

KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

Interim Report for the Period Ended 31 March 2011

Interim Condensed Statements of Financial Position	1
Interim Condensed Consolidated Income Statements	2
Interim Condensed Consolidated Statements of Comprehensive Income	3
Interim Condensed Income Statements	4
Interim Condensed Statements of Comprehensive Income	5
Interim Condensed Statements of Changes in Equity	6
Interim Condensed Statements of Cash Flows	7
Selected Explanatory Notes to the Condensed Financial Statements	8 - 33

KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

INTERIM CONDENSED STATEMENTS OF FINANCIAL POSITION

	Note	Group		Bank	
		31 Mar 2011 RM'000	31 Dec 2010 RM'000	31 Mar 2011 RM'000	31 Dec 2010 RM'000
ASSETS					
Cash and short-term funds		2,255,650	2,649,962	2,347,470	2,742,648
Deposits and placements with banks and other financial institutions	A3	381,159	273,259	381,159	273,259
Securities held-for-trading	A4	152,970	110,083	152,970	110,083
Hedging financial instruments	A8	59,921	77,796	59,921	77,796
Securities available-for-sale	A4	914,653	1,053,506	788,299	925,933
Securities held-to-maturity	A4	45,473	46,266	45,473	46,266
Financing, advances and other receivables	A5	5,536,829	6,072,784	5,536,829	6,072,784
Murabahah trading automobile	A6	32	32	32	32
Other assets	A7	272,525	392,085	253,492	372,908
Statutory deposits with Bank Negara Malaysia		34,000	44,854	34,000	44,854
Musarakah capital investment	A9	5,898	5,898	5,898	5,898
Investment in subsidiaries		-	-	32,397	32,397
Investment in jointly controlled entities		916	932	-	-
Property and equipment		30,292	27,340	29,896	26,915
Intangible assets		25,846	27,529	25,827	27,508
Deferred tax assets		130,900	133,878	130,454	133,496
		9,847,064	10,916,204	9,824,117	10,892,777
LIABILITIES					
Deposits from customers	A10	4,527,865	4,546,509	4,528,947	4,548,082
Deposits and placements of banks and other financial institutions	A11	2,603,309	3,465,878	2,610,127	3,473,778
Hedging financial instruments	A8	38,020	36,978	38,020	36,978
Murabahah bank financing	A13	-	23,139	-	23,139
Subordinated Murabahah Tawarruq	A14	344,444	349,655	344,444	349,655
Other liabilities	A12	262,344	428,388	260,966	427,372
Provision for zakat and tax		3,740	3,740	3,740	3,740
Deferred tax liabilities		7,470	8,322	7,470	8,322
		7,787,192	8,862,609	7,793,714	8,871,066
SHAREHOLDER'S EQUITY					
Share capital		2,266,125	2,266,125	2,266,125	2,266,125
Reserves		(206,253)	(212,530)	(235,722)	(244,414)
		2,059,872	2,053,595	2,030,403	2,021,711
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY					
		9,847,064	10,916,204	9,824,117	10,892,777
COMMITMENTS AND CONTINGENCIES					
	A20	3,897,207	4,052,244	3,897,207	4,052,244
CAPITAL ADEQUACY					
Core capital ratio	A19	20.80%	20.15%	20.66%	20.00%
Risk-weighted capital ratio	A19	25.06%	24.56%	24.24%	23.76%
NET ASSETS PER SHARE (RM)					
		0.91	0.91	0.90	0.89

The interim condensed consolidated statement of financial position should be read in conjunction with the audited financial statements for the year ended 31 December 2010 and the accompanying explanatory notes attached to the interim financial statements.

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INTERIM CONDENSED CONSOLIDATED INCOME STATEMENTS

Group	Note	1st Quarter ended 31 Mar		Three-months ended 31 Mar	
		2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Continuing operations					
Operating revenue		106,191	108,947	106,191	108,947
Income derived from investment of depositors' funds and others	A15	81,273	87,127	81,273	87,127
Income derived from investment of shareholder's equity	A16	24,918	21,820	24,918	21,820
Total gross income		106,191	108,947	106,191	108,947
Impairment write-back on Murabahah trading automobile		-	277	-	277
Impairment loss on financing	A17	(15,860)	(103,898)	(15,860)	(103,898)
Total distributable income		90,331	5,326	90,331	5,326
Income attributable to the depositors	A18	(46,443)	(42,228)	(46,443)	(42,228)
Total net income		43,888	(36,902)	43,888	(36,902)
Personnel expenses		(21,540)	(28,188)	(21,540)	(28,188)
Other overheads and expenditures		(18,102)	(15,403)	(18,102)	(15,403)
Finance cost		(3,198)	(3,429)	(3,198)	(3,429)
Profit/(Loss) before zakat and taxation		1,048	(83,922)	1,048	(83,922)
Zakat		-	-	-	-
Taxation		(161)	20,647	(161)	20,647
Net profit/(loss) for the period		887	(63,275)	887	(63,275)
Attributable to:					
Equity holders of the parent		887	(63,275)	887	(63,275)
Earnings/(Loss) per share attributable to equity holders of the parent					
- Basic/Diluted (sen)		0.04	(2.79)	0.04	(2.79)

The interim condensed consolidated income statements should be read in conjunction with the audited financial statements for the year ended 31 December 2010 and the accompanying explanatory notes attached to the interim financial statements.

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INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	1st Quarter ended 31 Mar		Three-months ended 31 Mar	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Group				
Net profit/(loss) for the period	887	(63,275)	887	(63,275)
Other comprehensive income/(loss):				
Securities available-for-sale:				
Net gain taken to equity	8,415	10,225	8,415	10,225
Exchange differences on translation of foreign operations:				
Net loss taken to equity	(921)	(2,731)	(921)	(2,731)
Income tax relating to components of other comprehensive income	(2,104)	(2,556)	(2,104)	(2,556)
Other comprehensive income for the period, net of tax	5,390	4,938	5,390	4,938
Total comprehensive income/(loss) for the period	6,277	(58,337)	6,277	(58,337)
Total comprehensive income/(loss) for the period attributable to equity holders of the parent	6,277	(58,337)	6,277	(58,337)

The interim condensed consolidated statement of comprehensive income should be read in conjunction with the audited financial statements for the year ended 31 December 2010 and the accompanying explanatory notes attached to the interim financial statements.

KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

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INTERIM CONDENSED INCOME STATEMENTS

	Note	1st Quarter ended 31 Mar		Three-months ended 31 Mar	
		2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Bank					
Continuing operations					
Operating revenue		104,737	108,962	104,737	108,962
Income derived from investment of depositors' funds and others	A15	81,520	87,452	81,520	87,452
Income derived from investment of shareholder's equity	A16	23,217	21,510	23,217	21,510
Total gross income		104,737	108,962	104,737	108,962
Impairment write-back on Murabahah trading automobile		-	277	-	277
Impairment loss on financing	A17	(15,860)	(103,898)	(15,860)	(103,898)
Total distributable income		88,877	5,341	88,877	5,341
Income attributable to the depositors	A18	(46,501)	(42,292)	(46,501)	(42,292)
Total net income		42,376	(36,951)	42,376	(36,951)
Personnel expenses		(19,781)	(22,713)	(19,781)	(22,713)
Other overheads and expenditures		(17,393)	(13,694)	(17,393)	(13,694)
Finance cost		(3,198)	(3,429)	(3,198)	(3,429)
Profit/(Loss) before zakat and taxation		2,004	(76,787)	2,004	(76,787)
Zakat		-	-	-	-
Taxation		(129)	20,656	(129)	20,656
Net profit/(loss) for the period		1,875	(56,131)	1,875	(56,131)

The interim condensed income statements should be read in conjunction with the audited financial statements for the year ended 31 December 2010 and the accompanying explanatory notes attached to the interim financial statements.

KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

INTERIM CONDENSED STATEMENTS OF COMPREHENSIVE INCOME

	1st Quarter ended 31 Mar		Three-months ended 31 Mar	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Bank				
Net profit/(loss) for the period	1,875	(56,131)	1,875	(56,131)
Other comprehensive income:				
Securities available-for-sale:				
Net gain taken to equity	9,089	10,225	9,089	10,225
Income tax relating to components of other comprehensive income	(2,272)	(2,556)	(2,272)	(2,556)
Other comprehensive income for the period, net of tax	6,817	7,669	6,817	7,669
Total comprehensive income/(loss) for the period	8,692	(48,462)	8,692	(48,462)

The interim condensed statement of comprehensive income should be read in conjunction with the audited financial statements for the year ended 31 December 2010 and the accompanying explanatory notes attached to the interim financial statements.

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(672174-T)

(Incorporated in Malaysia)

INTERIM CONDENSED STATEMENTS OF CHANGES IN EQUITY

	Non-distributable			Distributable	Total Equity RM'000	
	Share Capital RM'000	Statutory Reserve RM'000	Translation Reserve RM'000	Securities Available-for-sale RM'000		Retained (Loss)/Profit RM'000
Group						
At 1 Jan 2011	2,266,125	34,952	(7,367)	(15,155)	(224,960)	2,053,595
Total comprehensive (loss)/income	-	-	(921)	6,311	887	6,277
At 31 Mar 2011	2,266,125	34,952	(8,288)	(8,844)	(224,073)	2,059,872
At 1 Jan 2010, as restated	2,266,125	34,952	(2,094)	(34,928)	(149,323)	2,114,732
Total comprehensive (loss)/income	-	-	(2,731)	7,669	(63,275)	(58,337)
At 31 Mar 2010	2,266,125	34,952	(4,825)	(27,259)	(212,598)	2,056,395
Bank						
At 1 Jan 2011	2,266,125	34,952	-	(15,949)	(263,417)	2,021,711
Total comprehensive income	-	-	-	6,817	1,875	8,692
At 31 Mar 2011	2,266,125	34,952	-	(9,132)	(261,542)	2,030,403
At 1 Jan 2010, as restated	2,266,125	34,952	-	(34,928)	(166,127)	2,100,022
Total comprehensive income/(loss)	-	-	-	7,669	(56,131)	(48,462)
At 31 Mar 2010	2,266,125	34,952	-	(27,259)	(222,258)	2,051,560

The interim condensed statement of changes in equity should be read in conjunction with the audited financial statements for the year ended 31 December 2010 and the accompanying explanatory notes attached to the interim financial statements.

KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

INTERIM CONDENSED STATEMENTS OF CASH FLOWS

	Group		Bank	
	31 Mar 2011 RM'000	31 Mar 2010 RM'000	31 Mar 2011 RM'000	31 Mar 2010 RM'000
Profit/(Loss) before zakat and taxation	1,048	(83,922)	2,004	(76,787)
Adjustments for non-cash items	12,234	112,644	5,374	112,465
Operating profit before changes in working capital	13,282	28,722	7,378	35,678
<u>Changes in the working capital</u>				
Net changes in operating assets	575,785	104,933	575,736	108,802
Net changes in operating liabilities	(1,052,006)	(1,094,983)	(1,053,941)	(1,102,928)
Zakat and taxation paid	-	(5,139)	-	(5,110)
Net cash used in operating activities	(476,221)	(995,189)	(478,205)	(999,236)
Net cash generated from investing activities	100,054	86,581	98,788	77,886
Net cash (used in)/generated from financing activities	(23,139)	1,499	(23,139)	1,499
	76,915	88,080	75,649	79,385
Net change in cash and cash equivalents	(386,024)	(878,387)	(395,178)	(884,173)
Cash and cash equivalents at beginning of the period	2,649,962	2,877,926	2,742,648	2,933,272
Exchange differences on translation of opening balances	(8,288)	(2,731)	-	-
Cash and cash equivalents at end of the period	2,255,650	1,996,808	2,347,470	2,049,099

The interim condensed consolidated statement of cash flows should be read in conjunction with the audited financial statements for the year ended 31 December 2010 and the accompanying explanatory notes attached to the interim financial statements.

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Part A - Explanatory Notes Pursuant to Guidelines on Financial Reporting for Licensed Islamic Bank (BNM/GP8-i) Issued by Bank Negara Malaysia

A1. Performance Review

The Group and the Bank recorded a profit before zakat and taxation of RM1 million and RM2 million respectively for the period ended 31 March 2011. The total assets of the Group decreased by RM1.1 billion to RM9.8 billion as at 31 March 2011, as compared to RM10.9 billion as at 31 December 2010. Despite the decrease, the Group stood on a strong capitalised position with a risk-weighted capital ratio of 25.1%.

A2. Prospects for 2011

2010 was a year of consolidation and streamlining existing operations. For 2011, the Bank expects to continue these efforts and has identified three major operational areas concentrating on business growth, enhancement of asset quality and cost optimisation.

In terms of business growth, the Bank plans to further develop its retail banking business in 2011 by enhancing its product and service offerings, as well as setting up more branches and Bureau de Changes to boost visibility among its retail customers. These strategies will also assist in its efforts to diversify its income base. Another identified growth area for the Bank is fee based income from both corporate and investment banking, and commercial banking businesses. Additionally, the Bank also plans to look into establishing strategic alliances to explore new and alternative markets.

For 2011, the Bank also intends to ensure continuous enhancement of credit quality by focusing on the implementation of a target market or risk acceptance criteria, enforcing portfolio limits with proper action triggers, practicing a risk-based action model and a robust credit scoring system.

In achieving its cost optimisation objective, the Bank will continue to conduct, amongst others, end-to-end process flow analyses and identification of high cost areas to eliminate wastages, and carry out further automation activities which will lead to cost reduction.

A3. Deposits and Placements with Banks and Other Financial Institutions

	Group		Bank	
	31 Mar 2011 RM'000	31 Dec 2010 RM'000	31 Mar 2011 RM'000	31 Dec 2010 RM'000
Licensed Islamic banks	161,698	76,698	161,698	76,698
Other financial institutions	219,461	196,561	219,461	196,561
	381,159	273,259	381,159	273,259

A4. Securities

(i) Securities Held-For-Trading

	Group		Bank	
	31 Mar 2011 RM'000	31 Dec 2010 RM'000	31 Mar 2011 RM'000	31 Dec 2010 RM'000
<u>At fair value</u>				
Unquoted Islamic private debt securities/sukuk	152,970	110,083	152,970	110,083

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Part A - Explanatory Notes Pursuant to Guidelines on Financial Reporting for Licensed Islamic Bank (BNM/GP8-i) Issued by Bank Negara Malaysia

A4. Securities (cont'd.)

(ii) Securities Available-For-Sale

At fair value

Bank Negara Malaysia Ijarah sukuk
Unquoted Islamic private debt securities/sukuk
Unquoted property funds
Malaysian Government sukuk

Group		Bank	
31 Mar 2011 RM'000	31 Dec 2010 RM'000	31 Mar 2011 RM'000	31 Dec 2010 RM'000
-	121,106	-	121,106
732,291	749,752	705,059	721,731
86,407	86,307	-	-
76,955	77,341	64,240	64,096
19,000	19,000	19,000	19,000
914,653	1,053,506	788,299	925,933

At cost

Unquoted shares in Malaysia

(iii) Securities Held-To-Maturity

At amortised cost

Unquoted Islamic private debt securities/sukuk

Group		Bank	
31 Mar 2011 RM'000	31 Dec 2010 RM'000	31 Mar 2011 RM'000	31 Dec 2010 RM'000
45,473	46,266	45,473	46,266

A5. Financing, Advances and Other Receivables

(i) By type

Term financing

- Murabahah financing
- Musyarakah financing
- Ijarah asset financing
- Mudharabah asset financing
- Musyarakah Mutanaqisah financing
- Istisna' financing
- Qard Hassan financing

Staff financing

Less : Unearned income

Gross financing, advances and other receivables

Less : Impairment and allowance on financing

- Collective impairment
- Individual impairment

Net financing, advances and other receivables

Group		Bank	
31 Mar 2011 RM'000	31 Dec 2010 RM'000	31 Mar 2011 RM'000	31 Dec 2010 RM'000
3,438,210	4,004,141	3,438,210	4,004,141
338,937	343,546	338,937	343,546
2,082,898	2,046,766	2,082,898	2,046,766
116,448	117,887	116,448	117,887
103,821	106,782	103,821	106,782
27,144	34,735	27,144	34,735
31,583	32,239	31,583	32,239
14,025	14,428	14,025	14,428
6,153,066	6,700,524	6,153,066	6,700,524
(69,889)	(97,252)	(69,889)	(97,252)
6,083,177	6,603,272	6,083,177	6,603,272
(96,522)	(118,773)	(96,522)	(118,773)
(449,826)	(411,715)	(449,826)	(411,715)
5,536,829	6,072,784	5,536,829	6,072,784

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Part A - Explanatory Notes Pursuant to Guidelines on Financial Reporting for Licensed Islamic Bank (BNM/GP8-i) Issued by Bank Negara Malaysia

A5. Financing, Advances and Other Receivables (cont'd.)

(ii) By contract

	Group		Bank	
	31 Mar 2011 RM'000	31 Dec 2010 RM'000	31 Mar 2011 RM'000	31 Dec 2010 RM'000
Ijarah Muntahia Bittamlik (lease ended with ownership)	2,091,615	2,055,618	2,091,615	2,055,618
Murabahah (cost-plus)	3,385,377	3,927,781	3,385,377	3,927,781
Mudharabah (profit sharing)	116,448	117,887	116,448	117,887
Musarakah (profit and loss sharing)	444,270	451,858	444,270	451,858
Qard (benevolent financing)	31,881	32,530	31,881	32,530
Istisna'	13,586	17,598	13,586	17,598
	6,083,177	6,603,272	6,083,177	6,603,272

(iii) By type of customer

	Group		Bank	
	31 Mar 2011 RM'000	31 Dec 2010 RM'000	31 Mar 2011 RM'000	31 Dec 2010 RM'000
Domestic business enterprises				
- Small medium enterprises	1,043,761	1,135,776	1,043,761	1,135,776
- Others	3,548,538	3,849,198	3,548,538	3,849,198
Individuals	244,349	204,778	244,349	204,778
Other domestic entities	86,334	86,446	86,334	86,446
Foreign entities	1,071,179	1,238,677	1,071,179	1,238,677
Domestic non-bank financial institutions	89,016	88,397	89,016	88,397
	6,083,177	6,603,272	6,083,177	6,603,272

(iv) By profit rate sensitivity

	Group		Bank	
	31 Mar 2011 RM'000	31 Dec 2010 RM'000	31 Mar 2011 RM'000	31 Dec 2010 RM'000
Fixed rate				
- House financing	97,128	99,053	97,128	99,053
- Hire purchase receivables	8,803	6,902	8,803	6,902
- Syndicated financing	488,875	479,286	488,875	479,286
- Term financing	1,309,830	1,626,858	1,309,830	1,626,858
Variable rate				
- House financing	147,664	128,594	147,664	128,594
- Term financing	4,030,877	4,262,579	4,030,877	4,262,579
	6,083,177	6,603,272	6,083,177	6,603,272

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Part A - Explanatory Notes Pursuant to Guidelines on Financial Reporting for Licensed Islamic Bank (BNM/GP8-i) Issued by Bank Negara Malaysia

A5. Financing, Advances and Other Receivables (cont'd.)

(v) By sector

	Group		Bank	
	31 Mar 2011 RM'000	31 Dec 2010 RM'000	31 Mar 2011 RM'000	31 Dec 2010 RM'000
Agriculture, hunting, forestry & fishing	164,254	203,019	164,254	203,019
Mining and quarrying	484,715	443,073	484,715	443,073
Manufacturing	909,226	1,063,816	909,226	1,063,816
Electricity, gas and water	276,415	273,136	276,415	273,136
Construction	492,769	500,568	492,769	500,568
Real estate	1,327,212	1,599,608	1,327,212	1,599,608
Purchase of landed property:				
- Residential	196,082	174,617	196,082	174,617
Wholesale & retail trade and restaurant & hotels	534,835	575,865	534,835	575,865
Transport, storage and communication	705,713	721,796	705,713	721,796
Finance, insurance and business services	630,709	696,682	630,709	696,682
Purchase of securities	46,781	46,148	46,781	46,148
Purchase of transport vehicles	8,803	6,902	8,803	6,902
Consumption credit	21,093	4,773	21,093	4,773
Others	284,570	293,269	284,570	293,269
	6,083,177	6,603,272	6,083,177	6,603,272

(vi) Movements in impaired financing, advances and other receivables

	Group		Bank	
	31 Mar 2011 RM'000	31 Dec 2010 RM'000	31 Mar 2011 RM'000	31 Dec 2010 RM'000
At 1 Jan	793,987	952,806	793,987	952,806
Impaired during the period/year	52,719	527,751	52,719	527,751
Disposal of financing and advances under SPSIA arrangement (Note B15)	-	(686,570)	-	(686,570)
Closing balance	846,706	793,987	846,706	793,987
Gross impaired financing as a percentage of gross financing, advances and other receivables	13.92%	12.02%	13.92%	12.02%

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Part A - Explanatory Notes Pursuant to Guidelines on Financial Reporting for Licensed Islamic Bank (BNM/GP8-i) Issued by Bank Negara Malaysia

A5. Financing, Advances and Other Receivables (cont'd.)

(vii) Movements in impairment and allowance on financing

	Group		Bank	
	31 Mar 2011 RM'000	31 Dec 2010 RM'000	31 Mar 2011 RM'000	31 Dec 2010 RM'000
Collective impairment				
At 1 Jan	118,773	113,701	118,773	113,701
Impairment (written-back)/made during the period/year	(22,251)	5,072	(22,251)	5,072
Closing balance	96,522	118,773	96,522	118,773
As % of total gross financing, advances and other receivables less individual impairment	1.71%	1.92%	1.71%	1.92%
Individual impairment				
At 1 Jan	411,715	504,647	411,715	504,647
Impairment made during the period/year	38,111	186,244	38,111	186,244
Amount written-back in respect of SPSIA arrangement (Note B15)	-	(272,328)	-	(272,328)
Exchange difference	-	(6,848)	-	(6,848)
Closing balance	449,826	411,715	449,826	411,715

(viii) Impaired financing by sector

	Group		Bank	
	31 Mar 2011 RM'000	31 Dec 2010 RM'000	31 Mar 2011 RM'000	31 Dec 2010 RM'000
Agriculture, hunting, forestry & fishing	72,667	78,094	72,667	78,094
Mining and quarrying	128,420	137,424	128,420	137,424
Construction	53,748	57,835	53,748	57,835
Manufacturing	54,725	55,436	54,725	55,436
Real estate	170,131	170,249	170,131	170,249
Wholesale & retail trade and restaurant & hotels	9,286	9,326	9,286	9,326
Transport, storage and communication	175,678	175,430	175,678	175,430
Finance, insurance and business services	75,219	76,663	75,219	76,663
Others	106,832	33,530	106,832	33,530
	846,706	793,987	846,706	793,987

KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

Part A - Explanatory Notes Pursuant to Guidelines on Financial Reporting for Licensed Islamic Bank (BNM/GP8-i) Issued by Bank Negara Malaysia

A6. Murabahah Trading Automobile

Murabahah trading automobile is the purchases and sales of automobiles at cost plus targeted profit mark up. The sales are carried out by appointed agents who receive commissions based on actual sales made.

The commissions paid to agent are determined with reference to actual sale price, time required to sell and the targeted profit set by the Bank. For certain transactions, the Bank holds an option to sell the unsold vehicles to the agents at prices agreed upfront. Ownership remains with the Bank until the vehicles are sold and the Bank has the right to appoint new agents for unsold vehicles.

A7. Other Assets

	Group		Bank	
	31 Mar 2011 RM'000	31 Dec 2010 RM'000	31 Mar 2011 RM'000	31 Dec 2010 RM'000
Deposits and prepayments	48,759	7,298	48,455	6,595
Amount due from holding company	637	674	637	674
Amount due from subsidiaries	-	-	9,790	9,628
Amount due from other related parties	1,620	1,620	1,620	1,620
Income receivable	5,727	6,403	5,775	6,458
Fee receivable	-	35,034	-	6,845
Sundry debtors	35,143	260,003	6,529	260,003
Commodity assets	128,298	52,564	128,298	52,596
Tax recoverable	52,340	28,489	52,385	28,489
	272,525	392,085	253,492	372,908

The amount due from holding company, subsidiaries and other related parties are unsecured, profit-free and have no fixed terms of repayment.

A8. Hedging Financial Instruments

	Notional Amount RM'000	Fair Value	
		Assets RM'000	Liabilities RM'000
Group and Bank			
At 31 Mar 2011			
Forward foreign exchange related contracts	998,401	16,816	1,723
Ijarah rental swap related contracts	675,881	43,105	36,297
Total	1,674,282	59,921	38,020
At 31 Dec 2010			
Forward foreign exchange related contracts	1,128,680	35,924	2,212
Ijarah rental swap related contracts	690,229	41,872	34,766
Total	1,818,909	77,796	36,978

KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

Part A - Explanatory Notes Pursuant to Guidelines on Financial Reporting for Licensed Islamic Bank (BNM/GP8-i) Issued by Bank Negara Malaysia

A9. 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.

A10. Deposits from Customers

(i) By type of deposit

	Group		Bank	
	31 Mar 2011 RM'000	31 Dec 2010 RM'000	31 Mar 2011 RM'000	31 Dec 2010 RM'000
<u>Qard</u>				
Demand deposits	311,762	374,023	312,844	375,596
Gold deposits	41,812	29,493	41,812	29,493
<u>Mudharabah</u>				
Savings deposits	27,334	26,328	27,334	26,328
General investment deposits	317,523	341,298	317,523	341,298
Murabahah	3,829,434	3,775,367	3,829,434	3,775,367
	4,527,865	4,546,509	4,528,947	4,548,082

(ii) By type of customer

	Group		Bank	
	31 Mar 2011 RM'000	31 Dec 2010 RM'000	31 Mar 2011 RM'000	31 Dec 2010 RM'000
Business enterprises	2,482,256	2,283,249	2,481,957	2,282,944
Individuals	187,551	174,593	187,551	174,593
Subsidiaries	-	-	1,381	1,878
Government and statutory bodies	1,083,850	1,395,275	1,083,850	1,395,275
Other enterprises	774,208	693,392	774,208	693,392
	4,527,865	4,546,509	4,528,947	4,548,082

A11. Deposits and Placements of Banks and Other Financial Institutions

	Group		Bank	
	31 Mar 2011 RM'000	31 Dec 2010 RM'000	31 Mar 2011 RM'000	31 Dec 2010 RM'000
<u>Murabahah</u>				
Licensed Islamic banks	553,793	261,712	553,793	261,712
Bank Negara Malaysia	304,799	246,820	304,799	246,820
Licensed investment banks	-	28,577	-	28,577
Other financial institutions	1,744,717	2,928,769	1,751,535	2,936,669
	2,603,309	3,465,878	2,610,127	3,473,778

KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

Part A - Explanatory Notes Pursuant to Guidelines on Financial Reporting for Licensed Islamic Bank (BNM/GP8-i) Issued by Bank Negara Malaysia

A12. Other Liabilities

	Group		Bank	
	31 Mar 2011 RM'000	31 Dec 2010 RM'000	31 Mar 2011 RM'000	31 Dec 2010 RM'000
Income payables	27,223	30,386	27,297	30,439
Sundry creditors	78,764	105,536	78,678	105,534
Project clearing account	4,644	4,605	4,644	4,605
Amount due to agent from the purchase of commodity assets	128,780	256,700	128,780	256,700
Accrued restoration cost	3,246	3,266	3,179	3,200
Other provisions and accruals	19,687	27,895	18,388	26,894
	262,344	428,388	260,966	427,372

A13. Murabahah Bank Financing

The Murabahah bank financing in 2010 of USD7,500,000 or equivalent RM23,139,375 was an unsecured financing facility obtained in 2008 with a tenure of two years and was repayable in instalments commencing 2009. The Murabahah price was determined based on effective cost of funds.

A14. Subordinated Murabahah Tawarruq

The subordinated Murabahah Tawarruq is a facility agreement with the holding company of the Bank, Kuwait Finance House K.S.C. The facility with principal amount of USD100,000,000 or equivalent RM302,530,000 (2010: USD100,000,000 or equivalent RM308,530,000) 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").

KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

Part A - Explanatory Notes Pursuant to Guidelines on Financial Reporting for Licensed Islamic Bank (BNM/GP8-i) Issued by Bank Negara Malaysia

A15. Income derived from Investment of Depositors' Funds and Others

	1st Quarter ended 31 Mar		Three-months ended 31 Mar	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Group				
Income derived from investment of:				
- General investment deposits	3,639	4,738	3,639	4,738
- Other deposits	77,634	82,389	77,634	82,389
	81,273	87,127	81,273	87,127
Bank				
Income derived from investment of:				
- General investment deposits	3,649	4,747	3,649	4,747
- Other deposits	77,871	82,705	77,871	82,705
	81,520	87,452	81,520	87,452

(i) Income derived from investment of general investment deposits

	1st Quarter ended 31 Mar		Three-months ended 31 Mar	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Group				
Finance income from financing, advances and other receivables	2,645	3,961	2,645	3,961
Finance income from impaired financing	84	-	84	-
Securities				
- Held-for-trading	22	(4)	22	(4)
- Available-for-sale	210	253	210	253
- Held-to-maturity	13	19	13	19
Money at call and deposits with financial institutions	458	505	458	505
	3,432	4,734	3,432	4,734
Amortisation of premium less accretion of discounts	(1)	(3)	(1)	(3)
Total finance income and hibah	3,431	4,731	3,431	4,731
Gain arising from sale of securities				
- Held-for-trading	3	18	3	18
Foreign exchange gain/(loss)	154	(31)	154	(31)
Gain on Ijarah rental swap obligation	51	20	51	20
	3,639	4,738	3,639	4,738

KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

Part A - Explanatory Notes Pursuant to Guidelines on Financial Reporting for Licensed Islamic Bank (BNM/GP8-i) Issued by Bank Negara Malaysia

A15. Income derived from Investment of Depositors' Funds and Others (cont'd.)

(i) Income derived from investment of general investment deposits

	1st Quarter ended 31 Mar		Three-months ended 31 Mar	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Bank				
Finance income from financing, advances and other receivables	2,653	3,959	2,653	3,959
Finance income from impaired financing	84	-	84	-
Securities				
- Held-for-trading	25	(4)	25	(4)
- Available-for-sale	198	253	198	253
- Held-to-maturity	13	19	13	19
Money at call and deposits with financial institutions	469	516	469	516
	3,442	4,743	3,442	4,743
Amortisation of premium less accretion of discounts	(1)	(3)	(1)	(3)
Total finance income and hibah	3,441	4,740	3,441	4,740
Gain arising from sale of securities				
- Held-for-trading	3	18	3	18
Foreign exchange gain/(loss)	154	(31)	154	(31)
Gain on Ijarah rental swap obligation	51	20	51	20
	3,649	4,747	3,649	4,747

KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

Part A - Explanatory Notes Pursuant to Guidelines on Financial Reporting for Licensed Islamic Bank (BNM/GP8-i) Issued by Bank Negara Malaysia

A15. Income derived from Investment of Depositors' Funds and Others (cont'd.)

(ii) Income derived from investment of other deposits

Group	1st Quarter ended 31 Mar		Three-months ended 31 Mar	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Finance income from financing, advances and other receivables	56,453	68,861	56,453	68,861
Finance income from impaired financing	1,804	-	1,804	-
Securities				
- Held-for-trading	457	(64)	457	(64)
- Available-for-sale	4,481	4,404	4,481	4,404
- Held-to-maturity	285	326	285	326
Money at call and deposits with financial institutions	9,765	8,775	9,765	8,775
	73,245	82,302	73,245	82,302
Amortisation of premium less accretion of discounts	(32)	(47)	(32)	(47)
Total finance income and hibah	73,213	82,255	73,213	82,255
Gain arising from sale of securities				
- Held-for-trading	72	305	72	305
Foreign exchange gain/(loss)	3,266	(510)	3,266	(510)
Gain on Ijarah rental swap obligation	1,083	339	1,083	339
	77,634	82,389	77,634	82,389

KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

Part A - Explanatory Notes Pursuant to Guidelines on Financial Reporting for Licensed Islamic Bank (BNM/GP8-i) Issued by Bank Negara Malaysia

A15. Income derived from Investment of Depositors' Funds and Others (cont'd.)

(ii) Income derived from investment of other deposits

	1st Quarter ended 31 Mar		Three-months ended 31 Mar	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Bank				
Finance income from financing, advances and other receivables	56,632	68,950	56,632	68,950
Finance income from impaired financing	1,810	-	1,810	-
Securities				
- Held-for-trading	533	(64)	533	(64)
- Available-for-sale	4,214	4,410	4,214	4,410
- Held-to-maturity	286	326	286	326
Money at call and deposits with financial institutions	9,993	8,996	9,993	8,996
	73,468	82,618	73,468	82,618
Amortisation of premium less accretion of discounts	(32)	(47)	(32)	(47)
Total finance income and hibah	73,436	82,571	73,436	82,571
Gain arising from sale of securities				
- Held-for-trading	72	305	72	305
Foreign exchange gain/(loss)	3,277	(510)	3,277	(510)
Gain on Ijarah rental swap obligation	1,086	339	1,086	339
	77,871	82,705	77,871	82,705

KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

Part A - Explanatory Notes Pursuant to Guidelines on Financial Reporting for Licensed Islamic Bank (BNM/GP8-i) Issued by Bank Negara Malaysia

A16. Income derived from Investment of Shareholder's Equity

<u>Group</u>	1st Quarter ended 31 Mar		Three-months ended 31 Mar	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Finance income from financing, advances and other receivables	15,987	18,869	15,987	18,869
Finance income from impaired financing	505	-	505	-
Securities				
- Held-for-trading	130	(17)	130	(17)
- Available-for-sale	1,271	1,207	1,271	1,207
- Held-to-maturity	81	89	81	89
Money at call and deposits with financial institutions	2,768	2,405	2,768	2,405
	20,742	22,553	20,742	22,553
Amortisation of premium less accretion of discounts	(9)	(13)	(9)	(13)
Total finance income and hibah	20,733	22,540	20,733	22,540
Fee income				
- Commission	598	1,332	598	1,332
- Other fee income	1,672	770	1,672	770
- Fund management fee	1,038	1,145	1,038	1,145
Gain arising from sale of securities				
- Held-for-trading	20	83	20	83
Unrealised loss on revaluation of securities held-for-trading and Ijarah rental swap (net)	(297)	(945)	(297)	(945)
Foreign exchange gain/(loss)	527	(3,199)	527	(3,199)
Gain on disposal of property, plant and equipment	-	1	-	1
Gain on Ijarah rental swap obligation	313	93	313	93
Gross dividend from property funds	314	-	314	-
	24,918	21,820	24,918	21,820

KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

Part A - Explanatory Notes Pursuant to Guidelines on Financial Reporting for Licensed Islamic Bank (BNM/GP8-i) Issued by Bank Negara Malaysia

A16. Income derived from Investment of Shareholder's Equity (cont'd.)

	1st Quarter ended 31 Mar		Three-months ended 31 Mar	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Bank				
Finance income from financing, advances and other receivables	15,800	18,782	15,800	18,782
Finance income from impaired financing	499	-	499	-
Securities				
- Held-for-trading	149	(17)	149	(17)
- Available-for-sale	1,176	1,201	1,176	1,201
- Held-to-maturity	80	89	80	89
Money at call and deposits with financial institutions	2,791	2,451	2,791	2,451
	20,495	22,506	20,495	22,506
Amortisation of premium less accretion of discounts	(9)	(13)	(9)	(13)
Total finance income and hibah	20,486	22,493	20,486	22,493
Fee income				
- Commission	598	1,332	598	1,332
- Other fee income	1,672	751	1,672	751
Gain arising from sale of securities				
- Held-for-trading	20	83	20	83
Unrealised loss on revaluation of securities held-for-trading and Ijarah rental swap (net)	(396)	(945)	(396)	(945)
Foreign exchange gain/(loss)	332	(2,492)	332	(2,492)
Management fee	195	195	195	195
Gain on Ijarah rental swap obligation	310	93	310	93
	23,217	21,510	23,217	21,510

KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

Part A - Explanatory Notes Pursuant to Guidelines on Financial Reporting for Licensed Islamic Bank (BNM/GP8-i) Issued by Bank Negara Malaysia

A17. Impairment and Allowance on Financing, Advances and Other Receivables

	1st Quarter ended 31 Mar		Three-months ended 31 Mar	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Group				
Impairment and allowance on financing				
- Collective (write-back)/impairment (net)	(22,251)	10,057	(22,251)	10,057
- Individual impairment (net)	38,111	93,841	38,111	93,841
	15,860	103,898	15,860	103,898
Bank				
Impairment and allowance on financing				
- Collective (write-back)/impairment (net)	(22,251)	10,057	(22,251)	10,057
- Individual impairment (net)	38,111	93,841	38,111	93,841
	15,860	103,898	15,860	103,898

A18. Income Attributable to the Depositors

	1st Quarter ended 31 Mar		Three-months ended 31 Mar	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Group				
Deposits from customers				
- Mudharabah	2,418	2,510	2,418	2,510
- Murabahah	26,255	18,735	26,255	18,735
Deposits and placements of banks and other financial institutions				
- Murabahah	17,770	20,983	17,770	20,983
	46,443	42,228	46,443	42,228
Bank				
Deposits from customers				
- Mudharabah	2,418	2,565	2,418	2,565
- Murabahah	26,312	18,744	26,312	18,744
Deposits and placements of banks and other financial institutions				
- Murabahah	17,771	20,983	17,771	20,983
	46,501	42,292	46,501	42,292

KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

Part A - Explanatory Notes Pursuant to Guidelines on Financial Reporting for Licensed Islamic Bank (BNM/GP8-i) Issued by Bank Negara Malaysia

A19. Capital Adequacy

	Group		Bank	
	31 Mar 2011 RM'000	31 Dec 2010 RM'000	31 Mar 2011 RM'000	31 Dec 2010 RM'000
Tier I capital				
Paid-up share capital	2,266,125	2,266,125	2,266,125	2,266,125
Statutory reserves	34,952	34,952	34,952	34,952
Other reserves	(224,960)	(224,960)	(263,417)	(263,417)
	2,076,117	2,076,117	2,037,660	2,037,660
Less : Deferred tax assets (net)	(125,556)	(125,556)	(125,174)	(125,174)
Total Tier I capital	1,950,561	1,950,561	1,912,486	1,912,486
Tier II Capital				
Subordinated Murabahah Tawarruq	302,530	308,530	302,530	308,530
Collective impairment on financing	96,522	118,773	96,522	118,773
Total Tier II capital	399,052	427,303	399,052	427,303
Total Capital	2,349,613	2,377,864	2,311,538	2,339,789
Less : Investment in subsidiaries	-	-	(67,897)	(67,897)
Capital Base	2,349,613	2,377,864	2,243,641	2,271,892
Core capital ratio	20.80%	20.15%	20.66%	20.00%
Risk-weighted capital ratio	25.06%	24.56%	24.24%	23.76%

KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

Part A - Explanatory Notes Pursuant to Guidelines on Financial Reporting for Licensed Islamic Bank (BNM/GP8-i) Issued by Bank Negara Malaysia

A20. Commitments and Contingencies

- (a) 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.

	As at 31 Mar 2011			As at 31 Dec 2010		
	Principal amount RM'000	Credit equivalent amount** RM'000	Risk weighted amount** RM'000	Principal amount RM'000	Credit equivalent amount** RM'000	Risk weighted amount** RM'000
Group and Bank						
Direct credit substitutes	642,361	642,361	413,190	644,403	644,403	424,463
Transaction related contingencies	145,773	72,887	58,803	268,240	134,120	127,233
Trade related contingencies	56,148	11,230	7,959	77,691	15,538	13,542
Irrevocable commitments to extend credit						
- maturity less than one year	452,460	90,492	87,956	360,049	72,010	71,291
- maturity more than one year	983,709	491,855	530,780	882,953	441,476	481,752
Foreign exchange related contracts *						
- less than one year	998,401	34,022	15,070	1,128,680	46,946	21,775
- one year to five years	192,508	23,943	14,327	250,219	27,870	16,654
- five years and above	99,088	16,110	6,476	99,748	15,298	5,568
Profit rate related contracts (Ijarah rental swap obligation) *						
- five years and above	326,759	40,454	31,305	340,261	43,520	33,993
	3,897,207	1,423,354	1,165,866	4,052,244	1,441,181	1,196,271

* The foreign exchange related contracts and Ijarah rental swap related contracts are subject to market risk and credit risk.

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

- (b) In August 2008, the Plaintiff filed a suit against the Bank, inter alia, for breach of contract for an amount of approximately RM2.2 million. The Bank was alleged to have acted in breach for failure to execute the tenancy agreement within the prescribed period, pursuant to the letter of offer from the Plaintiff.

Based on solicitor's advice, the Bank has a good chance of securing a dismissal of the suit as no tenancy agreement was executed with the Plaintiff and the Bank has agreed to forgo the earnest deposit pursuant to the terms in the offer letter.

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

**Part A - Explanatory Notes Pursuant to Guidelines on Financial Reporting for
Licensed Islamic Bank (BNM/GP8-i) Issued by Bank Negara Malaysia**

A21. 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.

Group	Non-trading book						Trading book	Total	Effective profit rate
	Up to 1 month	>1 - 3 months	>3 - 12 months	>1 - 5 years	Over 5 years	Non-profit sensitive			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000			
As at 31 Mar 2011									
ASSETS									
Cash and short-term funds	2,161,791	-	-	-	-	93,859	-	2,255,650	2.09
Deposits and placements with banks and other financial institutions	-	178,449	196,012	6,698	-	-	-	381,159	1.77
Securities held-for-trading	-	-	-	-	-	-	152,970	152,970	2.52
Securities available-for-sale	185,538	100,487	167,826	351,599	90,203	19,000	-	914,653	2.34
Securities held-to-maturity	30,410	-	15,063	-	-	-	-	45,473	3.38
Financing, advances and receivables	2,457,732	2,387,952	95,913	550,407	44,825	-	-	5,536,829	5.78
Murabahah trading automobiles	-	-	-	-	-	-	32	32	-
Musarakah capital investment	-	-	-	-	-	5,898	-	5,898	-
Other assets	-	-	-	-	-	554,400	-	554,400	-
TOTAL ASSETS	4,835,471	2,666,888	474,814	908,704	135,028	673,157	153,002	9,847,064	
LIABILITIES AND SHAREHOLDER'S EQUITY									
Deposits from customers	2,535,259	1,092,237	546,796	-	-	353,573	-	4,527,865	2.67
Deposits and placements of banks and other financial institutions	1,786,581	561,708	255,020	-	-	-	-	2,603,309	2.33
Subordinated Murabahah Tawarruq	-	-	-	344,444	-	-	-	344,444	3.62
Other liabilities	-	-	-	-	-	311,574	-	311,574	-
Total Liabilities	4,321,840	1,653,945	801,816	344,444	-	665,147	-	7,787,192	
Shareholder's equity	-	-	-	-	-	2,059,872	-	2,059,872	
Total Liabilities and Shareholder's Equity	4,321,840	1,653,945	801,816	344,444	-	2,725,019	-	9,847,064	
On-balance sheet profit sensitivity gap	513,631	1,012,943	(327,002)	564,260	135,028	(2,051,862)	153,002	-	
Off-balance sheet profit sensitivity gap	-	-	-	-	-	-	-	-	
Total profit sensitivity gap	513,631	1,012,943	(327,002)	564,260	135,028	(2,051,862)	153,002	-	

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

**Part A - Explanatory Notes Pursuant to Guidelines on Financial Reporting for
Licensed Islamic Bank (BNM/GP8-i) Issued by Bank Negara Malaysia**

A21. RATE OF RETURN RISK (Cont'd.)

Group	Non-trading book						Trading book	Total	Effective profit rate
	Up to 1 month	>1 - 3 months	>3 - 12 months	>1 - 5 years	Over 5 years	Non-profit sensitive			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000			
As at 31 Dec 2010									%
ASSETS									
Cash and short-term funds	2,369,107	-	-	-	-	280,855	-	2,649,962	2.34
Deposits and placements with banks and other financial institutions	-	228,394	38,167	6,698	-	-	-	273,259	1.87
Securities held-for-trading	-	-	-	-	-	-	110,083	110,083	2.39
Securities available-for-sale	131,076	278,115	157,447	376,792	91,076	19,000	-	1,053,506	2.42
Securities held-to-maturity	31,016	-	-	15,250	-	-	-	46,266	3.33
Financing, advances and receivables	2,217,532	2,595,022	362,754	869,421	28,055	-	-	6,072,784	5.08
Murabahah trading automobiles	-	-	-	-	-	-	32	32	-
Musyarakah capital investment	-	-	-	-	-	5,898	-	5,898	-
Other assets	-	-	-	-	-	704,414	-	704,414	-
TOTAL ASSETS	4,748,731	3,101,531	558,368	1,268,161	119,131	1,010,167	110,115	10,916,204	
LIABILITIES AND SHAREHOLDER'S EQUITY									
Deposits from customers	2,438,054	1,181,052	523,887	-	-	403,516	-	4,546,509	2.66
Deposits and placements of banks and other financial institutions	2,806,296	498,672	107,333	53,577	-	-	-	3,465,878	2.63
Subordinated Murabahah Tawarruq	-	-	-	349,655	-	-	-	349,655	3.63
Murabahah bank financing	-	-	23,139	-	-	-	-	23,139	1.59
Other liabilities	-	-	-	-	-	477,428	-	477,428	-
Total Liabilities	5,244,350	1,679,724	654,359	403,232	-	880,944	-	8,862,609	
Shareholder's equity	-	-	-	-	-	2,053,595	-	2,053,595	
Total Liabilities and Shareholder's Equity	5,244,350	1,679,724	654,359	403,232	-	2,934,539	-	10,916,204	
On-balance sheet profit sensitivity gap	(495,619)	1,421,807	(95,991)	864,929	119,131	(1,924,372)	110,115	-	
Off-balance sheet profit sensitivity gap	-	-	-	-	-	-	-	-	
Total profit sensitivity gap	(495,619)	1,421,807	(95,991)	864,929	119,131	(1,924,372)	110,115	-	

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

**Part A - Explanatory Notes Pursuant to Guidelines on Financial Reporting for
Licensed Islamic Bank (BNM/GP8-i) Issued by Bank Negara Malaysia**

A21. RATE OF RETURN RISK (Cont'd.)

	Non-trading book						Trading book	Total	Effective profit rate
	Up to 1 month	>1 - 3 months	>3 - 12 months	>1 - 5 years	Over 5 years	Non-profit sensitive			
Bank As at 31 Mar 2011	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	%
ASSETS									
Cash and short-term funds	2,255,162	-	-	-	-	92,308	-	2,347,470	2.05
Deposits and placements with banks and other financial institutions	-	178,449	196,012	6,698	-	-	-	381,159	1.77
Securities held-for-trading	-	-	-	-	-	-	152,970	152,970	2.52
Securities available-for-sale	185,538	74,587	107,320	311,651	90,203	19,000	-	788,299	2.28
Securities held-to-maturity	30,410	-	15,063	-	-	-	-	45,473	3.38
Financing, advances and receivables	2,457,732	2,387,952	95,913	550,407	44,825	-	-	5,536,829	5.78
Murabahah trading automobiles	-	-	-	-	-	-	32	32	-
Musyarakah capital investment	-	-	-	-	-	5,898	-	5,898	-
Other assets	-	-	-	-	-	565,987	-	565,987	-
TOTAL ASSETS	4,928,842	2,640,988	414,308	868,756	135,028	683,193	153,002	9,824,117	
LIABILITIES AND SHAREHOLDER'S EQUITY									
Deposits from customers	2,535,259	1,092,237	546,796	-	-	354,655	-	4,528,947	2.67
Deposits and placements of banks and other financial institutions	1,793,400	561,707	255,020	-	-	-	-	2,610,127	2.33
Subordinated Murabahah Tawarruq	-	-	-	344,444	-	-	-	344,444	3.62
Other liabilities	-	-	-	-	-	310,196	-	310,196	-
Total Liabilities	4,328,659	1,653,944	801,816	344,444	-	664,851	-	7,793,714	
Shareholder's equity	-	-	-	-	-	2,030,403	-	2,030,403	
Total Liabilities and Shareholder's Equity	4,328,659	1,653,944	801,816	344,444	-	2,695,254	-	9,824,117	
On-balance sheet profit sensitivity gap	600,183	987,044	(387,508)	524,312	135,028	(2,012,061)	153,002	-	
Off-balance sheet profit sensitivity gap	-	-	-	-	-	-	-	-	
Total profit sensitivity gap	600,183	987,044	(387,508)	524,312	135,028	(2,012,061)	153,002	-	

KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

Part A - Explanatory Notes Pursuant to Guidelines on Financial Reporting for Licensed Islamic Bank (BNM/GP8-i) Issued by Bank Negara Malaysia

A21. RATE OF RETURN RISK (Cont'd.)

Bank As at 31 Dec 2010	Non-trading book						Trading book	Total	Effective profit rate
	Up to 1 month	>1 - 3 months	>3 - 12 months	>1 - 5 years	Over 5 years	Non- profit sensitive			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	%
ASSETS									
Cash and short-term funds	2,463,569	-	-	-	-	279,079	-	2,742,648	2.30
Deposits and placements with banks and other financial institutions	-	228,394	38,167	6,698	-	-	-	273,259	1.85
Securities held-for-trading	-	-	-	-	-	-	110,083	110,083	2.39
Securities available-for-sale	131,076	278,115	71,141	335,525	91,076	19,000	-	925,933	2.39
Securities held-to-maturity	31,016	-	-	15,250	-	-	-	46,266	3.33
Financing, advances and receivables	2,217,532	2,595,022	362,754	869,421	28,055	-	-	6,072,784	5.08
Murabahah trading automobiles	-	-	-	-	-	-	32	32	-
Musyarakah capital investment	-	-	-	-	-	5,898	-	5,898	-
Other assets	-	-	-	-	-	715,874	-	715,874	-
TOTAL ASSETS	4,843,193	3,101,531	472,062	1,226,894	119,131	1,019,851	110,115	10,892,777	
LIABILITIES AND SHAREHOLDER'S EQUITY									
Deposits from customers	2,438,054	1,181,052	523,887	-	-	405,089	-	4,548,082	2.66
Deposits and placements of banks and other financial institutions	2,809,196	498,672	112,333	53,577	-	-	-	3,473,778	2.63
Subordinated Murabahah Tawarruq	-	-	-	349,655	-	-	-	349,655	3.63
Murabahah bank financing	-	-	23,139	-	-	-	-	23,139	1.59
Other liabilities	-	-	-	-	-	476,412	-	476,412	-
Total Liabilities	5,247,250	1,679,724	659,359	403,232	-	881,501	-	8,871,066	
Shareholder's equity	-	-	-	-	-	2,021,711	-	2,021,711	
Total Liabilities and Shareholder's Equity	5,247,250	1,679,724	659,359	403,232	-	2,903,212	-	10,892,777	
On-balance sheet profit sensitivity gap	(404,057)	1,421,807	(187,297)	823,662	119,131	(1,883,361)	110,115	-	
Off-balance sheet profit sensitivity gap	-	-	-	-	-	-	-	-	
Total profit sensitivity gap	(404,057)	1,421,807	(187,297)	823,662	119,131	(1,883,361)	110,115	-	

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

**Part B - Explanatory Notes Pursuant to Financial Reporting Standard ("FRS 134")
Issued by Malaysian Accounting Standards Board**

B1. Basis of Preparation

The interim financial statements are unaudited and have been prepared in accordance with FRS134: Interim Financial Reporting issued by the Malaysian Accounting Standards Board ("MASB"), Guidelines on Financial Reporting for Licensed Islamic Banks ("BNM/GP8-i") issued by Bank Negara Malaysia (BNM) as well as comply with the provisions of the Companies Act, 1965 and the principles of Shariah.

The interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2010. The explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group and the Bank since the year ended 31 December 2010.

B2. Accounting Policies

The significant accounting policies applied in the unaudited condensed interim financial statements are consistent with those adopted in the audited financial statements for the financial year ended 31 December 2010 except for the following Financial Reporting Standards ("FRSs"), amendments to FRSs, IC Interpretations and Technical Release that have been issued by the MASB:

FRSs, Amendments to FRSs and Interpretations

FRS 1 *First Time Adoption of Financial Reporting Standards*

FRS 3 *Business Combinations (revised)*

Amendments to FRS 2 *Share-based Payment*

Amendments to FRS 5 *Non-current Assets Held for Sale and Discontinued Operations*

Amendments to FRS 127 *Consolidated and Separate Financial Statements*

Amendments to FRS 138 *Intangible Assets*

Amendments to IC Interpretation 9 *Reassessment of Embedded Derivatives*

IC Interpretation 12 *Service Concession Arrangements*

IC Interpretation 15 *Agreements for the Construction of Real Estate*

IC Interpretation 16 *Hedges of a Net Investment in a Foreign Operation*

IC Interpretation 17 *Distributions of Non-cash Assets to Owners*

Amendments to FRS 132 *Classification of Rights Issues*

Amendments to FRS 1 *Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters*

Amendments to FRS 7 *Improving Disclosures about Financial Instruments*

Amendments to FRS 7 *Financial Instruments: Disclosure*

Amendments to FRS 101 *Presentation of Financial Statements*

Amendments to FRS 121 *The Effects of Changes in Foreign Exchange Rates*

Amendments to FRS 128 *Investments in Associates*

Amendments to FRS 131 *Interests in Joint Ventures*

Amendments to FRS 132 *Financial Instruments: Presentation*

Amendments to FRS 134 *Interim Financial Reporting*

Amendments to FRS 139 *Financial Instruments: Recognition and Measurement*

IC Interpretation 4 *Determining Whether an Arrangement Contains a Lease*

IC Interpretation 18 *Transfers of Assets from Customers*

Amendments to IC Interpretation 13 *Customer Loyalty Programmes*

TR 3 *Guidance on Disclosures of Transition to IFRSs*

TR i-4 *Shariah Compliant Sale Contracts*

The above FRSs, amendments to FRSs and Interpretations have no significant impact on the financial statements of the Group and the Bank upon their initial application other than FRS 139 and FRS 7.

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

**Part B - Explanatory Notes Pursuant to Financial Reporting Standard ("FRS 134")
Issued by Malaysian Accounting Standards Board**

B2. Accounting Policies (cont'd.)

The following FRSs and IC Interpretations have been issued by the MASB but are not yet effective, and have yet to be adopted by the Group and the Bank:

FRSs, Amendments to FRSs and Interpretations	Effective for financial period beginning on or after
IC Interpretation 19 <i>Extinguishing Financial Liabilities with Equity Instruments</i>	1 July 2011
Amendments to IC Interpretation 14 <i>Prepayments of a Minimum Funding Requirement</i>	1 July 2011
FRS 124 <i>Related Party Disclosures</i>	1 January 2012
IC Interpretation 15 <i>Agreements for the Construction of Real Estate</i>	1 January 2012

B3. Auditors' Report on Preceding Annual Financial Statements

The auditors' report on the audited financial statements for the financial year ended 31 December 2010 was not qualified.

B4. Seasonal or Cyclical Factors Affecting Operations

The operations of the Group and the Bank were not materially affected by any seasonal or cyclical factors in the three-months ended 31 March 2011.

B5. Unusual Items Due to their Nature, Size or Incidence

There were no items of unusual nature, size or incidence affecting the assets, liabilities, equity, net income or cash flows of the Group and the Bank during the three-months ended 31 March 2011.

B6. Changes in Estimates

There were no changes in the estimates of amounts reported in prior financial years that have a material effect to the three-months ended 31 March 2011.

B7. Debt and Equity Securities

There were no issuances, cancellation, repurchases, resales or repayments of debt and equity securities during the three-months ended 31 March 2011.

B8. Dividends Paid

There were no dividends paid during the three-months ended 31 March 2011.

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

**Part B - Explanatory Notes Pursuant to Financial Reporting Standard ("FRS 134")
Issued by Malaysian Accounting Standards Board**

B9. Segment Information on Operating Revenue, Profit/(Loss) Before Zakat & Taxation and Total Assets

(i) By Business Segment

	1st Quarter ended		Three-months ended		Total Assets RM'000
	Operating Revenue RM'000	Profit/(Loss) Before Zakat and Taxation RM'000	Operating Revenue RM'000	Profit/(Loss) Before Zakat and Taxation RM'000	
Group					
31 Mar 2011					
Retail operations	5,115	(2,741)	5,115	(2,741)	489,599
Treasury and capital market operations	22,914	(1,790)	22,914	(1,790)	3,745,091
Corporate banking	29,907	7,601	31,361	7,601	2,594,912
Commercial banking	45,625	17,943	45,625	17,943	2,714,481
	103,561	21,013	105,015	21,013	9,544,083
Inter-segment elimination	1,176	-	1,176	-	-
	104,737	21,013	106,191	21,013	9,544,083
Unallocated expenses	-	(19,965)	-	(19,965)	-
Unallocated assets	-	-	-	-	302,981
	104,737	1,048	106,191	1,048	9,847,064
31 Mar 2010					
Retail operations	8,028	(3,918)	8,028	(3,918)	323,382
Treasury and capital market operations	36,858	(1,484)	36,858	(1,484)	3,039,047
Corporate banking	41,606	(22,191)	41,606	(22,191)	3,209,696
Commercial banking	50,279	(28,882)	50,279	(28,882)	3,478,202
	136,771	(56,475)	136,771	(56,475)	10,050,327
Inter-segment elimination	(27,824)	-	(27,824)	-	-
	108,947	(56,475)	108,947	(56,475)	10,050,327
Unallocated expenses	-	(27,447)	-	(27,447)	-
Unallocated assets	-	-	-	-	199,343
	108,947	(83,922)	108,947	(83,922)	10,249,670

Inter-segment pricing is based on negotiated basis.

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

**Part B - Explanatory Notes Pursuant to Financial Reporting Standard ("FRS 134")
Issued by Malaysian Accounting Standards Board**

B9. Segment Information on Operating Revenue, Profit/(Loss) Before Zakat & Taxation and Total Assets (cont'd.)

(ii) By Geographical Locations

	1st Quarter ended		Three-months ended		Total Assets RM'000
	Operating Revenue RM'000	Profit/(Loss) Before Zakat and Taxation RM'000	Operating Revenue RM'000	Profit/(Loss) Before Zakat and Taxation RM'000	
Group					
31 Mar 2011					
Malaysia	106,191	1,049	106,191	1,049	9,844,818
Outside Malaysia	-	(1)	-	(1)	2,246
	106,191	1,048	106,191	1,048	9,847,064
31 Mar 2010					
Malaysia	108,948	(79,556)	108,948	(79,556)	10,241,341
Outside Malaysia	(1)	(4,366)	(1)	(4,366)	8,329
	108,947	(83,922)	108,947	(83,922)	10,249,670

The Group has funds management operations in Australia and Singapore.

B10. Valuation of Property and Equipment

There was no change in the valuation of property and equipment that were brought forward from the previous audited financial statements for the year ended 31 December 2010.

B11. Subsequent Events

There were no material events subsequent to the end of the current interim period that requires disclosure or adjustments to the unaudited condensed interim financial statements.

B12. Changes In Composition Of The Group

There were no significant changes in the composition of the Group since the last audited financial statements as at 31 December 2010.

B13. Changes In Contingent Liabilities and Contingent Assets

There were no significant changes in the contingent liabilities and contingent assets since the last annual statements of financial position as at 31 December 2010 other than those as disclosed in note A20.

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

Part B - Explanatory Notes Pursuant to Financial Reporting Standard ("FRS 134")
Issued by Malaysian Accounting Standards Board

B14. Capital Commitments

The capital commitments not provided for in the interim financial statements as at 31 March 2011 are as follows:

Capital expenditure

Authorised and contracted for:

- renovation
- purchase of equipment

Authorised and not contracted for:

- purchase of equipment

Group RM'000	Bank RM'000
589	589
6,559	6,559
7,148	7,148
31	31

B15. Significant Event During Previous Financial Year

In 2010, the Bank had entered into a Specific Profit Sharing Investment Accounts ("SPSIA" or "the Fund") arrangement with the holding company to acquire and/or invest in certain identified financing assets ("underlying assets" or "SPSIA financing") of the Bank for a consideration amounting to RM542.8 million, which represents the net book value of the underlying assets as at the transaction date. Subsequent to this SPSIA arrangement, the underlying assets have been de-recognised by the Bank as all risks and rewards have been effectively transferred and borne by the fund provider. Under the SPSIA, no premature/early withdrawal is permitted and the Fund are to remain administered by the Bank until fully repaid from the revenue streams generated by the underlying assets.