</td>
<td>157,074</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>2,067,575</td>
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### 50. FINANCIAL RISK MANAGEMENT (Cont’d.)

#### (g) Credit Risk Disclosures for portfolios under the Standardised Approach (Cont’d.)

<table>
<thead>
<tr>
<th>Exposure class</th>
<th>Rating of Sovereigns and Central Banks by approved ECAIs</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>Moodys</td>
</tr>
<tr>
<td></td>
<td>Aaa to Aa3</td>
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<tr>
<td>Sovereigns/Central Banks</td>
<td></td>
</tr>
<tr>
<td>Bank</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>On and Off-Balance Sheet Exposures</th>
</tr>
</thead>
<tbody>
<tr>
<td>Group</td>
</tr>
<tr>
<td></td>
</tr>
</tbody>
</table>

| Bank | Sovereigns/Central Banks | RM '000 | RM '000 | RM '000 | RM '000 | RM '000 | RM '000 |
|      | - | - | - | - | - | 2,181,781 |

<table>
<thead>
<tr>
<th>Exposure class</th>
<th>Rating of Banking Institutions by approved ECAIs</th>
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<td>Moodys</td>
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<td>Aaa to Aa3</td>
</tr>
<tr>
<td>Banks, MDBs and FDIs</td>
<td></td>
</tr>
<tr>
<td>Bank</td>
<td></td>
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<tr>
<td></td>
<td>87,515</td>
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</table>

<table>
<thead>
<tr>
<th></th>
<th>Banks, MDBs and FDIs</th>
<th>RM '000</th>
<th>RM '000</th>
<th>RM '000</th>
<th>RM '000</th>
<th>RM '000</th>
<th>RM '000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bank</td>
<td>73,600</td>
<td>330,118</td>
<td>214,742</td>
<td>62</td>
<td>-</td>
<td>956,494</td>
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50. FINANCIAL RISK MANAGEMENT (Cont'd.)

(h) Credit Risk Mitigation ("CRM") Disclosures under the Standardised Approach

The Bank's exposures covered by eligible guarantee and collateral under CAFIB are as follows:


<table>
<thead>
<tr>
<th>Group</th>
<th>Exposures before CRM</th>
<th>Exposures Covered by Guarantees</th>
<th>Exposures Covered by Eligible Financial Collateral</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>RM'000</td>
<td>RM'000</td>
<td>RM'000</td>
</tr>
<tr>
<td>(i) Credit Risk</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(a) On-Balance Sheet Exposures</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sovereigns/Central Banks</td>
<td>1,264,875</td>
<td>301,831</td>
<td>-</td>
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<tr>
<td>Banks, Development Financial Institutions &amp; MDBs</td>
<td>1,182,527</td>
<td>40,339</td>
<td>-</td>
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<tr>
<td>Corporates</td>
<td>2,338,820</td>
<td>85,646</td>
<td>23,148</td>
</tr>
<tr>
<td>Regulatory Retail</td>
<td>1,553,064</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Residential Mortgages</td>
<td>161,339</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Higher Risk Assets¹</td>
<td>346,112</td>
<td>-</td>
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<tr>
<td>Other Assets</td>
<td>624,019</td>
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<tr>
<td>Defaulted Exposures²</td>
<td>1,376,898</td>
<td>-</td>
<td>18,241</td>
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<tr>
<td>Total On Balance Sheet Exposures</td>
<td>8,847,654</td>
<td>427,816</td>
<td>41,389</td>
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<td>(b) Off-Balance Sheet Exposures*</td>
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<tr>
<td>OTC Derivatives³</td>
<td>35,216</td>
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<td>-</td>
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<tr>
<td>Off-balance sheet exposures other than OTC derivatives²</td>
<td>1,024,702</td>
<td>300,000</td>
<td>7,172</td>
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<tr>
<td>Total Off-Balance Sheet Exposures</td>
<td>1,059,918</td>
<td>300,000</td>
<td>7,172</td>
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<tr>
<td>Total On and Off-Balance Sheet Exposures</td>
<td>9,907,572</td>
<td>727,816</td>
<td>48,561</td>
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50. FINANCIAL RISK MANAGEMENT (Cont'd.)

(h) Credit Risk Mitigation ("CRM") Disclosures under the Standardised Approach (Cont'd.)

31.12.2011

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<tr>
<th>Group</th>
<th>Exposures before CRM</th>
<th>Exposures Covered by Guarantees</th>
<th>Exposures Covered by Eligible Financial Collateral</th>
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<tr>
<td></td>
<td>RM'000</td>
<td>RM'000</td>
<td>RM'000</td>
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<tr>
<td>(i) Credit Risk</td>
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<tr>
<td>(a) On-Balance Sheet Exposures</td>
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<tr>
<td>Sovereigns/Central Banks</td>
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<td>Public Sector Entities</td>
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<td>110,204</td>
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<tr>
<td>Banks, Development Financial Institutions &amp; MDBs</td>
<td>2,185,042</td>
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<td>Corporates</td>
<td>3,497,139</td>
<td>91,293</td>
<td>62,521</td>
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<tr>
<td>Regulatory Retail</td>
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<td>Residential Mortgages</td>
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<tr>
<td>Higher Risk Assets(^1)</td>
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<tr>
<td>Equity Exposure</td>
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<tr>
<td>Other Assets</td>
<td>557,205</td>
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<td>Defaulted Exposures(^2)</td>
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<td><strong>Total On Balance Sheet Exposures</strong></td>
<td><strong>9,896,090</strong></td>
<td><strong>201,497</strong></td>
<td><strong>105,537</strong></td>
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<td>(b) Off-Balance Sheet Exposures(^\ast)</td>
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<td>OTC Derivatives(^3)</td>
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<td>Off-balance sheet exposures other than OTC derivatives(^2)</td>
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<td>6,475</td>
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<tr>
<td>Defaulted Exposures(^2)</td>
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<td><strong>Total Off-Balance Sheet Exposures</strong></td>
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<td><strong>450,000</strong></td>
<td><strong>6,975</strong></td>
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<td><strong>Total On and Off-Balance Sheet Exposures</strong></td>
<td><strong>11,157,729</strong></td>
<td><strong>651,497</strong></td>
<td><strong>112,512</strong></td>
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50. FINANCIAL RISK MANAGEMENT (Cont’d.)

(h) Credit Risk Mitigation ("CRM") Disclosures under the Standardised Approach (Cont’d.)

01.01.2011

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<th>Group</th>
<th>Exposures before CRM</th>
<th>Exposures Covered by Guarantees</th>
<th>Exposures Covered by Eligible Financial Collateral</th>
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<td>RM'000</td>
<td>RM'000</td>
<td>RM'000</td>
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<tr>
<td>(a) On-Balance Sheet Exposures</td>
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<tr>
<td>Sovereigns/Central Banks</td>
<td>2,195,026</td>
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<td>Public Sector Entities</td>
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<td>91,076</td>
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<tr>
<td>Banks, Development Financial Institutions &amp; MDBs</td>
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<td>Corporates</td>
<td>4,637,334</td>
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<td>329,118</td>
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<td>Higher Risk Assets¹</td>
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<td>1,778</td>
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<td>Equity Exposure</td>
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<td>Other Assets</td>
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<tr>
<td>Defaulted Exposures²</td>
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<td><strong>Total On Balance Sheet Exposures</strong></td>
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<td>(b) Off-Balance Sheet Exposures*</td>
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<td></td>
</tr>
<tr>
<td>OTC Derivatives²</td>
<td>133,199</td>
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<td>Off-balance sheet exposures other than OTC derivatives²</td>
<td>1,258,345</td>
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<td>Defaulted Exposures²</td>
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<td><strong>Total Off-Balance Sheet Exposures</strong></td>
<td>1,441,182</td>
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<td><strong>Total On and Off-Balance Sheet Exposures</strong></td>
<td>12,154,369</td>
<td>632,135</td>
<td>349,346</td>
</tr>
</tbody>
</table>

1. Includes sovereigns from low credit risk jurisdictions.

2. Exposures covered by financial collateral include collateral via guarantees, letters of credit, and customer credit information.

3. Exposures covered by financial collateral include collateral via guarantees and letters of credit.

4. Higher Risk Assets include banks, development financial institutions, and multi-lateral development banks.

5. Other Assets include sovereigns from medium and high credit risk jurisdictions, and corporate exposures with a low risk profile.

6. Defaulted Exposures include exposures where the obligor has failed to meet their financial obligations.
50. FINANCIAL RISK MANAGEMENT (Cont’d.)

(h) Credit Risk Mitigation ("CRM") Disclosures under the Standardised Approach (Cont’d.)


<table>
<thead>
<tr>
<th>Bank</th>
<th>Exposures before CRM RM’000</th>
<th>Exposures Covered by Guarantees RM’000</th>
<th>Exposures Covered by Eligible Financial Collateral RM’000</th>
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<td>(i) Credit Risk</td>
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<tr>
<td>(a) On-Balance Sheet Exposures</td>
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<tr>
<td>Sovereigns/Central Banks</td>
<td>1,251,837</td>
<td>289,836</td>
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<td>Public Sector Entities</td>
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<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Banks, Development Financial Institutions &amp; MDBs</td>
<td>1,108,585</td>
<td>40,339</td>
<td>-</td>
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<td>Corporates</td>
<td>2,327,727</td>
<td>85,646</td>
<td>23,148</td>
</tr>
<tr>
<td>Regulatory Retail</td>
<td>1,553,065</td>
<td>-</td>
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<tr>
<td>Residential Mortgages</td>
<td>161,339</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Higher Risk Assets¹</td>
<td>346,113</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Other Assets</td>
<td>565,391</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Defaulted Exposures²</td>
<td>1,376,897</td>
<td>-</td>
<td>18,241</td>
</tr>
<tr>
<td><strong>Total On-Balance Sheet Exposures</strong></td>
<td>8,690,954</td>
<td>415,821</td>
<td>41,389</td>
</tr>
<tr>
<td>(b) Off-Balance Sheet Exposures*</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>OTC Derivatives³</td>
<td>35,216</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Off-balance sheet exposures other than OTC derivatives²</td>
<td>1,024,702</td>
<td>300,000</td>
<td>7,172</td>
</tr>
<tr>
<td><strong>Total Off Balance Sheet Exposures</strong></td>
<td>1,059,918</td>
<td>300,000</td>
<td>7,172</td>
</tr>
<tr>
<td><strong>Total On and Off-Balance Sheet Exposures</strong></td>
<td>9,750,872</td>
<td>715,821</td>
<td>48,561</td>
</tr>
</tbody>
</table>
(h) Credit Risk Mitigation ("CRM") Disclosures under the Standardised Approach (Cont'd.)

### 31.12.2011

<table>
<thead>
<tr>
<th>Bank</th>
<th>Exposures before CRM RM'000</th>
<th>Exposures Covered by Guarantees RM'000</th>
<th>Exposures Covered by Eligible Financial Collateral RM'000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Credit Risk</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sovereigns/Central Banks</td>
<td>1,322,037</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Public Sector Entities</td>
<td>110,204</td>
<td>110,204</td>
<td>-</td>
</tr>
<tr>
<td>Banks, Development Financial Institutions &amp; MDBs</td>
<td>2,253,080</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Corporates</td>
<td>3,498,726</td>
<td>91,293</td>
<td>62,521</td>
</tr>
<tr>
<td>Regulatory Retail</td>
<td>883,177</td>
<td>-</td>
<td>50</td>
</tr>
<tr>
<td>Residential Mortgages</td>
<td>68,365</td>
<td>-</td>
<td>-</td>
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<tr>
<td>Higher Risk Assets</td>
<td>261,795</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Other Assets</td>
<td>480,031</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Defaulted Exposures</td>
<td>997,832</td>
<td>-</td>
<td>42,966</td>
</tr>
<tr>
<td><strong>Total On-Balance Sheet Exposures</strong></td>
<td>9,875,247</td>
<td>201,497</td>
<td>105,512</td>
</tr>
<tr>
<td><strong>Total Off Balance Sheet Exposures</strong></td>
<td>1,261,639</td>
<td>450,000</td>
<td>6,975</td>
</tr>
</tbody>
</table>

### (b) Off-Balance Sheet Exposures*

<table>
<thead>
<tr>
<th>Exposures</th>
<th>RM'000</th>
<th>RM'000</th>
<th>RM'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>OTC Derivatives³</td>
<td>79,818</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Off-balance sheet exposures other than OTC derivatives²</td>
<td>1,175,981</td>
<td>450,000</td>
<td>6,475</td>
</tr>
<tr>
<td>Defaulted Exposures²</td>
<td>5,840</td>
<td>-</td>
<td>500</td>
</tr>
<tr>
<td><strong>Total Off Balance Sheet Exposures</strong></td>
<td>1,261,639</td>
<td>450,000</td>
<td>6,975</td>
</tr>
</tbody>
</table>

**Total On and Off-Balance Sheet Exposures**

<table>
<thead>
<tr>
<th>Exposures</th>
<th>RM'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>11,136,886</td>
<td>651,497</td>
</tr>
</tbody>
</table>
50. FINANCIAL RISK MANAGEMENT (Cont'd.)

(h) Credit Risk Mitigation ("CRM") Disclosures under the Standardised Approach (Cont'd.)

01.01.2011

<table>
<thead>
<tr>
<th>Bank</th>
<th>Exposures before CRM RM'000</th>
<th>Exposures Covered by Guarantees RM'000</th>
<th>Exposures Covered by Eligible Financial Collateral RM'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sovereigns/Central Banks</td>
<td>2,181,781</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Public Sector Entities</td>
<td>91,076</td>
<td>91,076</td>
<td>-</td>
</tr>
<tr>
<td>Banks, Development Financial Institutions &amp; MDBs</td>
<td>1,379,659</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Corporates</td>
<td>4,637,334</td>
<td>91,059</td>
<td>329,118</td>
</tr>
<tr>
<td>Higher Risk Assets</td>
<td>141,920</td>
<td>-</td>
<td>1,778</td>
</tr>
<tr>
<td>Other Assets</td>
<td>439,237</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Defaulted Exposures</td>
<td>1,786,739</td>
<td>-</td>
<td>18,450</td>
</tr>
<tr>
<td>Total On-Balance Sheet Exposures</td>
<td>10,657,746</td>
<td>182,135</td>
<td>349,346</td>
</tr>
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</table>
50. FINANCIAL RISK MANAGEMENT (Cont'd.)

(h) Credit Risk Mitigation ("CRM") Disclosures under the Standardised Approach (Cont'd.)

<table>
<thead>
<tr>
<th>01.01.2011 (Cont'd.)</th>
<th>Exposures before CRM</th>
<th>Exposures Covered by Guarantees</th>
<th>Exposures Covered by Eligible Financial Collateral</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Bank (Cont'd.)</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(i) Credit Risk</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(b) Off-Balance Sheet Exposures*</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>OTC Derivatives²</td>
<td>133,199</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Off-balance sheet exposures other than OTC derivatives²</td>
<td>1,258,345</td>
<td>450,000</td>
<td>-</td>
</tr>
<tr>
<td>Defaulted Exposures²</td>
<td>49,637</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total Off Balance Sheet Exposures</strong></td>
<td>1,441,181</td>
<td>450,000</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total On and Off-Balance Sheet Exposures</strong></td>
<td>12,098,927</td>
<td>632,135</td>
<td>349,346</td>
</tr>
</tbody>
</table>

*Credit equivalent of off-balance sheet items

1 Higher risk assets are defined in CAFIB guidelines issued by Bank Negara Malaysia which comprised of i) exposures structured as Musyarakah and Mudharabah contracts and ii) Investment in equity financial instruments that are non-publicly traded.

2 Defaulted exposures are defined as the Islamic bank considers that an obligor is "unlikely to repay" in full its credit obligations; and the obligor has breached its contractual repayment schedule and is past due for more than 90 days. For events under "unlikeliness to repay", please refer to Appendix 3 paragraph 2 of CAFIB guidelines issued by Bank Negara Malaysia.

3 Comprising Ijarah Rental Swaps, Cross Currency Ijarah Rental Swaps and Promissory Foreign Exchange Contracts.
### 50. FINANCIAL RISK MANAGEMENT (Cont’d.)

#### (i) General Disclosure for Off-Balance Sheet exposures and Counterparty Credit Risk

Off-Balance Sheet exposures and Counterparty Credit Risk ("CCR") are as follows:

<table>
<thead>
<tr>
<th>Group and Bank</th>
<th>Principal Amount</th>
<th>Credit Equivalent Amount</th>
<th>Risk-Weighted Assets</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>RM'000</td>
<td>RM'000</td>
<td>RM'000</td>
</tr>
<tr>
<td>Direct credit substitutes</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transaction related contingent items</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Short-term self liquidating trade related contingencies</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Profit rate related contracts</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Over five years</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

| 31.12.2012                                                                      | 448,398          | 448,398                  | 297,589              |
| Direct credit substitutes                                                       | 130,067          | 65,033                   | 46,302               |
| Transaction related contingent items                                           | 28,653           | 5,731                    | 5,687                |
| Short-term self liquidating trade related contingencies                         | 278,339          | 21,299                   | 35,216               |
| Profit rate related contracts                                                   |                  |                          |                      |
| - Over five years                                                               |                  |                          |                      |
| Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year |                  |                          |                      |
| Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year |                  |                          |                      |
| 372,828                                                                         |                  |                          |                      |
|                                                                 |                  |                          |                      |
50. FINANCIAL RISK MANAGEMENT (Cont’d.)

(i) General Disclosure for Off-Balance Sheet exposures and Counterparty Credit Risk (Cont’d.)

<table>
<thead>
<tr>
<th>Group and Bank</th>
<th>Principal Amount</th>
<th>Positive Fair Value of Derivative Contracts</th>
<th>Credit Equivalent Amount</th>
<th>Risk-Weighted Assets</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>RM'000</td>
<td>RM'000</td>
<td>RM'000</td>
<td>RM'000</td>
</tr>
<tr>
<td><strong>31.12.2011</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Direct credit substitutes</td>
<td>637,113</td>
<td></td>
<td>637,113</td>
<td>411,525</td>
</tr>
<tr>
<td>Transaction related contingent items</td>
<td>108,859</td>
<td></td>
<td>54,430</td>
<td>38,878</td>
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<tr>
<td>Short-term self liquidating trade related contingencies</td>
<td>28,683</td>
<td></td>
<td>5,737</td>
<td>4,990</td>
</tr>
<tr>
<td>Foreign exchange related contracts</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- One year or less</td>
<td>917,884</td>
<td>719</td>
<td>11,669</td>
<td>6,218</td>
</tr>
<tr>
<td>- Over one year to five years</td>
<td>197,286</td>
<td>8,199</td>
<td>14,611</td>
<td>8,833</td>
</tr>
<tr>
<td>- Over five years</td>
<td>101,773</td>
<td>7,723</td>
<td>11,031</td>
<td>3,714</td>
</tr>
<tr>
<td>Profit rate related contracts</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Over five years</td>
<td>319,829</td>
<td>24,141</td>
<td>43,331</td>
<td>35,655</td>
</tr>
<tr>
<td>Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year</td>
<td>809,077</td>
<td></td>
<td>404,538</td>
<td>437,907</td>
</tr>
<tr>
<td>Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year</td>
<td>395,901</td>
<td></td>
<td>79,180</td>
<td>77,513</td>
</tr>
<tr>
<td></td>
<td><strong>3,516,405</strong></td>
<td><strong>40,782</strong></td>
<td><strong>1,261,638</strong></td>
<td><strong>1,025,233</strong></td>
</tr>
</tbody>
</table>
50. FINANCIAL RISK MANAGEMENT (Cont’d.)

(i) General Disclosure for Off-Balance Sheet exposures and Counterparty Credit Risk (Cont’d.)

Off-Balance Sheet exposures and Counterparty Credit Risk ("CCR") are as follows:

<table>
<thead>
<tr>
<th>Group and Bank</th>
<th>Principal Amount</th>
<th>Positive Fair Value of Derivative Contracts</th>
<th>Credit Equivalent Amount</th>
<th>Risk-Weighted Assets</th>
</tr>
</thead>
<tbody>
<tr>
<td>01.01.2011 Direct credit substitutes</td>
<td>644,403</td>
<td></td>
<td>644,403</td>
<td>424,463</td>
</tr>
<tr>
<td>Transaction related contingent Items</td>
<td>268,240</td>
<td></td>
<td>134,120</td>
<td>127,233</td>
</tr>
<tr>
<td>Short-term self liquidating trade related contingencies</td>
<td>77,691</td>
<td>35,924</td>
<td>15,538</td>
<td>13,542</td>
</tr>
<tr>
<td>- One year or less</td>
<td>1,128,680</td>
<td>35,924</td>
<td>46,946</td>
<td>21,775</td>
</tr>
<tr>
<td>- Over one year to five years</td>
<td>250,219</td>
<td>12,856</td>
<td>27,870</td>
<td>16,654</td>
</tr>
<tr>
<td>- Over five years</td>
<td>99,748</td>
<td>9,313</td>
<td>15,298</td>
<td>5,568</td>
</tr>
<tr>
<td>Profit rate related contracts</td>
<td>340,262</td>
<td>19,702</td>
<td>43,520</td>
<td>33,993</td>
</tr>
<tr>
<td>- Over five years and credit lines, with an original maturity of over one year</td>
<td>882,953</td>
<td></td>
<td>441,476</td>
<td>481,752</td>
</tr>
<tr>
<td>Other commitments, such as formal standby facilities</td>
<td>360,049</td>
<td></td>
<td>72,010</td>
<td>71,291</td>
</tr>
<tr>
<td>and credit lines, with an original maturity of up to one year</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>4,052,244</strong></td>
<td><strong>77,796</strong></td>
<td><strong>1,441,182</strong></td>
<td><strong>1,196,271</strong></td>
</tr>
</tbody>
</table>
50. FINANCIAL RISK MANAGEMENT (Cont’d.)

(j) Equities (Disclosure for banking book positions)

<table>
<thead>
<tr>
<th>Date</th>
<th>Group and Bank</th>
<th>Equity</th>
<th>Amount</th>
<th>Impairment</th>
<th>Risk-Weighted Assets</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>(i)</td>
<td>Privately Held</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>(a)</td>
<td>Subsidiaries</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Kuwait Finance House (Labuan) Berhad</td>
<td>46,193</td>
<td>(15,241)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>KFH Nominees (Tempatan) Sdn. Bhd.</td>
<td>10,200</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>KFH Asset Management Sdn. Bhd.</td>
<td>20,000</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Kuwait Finance House (Australia) Pty Ltd</td>
<td>15,993</td>
<td>(15,241)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(b)</td>
<td>Investment</td>
<td></td>
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</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Intrared Sdn Bhd</td>
<td>59,207</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Al Faiz Fund 1</td>
<td>25,000</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>34,207</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(c)</td>
<td>Musyarakah Capital Investment</td>
<td>5,898</td>
<td>-</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Date</th>
<th>Group and Bank</th>
<th>Equity</th>
<th>Amount</th>
<th>Impairment</th>
<th>Risk-Weighted Assets</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>(i)</td>
<td>Privately Held</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>(a)</td>
<td>Subsidiaries</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Kuwait Finance House (Labuan) Berhad</td>
<td>46,193</td>
<td>(15,241)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>KFH Nominees (Tempatan) Sdn. Bhd.</td>
<td>10,200</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>KFH Asset Management Sdn. Bhd.</td>
<td>20,000</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Kuwait Finance House (Australia) Pty Ltd</td>
<td>15,993</td>
<td>(15,241)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(b)</td>
<td>Investment</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Intrared Sdn Bhd</td>
<td>19,771</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>MK One Fund (Labuan) Ltd</td>
<td>19,000</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>771</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(c)</td>
<td>Musyarakah Capital Investment</td>
<td>5,898</td>
<td>-</td>
</tr>
</tbody>
</table>
### 50. FINANCIAL RISK MANAGEMENT (Cont’d.)

#### (j) Equities (Disclosure for banking book positions) (Cont’d.)

**01.01.2011**

<table>
<thead>
<tr>
<th>Group and Bank</th>
<th>Equity</th>
<th>Amount</th>
<th>Impairment</th>
<th>Risk-Weighted Assets</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>RM'000</td>
<td>RM'000</td>
<td>RM'000</td>
</tr>
<tr>
<td><strong>(i) Privately Held</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>(a) Subsidiaries</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Kuwait Finance House (Labuan) Berhad</td>
<td></td>
<td>67,897</td>
<td>(35,500)</td>
<td>Capital Deduction</td>
</tr>
<tr>
<td>KFH Nominees (Tempatan) Sdn. Bhd.</td>
<td></td>
<td>10,200</td>
<td>-</td>
<td>Capital Deduction</td>
</tr>
<tr>
<td>KFH Asset Management Sdn. Bhd.</td>
<td></td>
<td>20,000</td>
<td>-</td>
<td>Capital Deduction</td>
</tr>
<tr>
<td>Kuwait Finance House (Singapore) Pte. Ltd.</td>
<td></td>
<td>21,704</td>
<td>(21,500)</td>
<td>Capital Deduction</td>
</tr>
<tr>
<td>Kuwait Finance House (Australia) Pty Ltd</td>
<td></td>
<td>15,993</td>
<td>(14,000)</td>
<td>Capital Deduction</td>
</tr>
<tr>
<td><strong>(b) Investment</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Intrared Sdn Bhd</td>
<td></td>
<td>19,000</td>
<td>-</td>
<td>28,500</td>
</tr>
<tr>
<td><strong>(c) Musyarakah Capital Investment</strong></td>
<td></td>
<td>5,898</td>
<td>-</td>
<td>8,847</td>
</tr>
</tbody>
</table>
51 SHARIAH GOVERNANCE DISCLOSURES

(a) Rectification process of non-Shariah compliant income

The incident of Shariah non-compliance event together with the plan to rectify them have been reported to BNM. The report of the said incident had earlier been presented to Shariah Committee, Management Committee, Board Risk Management Committee and subsequently to Board of Directors for approval.

The rectification method which was proposed by Shariah Committee and approved by Board of Directors was to de-recognize the profit portion and channeling it to charity as determined by the Bank.

(b) The amount and number of event of non-Shariah compliant income are as follows:

<table>
<thead>
<tr>
<th>Number of events occur</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>RM’000</td>
</tr>
<tr>
<td>1</td>
<td>63</td>
</tr>
<tr>
<td>1</td>
<td>63</td>
</tr>
</tbody>
</table>