



# KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

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## Interim Report for the Third Quarter Ended 30 September 2011

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# KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

## INTERIM CONDENSED STATEMENTS OF FINANCIAL POSITION

Note	Group		Bank	
	30 Sep 2011 RM'000	31 Dec 2010 RM'000	30 Sep 2011 RM'000	31 Dec 2010 RM'000
<b>ASSETS</b>				
Cash and short-term funds	2,499,012	2,649,962	2,574,554	2,742,648
Deposits and placements with banks and other financial institutions	A3 914,774	273,259	914,774	273,259
Securities held-for-trading	A4 106,717	110,083	106,717	110,083
Hedging financial instruments	A8 44,732	77,796	44,732	77,796
Securities available-for-sale	A4 1,091,430	1,053,506	958,830	925,933
Securities held-to-maturity	A4 47,120	46,266	47,120	46,266
Financing, advances and other receivables	A5 5,442,187	6,072,784	5,442,187	6,072,784
Murabahah trading automobile	A6 32	32	32	32
Other assets	A7 391,962	392,085	372,219	372,908
Statutory deposits with Bank Negara Malaysia	150,000	44,854	150,000	44,854
Musyarakah capital investment	A9 5,898	5,898	5,898	5,898
Investment in subsidiaries	-	-	32,193	32,397
Investment in jointly controlled entities	126	932	-	-
Property and equipment	29,097	27,340	28,796	26,915
Intangible assets	22,811	27,529	22,793	27,508
Deferred tax assets	123,951	133,878	123,508	133,496
	<b>10,869,849</b>	<b>10,916,204</b>	<b>10,824,353</b>	<b>10,892,777</b>
<b>LIABILITIES</b>				
Deposits from customers	A10 4,457,232	4,546,509	4,457,557	4,548,082
Deposits and placements of banks and other financial institutions	A11 3,525,960	3,465,878	3,514,223	3,473,778
Hedging financial instruments	A8 78,031	36,978	78,031	36,978
Murabahah bank financing	A13 -	23,139	-	23,139
Subordinated Murabahah Tawarruq	A14 369,765	349,655	369,766	349,655
Other liabilities	A12 350,361	428,388	349,225	427,372
Provision for zakat and tax	3,740	3,740	3,740	3,740
Deferred tax liabilities	6,243	8,322	6,243	8,322
	<b>8,791,332</b>	<b>8,862,609</b>	<b>8,778,785</b>	<b>8,871,066</b>
<b>SHAREHOLDER'S EQUITY</b>				
Share capital	2,266,125	2,266,125	2,266,125	2,266,125
Reserves	(187,608)	(212,530)	(220,557)	(244,414)
	<b>2,078,517</b>	<b>2,053,595</b>	<b>2,045,568</b>	<b>2,021,711</b>
<b>TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY</b>				
	<b>10,869,849</b>	<b>10,916,204</b>	<b>10,824,353</b>	<b>10,892,777</b>
<b>COMMITMENTS AND CONTINGENCIES</b>				
	A19 3,573,569	4,052,244	3,573,569	4,052,244
<b>CAPITAL ADEQUACY</b>				
Core capital ratio	A21 21.08%	20.15%	20.93%	20.00%
Risk-weighted capital ratio	A21 25.31%	24.56%	24.70%	23.76%
<b>NET ASSETS PER SHARE (RM)</b>				
	<b>0.92</b>	<b>0.91</b>	<b>0.90</b>	<b>0.89</b>

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.

# KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

## INTERIM CONDENSED CONSOLIDATED INCOME STATEMENTS

<u>Group</u>	Note	3rd Quarter ended 30 Sep		Nine months ended 30 Sep	
		2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
<b>Continuing operations</b>					
Operating revenue		<b>123,061</b>	94,114	<b>336,361</b>	316,896
Income derived from investment of depositors' funds and others	A15	<b>84,069</b>	80,204	<b>245,148</b>	249,771
Income derived from investment of shareholder's equity	A16	<b>38,992</b>	13,910	<b>91,213</b>	67,125
Total gross income		<b>123,061</b>	94,114	<b>336,361</b>	316,896
Impairment write-back on Murabahah trading automobile		-	(95)	-	182
Impairment (charge) / written-back on securities		<b>(856)</b>	-	<b>(2,395)</b>	772
Impairment loss on financing	A17	<b>(11,620)</b>	(6,300)	<b>(30,616)</b>	(166,106)
Total distributable income		<b>110,585</b>	87,719	<b>303,350</b>	151,744
Income attributable to the depositors	A18	<b>(53,936)</b>	(47,774)	<b>(150,613)</b>	(132,871)
Total net income		<b>56,649</b>	39,945	<b>152,737</b>	18,873
Personnel expenses		<b>(24,306)</b>	(23,621)	<b>(68,800)</b>	(78,233)
Other overheads and expenditures		<b>(19,236)</b>	(17,389)	<b>(58,806)</b>	(49,023)
Finance cost		<b>(3,238)</b>	(3,514)	<b>(9,557)</b>	(10,504)
Profit/(Loss) before zakat and taxation		<b>9,869</b>	(4,579)	<b>15,574</b>	(118,887)
Zakat		-	(391)	-	(1,174)
Taxation		<b>(1,494)</b>	(2,233)	<b>(5,158)</b>	31,669
Net profit/(loss) for the period		<b>8,375</b>	(7,203)	<b>10,416</b>	(88,392)
Attributable to:					
Equity holders of the parent		<b>8,375</b>	(7,203)	<b>10,416</b>	(88,392)
Earnings/(Loss) per share attributable to equity holders of the parent					
- Basic/Diluted (sen)		<b>0.37</b>	<b>(0.30)</b>	<b>0.46</b>	(3.90)

*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.*

# KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

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(Incorporated in Malaysia)

## INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	3rd Quarter ended 30 Sep		Nine months ended 30 Sep	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
<b>Group</b>				
Net profit/(loss) for the period	8,375	(7,203)	10,416	(88,392)
Other comprehensive income/(loss):				
Securities available-for-sale:				
Net gain taken to equity	(1,504)	11,307	17,230	29,944
Exchange differences on translation of foreign operations:				
Net loss taken to equity	2,595	(1,869)	1,584	(5,415)
Income tax relating to components of other comprehensive income	376	(2,827)	(4,308)	(7,486)
Other comprehensive income for the period, net of tax	1,467	6,611	14,506	17,043
Total comprehensive income/(loss) for the period	9,842	(592)	24,922	(71,349)
Total comprehensive income/(loss) for the period attributable equity holders of the parent	9,842	(592)	24,922	(71,349)

*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)

(Incorporated in Malaysia)

## INTERIM CONDENSED INCOME STATEMENTS

<b>Bank</b>	<b>Note</b>	<b>3rd Quarter ended 30 Sep</b>		<b>Nine months ended 30 Sep</b>	
		<b>2011 RM'000</b>	<b>2010 RM'000</b>	<b>2011 RM'000</b>	<b>2010 RM'000</b>
<b>Continuing operations</b>					
Operating revenue		<b>117,562</b>	92,754	<b>328,117</b>	314,849
Income derived from investment of depositors' funds and others	A15	<b>85,377</b>	79,547	<b>246,508</b>	249,667
Income derived from investment of shareholder's equity	A16	<b>32,185</b>	13,207	<b>81,609</b>	65,182
Total gross income		<b>117,562</b>	92,754	<b>328,117</b>	314,849
Impairment write-back on Murabahah trading automobile		-	(95)	-	182
Impairment (charge) / write-back on securities		<b>(746)</b>	-	<b>(1,862)</b>	772
Impairment loss on financing	A17	<b>(11,620)</b>	(6,300)	<b>(30,616)</b>	(166,106)
Total distributable income		<b>105,196</b>	86,359	<b>295,639</b>	149,697
Income attributable to the depositors	A18	<b>(53,982)</b>	(47,832)	<b>(150,761)</b>	(133,066)
Total net income		<b>51,214</b>	38,527	<b>144,878</b>	16,631
Personnel expenses		<b>(22,630)</b>	(21,051)	<b>(63,159)</b>	(68,064)
Other overheads and expenditures		<b>(18,076)</b>	(16,032)	<b>(56,031)</b>	(44,428)
Finance cost		<b>(3,238)</b>	(3,514)	<b>(9,557)</b>	(10,504)
Profit/(Loss) before zakat and taxation		<b>7,270</b>	(2,070)	<b>16,131</b>	(106,365)
Zakat		-	(391)	-	(1,174)
Taxation		<b>(1,490)</b>	(2,180)	<b>(5,104)</b>	31,508
Net profit/(loss) for the period		<b>5,780</b>	(4,641)	<b>11,027</b>	(76,031)

*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)**  
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**INTERIM CONDENSED STATEMENTS OF COMPREHENSIVE INCOME**

	3rd Quarter ended 30 Sep		Nine months ended 30 Sep	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
<b>Bank</b>				
Net profit/(loss) for the period	5,780	(4,641)	11,027	(76,031)
Other comprehensive income:				
Securities available-for-sale:				
Net gain taken to equity	(1,879)	10,684	17,106	29,047
Income tax relating to components of other comprehensive income	470	(2,671)	(4,276)	(7,262)
Other comprehensive income for the period, net of tax	(1,409)	8,013	12,830	21,785
Total comprehensive income/(loss) for the period	<b>4,371</b>	3,372	<b>23,857</b>	(54,246)

*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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## 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
<b>Group</b>						
<b>At 1 Jan 2011</b>	2,266,125	34,952	(7,367)	(15,155)	(224,960)	2,053,595
Total comprehensive income	-	-	1,584	12,922	10,416	24,922
<b>At 30 Sep 2011</b>	<b>2,266,125</b>	<b>34,952</b>	<b>(5,783)</b>	<b>(2,233)</b>	<b>(214,544)</b>	<b>2,078,517</b>
<b>At 1 Jan 2010</b>	2,266,125	34,952	(2,094)	(34,928)	(149,323)	2,114,732
Total comprehensive (loss)/income	-	-	(5,415)	22,458	(88,392)	(71,349)
<b>At 30 Sep 2010</b>	<b>2,266,125</b>	<b>34,952</b>	<b>(7,509)</b>	<b>(12,470)</b>	<b>(237,715)</b>	<b>2,043,383</b>
<b>Bank</b>						
<b>At 1 Jan 2011</b>	2,266,125	34,952	-	(15,949)	(263,417)	2,021,711
Total comprehensive income	-	-	-	12,830	11,027	23,857
<b>At 30 Sep 2011</b>	<b>2,266,125</b>	<b>34,952</b>	<b>-</b>	<b>(3,119)</b>	<b>(252,390)</b>	<b>2,045,568</b>
<b>At 1 Jan 2010</b>	2,266,125	34,952	-	(34,928)	(166,127)	2,100,022
Total comprehensive income/(loss)	-	-	-	21,785	(76,031)	(54,246)
<b>At 30 Sep 2010</b>	<b>2,266,125</b>	<b>34,952</b>	<b>-</b>	<b>(13,143)</b>	<b>(242,158)</b>	<b>2,045,776</b>

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.

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## INTERIM CONDENSED STATEMENTS OF CASH FLOWS

	Group		Bank	
	30 Sep 2011 RM'000	30 Sep 2010 RM'000	30 Sep 2011 RM'000	30 Sep 2010 RM'000
Profit/(Loss) before zakat and taxation	15,574	(118,887)	16,131	(106,365)
Adjustments for non-cash items	146,687	149,387	105,766	148,863
Operating profit before changes in working capital	162,261	30,500	121,897	42,498
<u>Changes in the working capital</u>				
Net changes in operating assets	(136,123)	919,505	(105,973)	910,635
Net changes in operating liabilities	(117,331)	(1,742,218)	(138,391)	(1,754,502)
Zakat and taxation paid	(113)	(10,214)	(59)	(10,092)
Net cash (used in)/generated from operating activities	(253,567)	(832,927)	(244,423)	(853,959)
Net cash generated from/(used in) investing activities	(26,533)	(73,159)	(22,430)	(57,673)
Net cash generated from financing activities	(23,140)	7,431	(23,138)	7,431
	(49,673)	(65,728)	(45,568)	(50,242)
Net change in cash and cash equivalents	(140,979)	(868,155)	(168,094)	(861,703)
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	(9,971)	(5,415)	-	-
Cash and cash equivalents at end of the period	2,499,012	2,004,356	2,574,554	2,071,569

*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.*



**KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD**  
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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 RM15.6million and RM16.1 million respectively for the third quarter ended 30 September 2011. The total assets of the Group decreased by RM46.4 million to RM10.87 billion as at 30 September 2011, as compared to RM10.92 billion as at 31 December 2010. Despite the decrease, the Group stood on a strong capitalised position with a risk-weighted capital ratio of 25.31%.

**A2. Prospects for 2011**

Continuing from the plan laid down earlier this year, the bank is upbeat in its second year of business focus and implementation of its strategic plans. The focus on consumer and retail banking initiated this year has shown results and the desired trends and outcome.

In general, the Bank's earnings are expected to improve even though operating environment remains challenging amidst the uncertainties arising from external environment. The improvements are mainly driven from continuously focusing on strategies in credit quality enhancement and concentration of business growth.

**A3. Deposits and Placements with Banks and Other Financial Institutions**

	Group		Bank	
	30 Sep 2011 RM'000	31 Dec 2010 RM'000	30 Sep 2011 RM'000	31 Dec 2010 RM'000
Licensed Islamic banks	310,698	76,698	310,698	76,698
Other financial institutions	604,076	196,561	604,076	196,561
	<b>914,774</b>	<b>273,259</b>	<b>914,774</b>	<b>273,259</b>

**A4. Securities**

**(i) Securities Held-For-Trading**

	Group		Bank	
	30 Sep 2011 RM'000	31 Dec 2010 RM'000	30 Sep 2011 RM'000	31 Dec 2010 RM'000
<u>At fair value</u>				
Unquoted Islamic private debt securities/sukuk	106,717	110,083	106,717	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

**At cost**

Unquoted shares in Malaysia

Group		Bank	
30 Sep 2011 RM'000	31 Dec 2010 RM'000	30 Sep 2011 RM'000	31 Dec 2010 RM'000
-	121,106	-	121,106
908,274	749,752	872,646	721,731
83,424	86,307	-	-
79,956	77,341	66,408	64,096
19,776	19,000	19,776	19,000
1,091,430	1,053,506	958,830	925,933

**(iii) Securities Held-To-Maturity**

**At amortised cost**

Unquoted Islamic private debt securities/sukuk

Group		Bank	
30 Sep 2011 RM'000	31 Dec 2010 RM'000	30 Sep 2011 RM'000	31 Dec 2010 RM'000
47,120	46,266	47,120	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 receivables

Less : Impairment and allowance on financing

- Collective impairment  
- Individual impairment

Net financing, advances and other receivables

Group		Bank	
30 Sep 2011 RM'000	31 Dec 2010 RM'000	30 Sep 2011 RM'000	31 Dec 2010 RM'000
3,903,508	4,004,141	3,903,508	4,004,141
312,798	343,546	312,798	343,546
1,921,082	2,046,766	1,921,082	2,046,766
87,028	117,887	87,028	117,887
83,349	106,782	83,349	106,782
20,984	34,735	20,984	34,735
1,017	32,239	1,017	32,239
11,538	14,428	11,538	14,428
6,341,304	6,700,524	6,341,304	6,700,524
(430,401)	(97,252)	(430,401)	(97,252)
5,910,903	6,603,272	5,910,903	6,603,272
(103,705)	(118,773)	(103,705)	(118,773)
(365,011)	(411,715)	(365,011)	(411,715)
5,442,187	6,072,784	5,442,187	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	
	30 Sep 2011 RM'000	31 Dec 2010 RM'000	30 Sep 2011 RM'000	31 Dec 2010 RM'000
Ijarah Muntahia Bittamlik (lease ended with ownership)	1,923,018	2,055,618	1,923,018	2,055,618
Murabahah (cost-plus)	3,491,475	3,927,781	3,491,475	3,927,781
Mudharabah (profit sharing)	87,028	117,887	87,028	117,887
Musyarakah (profit and loss sharing)	397,512	451,858	397,512	451,858
Qard (benevolent financing)	1,204	32,530	1,204	32,530
Istisna'	10,666	17,598	10,666	17,598
	<b>5,910,903</b>	<b>6,603,272</b>	<b>5,910,903</b>	<b>6,603,272</b>

**(iii) By type of customer**

	Group		Bank	
	30 Sep 2011 RM'000	31 Dec 2010 RM'000	30 Sep 2011 RM'000	31 Dec 2010 RM'000
Domestic business enterprises				
- Small medium enterprises	774,040	1,135,776	774,040	1,135,776
- Others	3,272,280	3,849,198	3,272,280	3,849,198
Individuals	749,234	204,778	749,234	204,778
Other domestic entities	107,146	86,446	107,146	86,446
Foreign entities	929,850	1,238,677	929,850	1,238,677
Domestic non-bank financial institutions	78,353	88,397	78,353	88,397
	<b>5,910,903</b>	<b>6,603,272</b>	<b>5,910,903</b>	<b>6,603,272</b>

**(iv) By profit rate sensitivity**

	Group		Bank	
	30 Sep 2011 RM'000	31 Dec 2010 RM'000	30 Sep 2011 RM'000	31 Dec 2010 RM'000
Fixed rate				
- House financing	154,972	99,053	154,972	99,053
- Hire purchase receivables	35,438	6,902	35,438	6,902
- Syndicated financing	375,629	479,286	375,629	479,286
- Term financing	1,493,137	1,626,858	1,493,137	1,626,858
Variable rate				
- House financing	201,466	128,594	201,466	128,594
- Term financing	3,650,261	4,262,579	3,650,261	4,262,579
	<b>5,910,903</b>	<b>6,603,272</b>	<b>5,910,903</b>	<b>6,603,272</b>

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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	
	30 Sep 2011 RM'000	31 Dec 2010 RM'000	30 Sep 2011 RM'000	31 Dec 2010 RM'000
Agriculture, hunting, forestry & fishing	129,065	203,019	129,065	203,019
Mining and quarrying	444,485	443,073	444,485	443,073
Manufacturing	861,598	1,063,816	861,598	1,063,816
Electricity, gas and water	155,644	273,136	155,644	273,136
Construction	295,319	500,568	295,319	500,568
Real estate	1,409,039	1,599,608	1,409,039	1,599,608
Purchase of landed property:				
- Residential	252,981	174,617	252,981	174,617
Wholesale & retail trade and restaurant & hotels	477,176	575,865	477,176	575,865
Transport, storage and communication	643,578	721,796	643,578	721,796
Finance, insurance and business services	476,044	696,682	476,044	696,682
Purchase of securities	48,104	46,148	48,104	46,148
Purchase of transport vehicles	35,896	6,902	35,896	6,902
Consumption credit	436,030	4,773	436,030	4,773
Others	245,944	293,269	245,944	293,269
	<b>5,910,903</b>	<b>6,603,272</b>	<b>5,910,903</b>	<b>6,603,272</b>

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

	Group		Bank	
	30 Sep 2011 RM'000	31 Dec 2010 RM'000	30 Sep 2011 RM'000	31 Dec 2010 RM'000
At 1 Jan	793,987	952,806	793,987	952,806
Net Impaired during the period/year	<b>(35,706)</b>	527,751	<b>(35,706)</b>	527,751
- Impaired during the period/year	282,022	527,751	282,022	527,751
- Declassified to performing during the period/year	(140,361)	-	(140,361)	-
- Amount recovered	(91,569)	-	(91,569)	-
- Amount written off	(85,798)	-	(85,798)	-
Disposal of financing and advances under SPSIA arrangement (Note B15)	-	(686,570)	-	(686,570)
Closing balance	<b>758,281</b>	793,987	<b>758,281</b>	793,987
Less : Individual impairment	<b>365,011</b>	411,715	<b>365,011</b>	411,715
Net impaired financing, advances and other receivables	<b>393,270</b>	382,272	<b>393,270</b>	382,272
Ratio of net impaired financing, advances and other receivables to gross financing, advances and other receivables less individual impairment	<b>7.09%</b>	6.17%	<b>7.09%</b>	6.17%

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

**(vii) Movements in impairment and allowance on financing**

	Group		Bank	
	30 Sep 2011 RM'000	31 Dec 2010 RM'000	30 Sep 2011 RM'000	31 Dec 2010 RM'000
<b>Collective impairment</b>				
At 1 Jan	118,773	113,701	118,773	113,701
Net Impairment made/(written-back) during the period/year	(15,068)	5,072	(15,068)	5,072
Closing balance	<b>103,705</b>	118,773	<b>103,705</b>	118,773
As % of total gross financing, advances and other receivables less individual impairment	<b>1.87%</b>	1.92%	<b>1.87%</b>	1.92%
<b>Individual impairment</b>				
At 1 Jan	411,715	504,647	411,715	504,647
Net Impairment made/(written-back) during the period/year	45,951	186,244	45,951	186,244
- Allowance made	171,456	564,291	171,456	564,291
- Allowance written-back	(125,505)	(378,047)	(125,505)	(378,047)
Amount written off	(92,655)	-	(92,655)	-
Amount written-back in respect of SPSIA arrangement (Note B15)	-	(272,328)	-	(272,328)
Exchange difference	-	(6,848)	-	(6,848)
Closing balance	<b>365,011</b>	411,715	<b>365,011</b>	411,715

**(viii) Impaired financing by sector**

	Group		Bank	
	30 Sep 2011 RM'000	31 Dec 2010 RM'000	30 Sep 2011 RM'000	31 Dec 2010 RM'000
Agriculture, hunting, forestry & fishing	42,624	78,094	42,624	78,094
Mining and quarrying	-	137,424	-	137,424
Construction	1,727	57,835	1,727	57,835
Manufacturing	229,494	55,436	229,494	55,436
Real estate	177,706	170,249	177,706	170,249
Wholesale & retail trade and restaurant & hotels	6,118	9,326	6,118	9,326
Transport, storage and communication	146,930	175,430	146,930	175,430
Finance, insurance and business services	52,627	76,663	52,627	76,663
Others	101,055	33,530	101,055	33,530
	<b>758,281</b>	793,987	<b>758,281</b>	793,987

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**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	
	30 Sep 2011 RM'000	31 Dec 2010 RM'000	30 Sep 2011 RM'000	31 Dec 2010 RM'000
Deposits and prepayments	6,073	7,298	5,808	6,595
Amount due from holding company	529	674	529	674
Amount due from subsidiaries	-	-	9,658	9,628
Amount due from other related parties	1,615	1,620	1,615	1,620
Income receivable	12,583	6,403	12,620	6,458
Sundry debtors	35,483	35,034	6,278	6,845
Commodity assets	154,835	260,003	154,835	260,003
Tax recoverable	51,151	52,564	51,183	52,596
Gold depository	129,693	28,489	129,693	28,489
	<b>391,962</b>	<b>392,085</b>	<b>372,219</b>	<b>372,908</b>

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
<b>Group and Bank</b>			
<b>At 30 Sep 2011</b>			
Forward foreign exchange related contracts	866,828	2,161	40,360
Ijarah rental swap related contracts	612,155	42,571	37,671
Total	<b>1,478,983</b>	<b>44,732</b>	<b>78,031</b>
<b>At 31 Dec 2010</b>			
Forward foreign exchange related contracts	1,128,680	35,924	2,212
Ijarah rental swap related contracts	690,229	41,872	34,766
Total	<b>1,818,909</b>	<b>77,796</b>	<b>36,978</b>

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**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	
	30 Sep 2011 RM'000	31 Dec 2010 RM'000	30 Sep 2011 RM'000	31 Dec 2010 RM'000
<u>Qard</u>				
Demand deposits	313,196	374,023	313,521	375,596
Gold deposits	130,939	29,493	130,939	29,493
<u>Mudharabah</u>				
Savings deposits	52,811	26,328	52,811	26,328
General investment deposits	286,606	341,298	286,606	341,298
Murabahah	3,266,305	3,763,507	3,266,305	3,763,507
Wakalah	407,375	11,860	407,375	11,860
	<b>4,457,232</b>	<b>4,546,509</b>	<b>4,457,557</b>	<b>4,548,082</b>

**(ii) By type of customer**

	Group		Bank	
	30 Sep 2011 RM'000	31 Dec 2010 RM'000	30 Sep 2011 RM'000	31 Dec 2010 RM'000
Business enterprises	2,371,440	2,283,249	2,370,776	2,282,944
Individuals	197,076	174,593	197,076	174,593
Subsidiaries	-	-	989	1,878
Government and statutory bodies	975,132	1,395,275	975,132	1,395,275
Other enterprises	913,584	693,392	913,584	693,392
	<b>4,457,232</b>	<b>4,546,509</b>	<b>4,457,557</b>	<b>4,548,082</b>

**A11. Deposits and Placements of Banks and Other Financial Institutions**

	Group		Bank	
	30 Sep 2011 RM'000	31 Dec 2010 RM'000	30 Sep 2011 RM'000	31 Dec 2010 RM'000
<u>Murabahah</u>				
Licensed Islamic banks	447,081	261,712	427,718	261,712
Bank Negara Malaysia	500,704	246,820	500,704	246,820
Licensed investment banks	-	28,577	-	28,577
Other financial institutions	2,578,175	2,928,769	2,585,801	2,936,669
	<b>3,525,960</b>	<b>3,465,878</b>	<b>3,514,223</b>	<b>3,473,778</b>

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**A12. Other Liabilities**

	Group		Bank	
	30 Sep 2011 RM'000	31 Dec 2010 RM'000	30 Sep 2011 RM'000	31 Dec 2010 RM'000
Income payables	31,523	30,386	31,535	30,439
Sundry creditors	128,317	105,536	128,303	105,534
Project clearing account	4,679	4,605	4,679	4,605
Amount due to agent from the purchase of commodity assets	155,592	256,700	155,592	256,700
Accrued restoration cost	3,248	3,266	3,179	3,200
Other provisions and accruals	27,002	27,895	25,937	26,894
	<b>350,361</b>	<b>428,388</b>	<b>349,225</b>	<b>427,372</b>

**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 RM318,900,000 (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").



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

**Group**

Income derived from investment of:

- General investment deposits
- Other deposits

**Bank**

Income derived from investment of:

- General investment deposits
- Other deposits

3rd Quarter ended 30 Sep		Nine months ended 30 Sep	
2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
3,428	4,208	10,326	13,275
80,641	75,996	234,822	236,496
<b>84,069</b>	<b>80,204</b>	<b>245,148</b>	<b>249,771</b>
3,411	4,215	10,309	13,298
81,966	75,332	236,199	236,369
<b>85,377</b>	<b>79,547</b>	<b>246,508</b>	<b>249,667</b>

**(i) Income derived from investment of general investment deposits**

**Group**

Finance income from financing, advances and other receivables

Securities

- Held-for-trading
- Available-for-sale
- Held-to-maturity

Money at call and deposits with financial institutions

Amortisation of premium less accretion of discounts

Total finance income and hibah

Gain arising from sale of securities

- Held-for-trading

Profit from Murabahah trading on automobile

Foreign exchange gain/(loss)

Gain on Ijarah rental swap obligation

3rd Quarter ended 30 Sep		Nine months ended 30 Sep	
2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
2,253	3,218	7,262	10,820
(9)	51	54	47
217	242	615	739
12	16	38	51
758	420	1,834	1,340
3,231	3,947	9,803	12,997
(6)	(3)	(22)	(8)
<b>3,225</b>	<b>3,944</b>	<b>9,781</b>	<b>12,989</b>
10	5	43	23
-	8	-	17
181	233	427	191
12	18	75	55
<b>3,428</b>	<b>4,208</b>	<b>10,326</b>	<b>13,275</b>

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

**(i) Income derived from investment of general investment deposits**

	<b>3rd Quarter ended 30 Sep</b>		<b>Nine months ended 30 Sep</b>	
	<b>2011 RM'000</b>	<b>2010 RM'000</b>	<b>2011 RM'000</b>	<b>2010 RM'000</b>
<b>Bank</b>				
Finance income from financing, advances and other receivables	2,227	3,233	7,251	10,827
Securities				
- Held-for-trading	19	26	71	23
- Available-for-sale	200	243	573	740
- Held-to-maturity	13	17	38	51
Money at call and deposits with financial institutions	756	435	1,853	1,377
	<b>3,215</b>	3,954	<b>9,786</b>	13,018
Amortisation of premium less accretion of discounts	(6)	(3)	(22)	(8)
Total finance income and hibah	<b>3,209</b>	3,951	<b>9,764</b>	13,010
Gain arising from sale of securities				
- Held-for-trading	10	5	42	23
Profit from Murabahah trading on automobile	-	8	-	17
Foreign exchange gain/(loss)	181	233	428	193
Gain on Ijarah rental swap obligation	11	18	75	55
	<b>3,411</b>	4,215	<b>10,309</b>	13,298

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

**(ii) Income derived from investment of other deposits**

<u>Group</u>	3rd Quarter ended 30 Sep		Nine months ended 30 Sep	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Finance income from financing, advances and other receivables	53,009	58,140	164,776	192,674
Securities				
- Held-for-trading	(226)	903	1,187	838
- Available-for-sale	5,105	4,377	13,998	13,180
- Held-to-maturity	293	297	867	898
Money at call and deposits with financial institutions	17,811	7,599	42,175	23,874
	75,992	71,316	223,003	231,464
Amortisation of premium less accretion of discounts	(150)	(46)	(517)	(145)
Total finance income and hibah	75,842	71,270	222,486	231,319
Gain arising from sale of securities				
- Held-for-trading	222	89	968	400
Profit from Murabahah trading on automobile	-	149	-	312
Foreign exchange gain/(loss)	4,304	4,170	9,736	3,483
Gain on Ijarah rental swap obligation	273	318	1,632	982
	80,641	75,996	234,822	236,496

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

**(ii) Income derived from investment of other deposits**

	<b>3rd Quarter ended 30 Sep</b>		<b>Nine months ended 30 Sep</b>	
	<b>2011 RM'000</b>	<b>2010 RM'000</b>	<b>2011 RM'000</b>	<b>2010 RM'000</b>
<b>Bank</b>				
Finance income from financing, advances and other receivables	<b>53,530</b>	57,783	<b>165,638</b>	192,424
Securities				
- Held-for-trading	<b>442</b>	473	<b>1,634</b>	408
- Available-for-sale	<b>4,814</b>	4,353	<b>13,151</b>	13,163
- Held-to-maturity	<b>296</b>	296	<b>871</b>	897
Money at call and deposits with financial institutions	<b>18,195</b>	7,785	<b>43,024</b>	24,482
	<b>77,277</b>	70,690	<b>224,318</b>	231,374
Amortisation of premium less accretion of discounts	<b>(152)</b>	(45)	<b>(520)</b>	(145)
Total finance income and hibah	<b>77,125</b>	70,645	<b>223,798</b>	231,229
Gain arising from sale of securities				
- Held-for-trading	<b>226</b>	88	<b>974</b>	399
Profit from Murabahah trading on automobile	<b>-</b>	148	<b>-</b>	311
Foreign exchange gain/(loss)	<b>4,340</b>	4,135	<b>9,788</b>	3,449
Gain on Ijarah rental swap obligation	<b>275</b>	316	<b>1,639</b>	981
	<b>81,966</b>	75,332	<b>236,199</b>	236,369

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**A16. Income derived from Investment of Shareholder's Equity**

<u>Group</u>	3rd Quarter ended 30 Sep		Nine months ended 30 Sep	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Finance income from financing, advances and other receivables	14,524	14,987	45,665	52,510
Securities				
- Held-for-trading	(60)	237	334	220
- Available-for-sale	1,399	1,129	3,874	3,583
- Held-to-maturity	80	77	240	244
Money at call and deposits with financial institutions	4,885	1,957	11,627	6,487
	20,828	18,387	61,740	63,044
Amortisation of premium less accretion of discounts	(41)	(12)	(141)	(40)
Total finance income and hibah	20,787	18,375	61,599	63,004
Fee income				
- Commission	1,281	857	2,498	2,923
- Other fee income	1,380	2,984	5,218	5,433
- Fund management fee	4,027	1,069	6,087	3,314
Gain arising from sale of securities				
- Held-for-trading	63	22	272	107
Unrealised loss on revaluation of securities held-for-trading and Ijarah rental swap (net)	(123)	(906)	(2,205)	(1,781)
Profit from Murabahah trading on automobile	-	38	-	83
Foreign exchange gain/(loss)	11,194	(9,009)	16,333	(7,137)
Management fee	-	(234)	-	-
Gain / (loss) on disposal of property, plant and equipment	(14)	(11)	(14)	(10)
Management fee	-	-	-	(234)
Gain on Ijarah rental swap obligation	75	82	464	267
Gross dividend from property funds	322	640	961	1,156
	38,992	13,910	91,213	67,125

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

	3rd Quarter ended 30 Sep		Nine months ended 30 Sep	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
<b>Bank</b>				
Finance income from financing, advances and other receivables	14,029	15,330	44,815	52,752
Securities				
- Held-for-trading	115	125	442	107
- Available-for-sale	1,262	1,152	3,548	3,600
- Held-to-maturity	78	78	236	245
Money at call and deposits with financial institutions	4,769	2,060	11,543	6,693
	<b>20,253</b>	18,745	<b>60,584</b>	63,397
Amortisation of premium less accretion of discounts	(40)	(12)	(138)	(40)
Total finance income and hibah	<b>20,213</b>	18,733	<b>60,446</b>	63,357
Fee income				
- Commission	1,282	857	2,500	2,924
- Other fee income	1,378	2,975	5,210	5,401
Gain arising from sale of securities				
- Held-for-trading	59	23	266	107
Unrealised loss on revaluation of securities held-for-trading and Ijarah rental swap (net)	(995)	(339)	(2,778)	(1,214)
Profit from Murabahah trading on automobile	-	39	-	85
Loss on disposal of property, plant and equipment		(11)		
Foreign exchange gain/(loss)	10,722	(9,115)	15,664	(6,086)
(Loss)/gain on disposal of property, plant and equipment	-	-	-	(11)
Management fee	(546)	(39)	(156)	350
Gain on Ijarah rental swap obligation	72	84	457	269
	<b>32,185</b>	13,207	<b>81,609</b>	65,182

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

	3rd Quarter ended 30 Sep		Nine months ended 30 Sep	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
<b>Group</b>				
Impairment and allowance on financing				
- Collective impairment charge / (written-back)	5,653	(11,251)	(15,068)	(5,558)
- Individual impairment	6,234	17,551	45,951	171,663
<i>Allowance charge during the period</i>	5,694	(156,443)	171,456	172,789
<i>Allowance written-back during the period</i>	540	173,994	(125,505)	(1,126)
- Bad debt on financing	(267)	-	(267)	-
<i>Recovered</i>	(267)	-	(267)	-
	<b>11,620</b>	<b>6,300</b>	<b>30,616</b>	<b>166,106</b>
<b>Bank</b>				
Impairment and allowance on financing				
- Collective impairment charge / (written-back)	5,653	(11,251)	(15,068)	(5,558)
- Individual impairment	6,234	17,551	45,951	171,663
<i>Allowance charge during the period</i>	5,694	(156,443)	171,456	172,789
<i>Allowance written-back during the period</i>	540	173,994	(125,505)	(1,126)
- Bad debt on financing	(267)	-	(267)	-
<i>Recovered</i>	(267)	-	(267)	-
	<b>11,620</b>	<b>6,300</b>	<b>30,616</b>	<b>166,106</b>

### A18. Income Attributable to the Depositors

	3rd Quarter ended 30 Sep		Nine months ended 30 Sep	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
<b>Group</b>				
Deposits from customers				
- Mudharabah	2,693	2,853	7,649	7,970
- Murabahah	29,533	25,030	84,364	64,604
Deposits and placements of banks and other financial institutions				
- Murabahah	21,710	19,891	58,600	60,297
	<b>53,936</b>	<b>47,774</b>	<b>150,613</b>	<b>132,871</b>
<b>Bank</b>				
Deposits from customers				
- Mudharabah	2,693	2,906	7,650	8,142
- Murabahah	29,427	25,035	84,364	64,627
Deposits and placements of banks and other financial institutions				
- Murabahah	21,862	19,891	58,747	60,297
	<b>53,982</b>	<b>47,832</b>	<b>150,761</b>	<b>133,066</b>

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**Part A - Explanatory Notes Pursuant to Guidelines on Financial Reporting for  
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**A19. 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 30 Sep 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
<b>Group and Bank</b>						
Direct credit substitutes	635,809	635,809	409,828	644,403	644,403	424,463
Transaction related contingencies	100,457	50,229	29,848	268,240	134,120	127,233
Trade related contingencies	49,786	9,957	8,713	77,691	15,538	13,542
Irrevocable commitments to extend credit						
- maturity less than one year	411,342	82,268	80,656	360,049	72,010	71,291
- maturity more than one year	844,199	422,100	456,327	882,953	441,476	481,752
Foreign exchange related contracts *						
- less than one year	901,761	19,172	11,234	1,128,680	46,946	21,775
- one year to five years	198,225	14,993	9,108	250,219	27,870	16,654
- five years and above	102,426	11,608	3,850	99,748	15,298	5,568
Profit rate related contracts (Ijarah rental swap obligation) *						
- five years and above	329,564	45,515	37,605	340,261	43,520	33,993
	<b>3,573,569</b>	<b>1,291,651</b>	<b>1,047,169</b>	<b>4,052,244</b>	<b>1,441,181</b>	<b>1,196,271</b>

\* 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, a 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.



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**A20. 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.

As such, the Group has adopted the Standardised Approach for Credit Risk and Market Risk, and the Basic Indicator Approach for Operational Risk, in the computation of capital adequacy ratios.

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

	<b>Group</b>		<b>Bank</b>	
	<b>30 Sep 2011</b>	<b>31 Dec 2010</b>	<b>30 Sep 2011</b>	<b>31 Dec 2010</b>
<b>Core capital ratio</b>				
Credit risk	22.66%	21.89%	22.47%	21.69%
Credit, market, operational and large exposure risks	21.08%	20.15%	20.93%	20.00%
<b>Risk-weighted capital ratio</b>				
Credit risk	27.20%	26.68%	26.52%	25.77%
Credit, market, operational and large exposure risks	25.31%	24.56%	24.70%	23.76%

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

	<b>Group</b>		<b>Bank</b>	
	<b>30 Sep 2011 RM'000</b>	<b>31 Dec 2010 RM'000</b>	<b>30 Sep 2011 RM'000</b>	<b>31 Dec 2010 RM'000</b>
<b><u>Tier I capital</u></b>				
Paid-up share capital	2,266,125	2,266,125	2,266,125	2,266,125
Statutory reserve	34,952	34,952	34,952	34,952
Other reserves	(232,808)	(224,960)	(263,416)	(263,417)
	2,068,269	2,076,117	2,037,661	2,037,660
Less: Deferred tax assets (net)	(117,708)	(125,556)	(125,175)	(125,174)
<b>Total Tier I capital</b>	1,950,561	1,950,561	1,912,486	1,912,486
<b><u>Tier II capital</u></b>				
Subordinated Murabahah Tawarruq	287,010	308,530	287,010	308,530
Collective impairment on financing	103,705	118,773	103,705	118,773
<b>Total Tier II capital</b>	390,715	427,303	390,715	427,303
Less: Investment in subsidiaries	-	-	(46,193)	(67,897)
<b>Capital base</b>	2,341,276	2,377,864	2,257,008	2,271,892

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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

### A21. FINANCIAL RISK MANAGEMENT

#### 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			
30 September 2011	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	%
<b>ASSETS</b>									
Cash and short-term funds	2,252,941	-	-	-	-	246,071	-	2,499,012	2.47
Deposits and placements with banks and other financial institutions	-	423,506	491,268	-	-	-	-	914,774	2.59
Securities held-for-trading	-	-	-	-	-	-	106,717	106,717	2.13
Securities available-for-sale	327,685	171,051	165,885	298,400	108,633	19,776	-	1,091,430	2.50
Securities held-to-maturity	32,056	-	15,064	-	-	-	-	47,120	3.41
Financing, advances and receivables	1,663,902	2,616,942	68,925	610,568	478,244	3,606	-	5,442,187	5.88
Murabahah trading automobiles	-	-	-	-	-	-	32	32	-
Musarakah capital investment	-	-	-	-	-	5,898	-	5,898	-
Other assets	-	-	-	-	-	762,679	-	762,679	-
<b>TOTAL ASSETS</b>	<b>4,276,584</b>	<b>3,211,499</b>	<b>741,142</b>	<b>908,968</b>	<b>586,877</b>	<b>1,038,030</b>	<b>106,749</b>	<b>10,869,849</b>	
<b>LIABILITIES AND SHAREHOLDER'S EQUITY</b>									
Deposits from customers	3,239,355	500,191	273,225	-	-	444,461	-	4,457,232	2.63
Deposits and placements of banks and other financial institutions	2,130,722	1,001,942	381,559	-	-	11,737	-	3,525,960	2.72
Subordinated Murabahah Tawarruq	-	-	-	369,765	-	-	-	369,765	3.63
Murabahah bank financing	-	-	-	-	-	-	-	-	-
Other liabilities	-	-	-	-	-	438,375	-	438,375	-
<b>Total Liabilities</b>	<b>5,370,077</b>	<b>1,502,133</b>	<b>654,784</b>	<b>369,765</b>	<b>-</b>	<b>894,573</b>	<b>-</b>	<b>8,791,332</b>	
Shareholder's equity	-	-	-	-	-	2,078,517	-	2,078,517	-
<b>Total Liabilities and Shareholder's equity</b>	<b>5,370,077</b>	<b>1,502,133</b>	<b>654,784</b>	<b>369,765</b>	<b>-</b>	<b>2,973,090</b>	<b>-</b>	<b>10,869,849</b>	
On-balance sheet profit sensitivity gap	(1,093,491)	1,709,365	86,358	539,203	586,877	(1,935,062)	106,750	-	-
Off-balance sheet profit sensitivity gap	-	-	-	-	-	-	-	-	-
<b>Total profit sensitivity gap</b>	<b>(1,093,491)</b>	<b>1,709,365</b>	<b>86,358</b>	<b>539,203</b>	<b>586,877</b>	<b>(1,935,062)</b>	<b>106,750</b>	<b>-</b>	

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### A21. FINANCIAL RISK MANAGEMENT (Cont'd.)

#### 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			
31 December 2010	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	%
<b>ASSETS</b>									
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	-
Musarakah capital investment	-	-	-	-	-	5,898	-	5,898	-
Other assets	-	-	-	-	-	704,414	-	704,414	-
<b>TOTAL ASSETS</b>	<b>4,748,731</b>	<b>3,101,531</b>	<b>558,368</b>	<b>1,268,161</b>	<b>119,131</b>	<b>1,010,167</b>	<b>110,115</b>	<b>10,916,204</b>	
<b>LIABILITIES AND SHAREHOLDER'S EQUITY</b>									
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	-
<b>Total Liabilities</b>	<b>5,244,350</b>	<b>1,679,724</b>	<b>654,359</b>	<b>403,232</b>	<b>-</b>	<b>880,944</b>	<b>-</b>	<b>8,862,609</b>	
Shareholder's equity	-	-	-	-	-	2,053,595	-	2,053,595	
<b>Total Liabilities and Shareholder's equity</b>	<b>5,244,350</b>	<b>1,679,724</b>	<b>654,359</b>	<b>403,232</b>	<b>-</b>	<b>2,934,539</b>	<b>-</b>	<b>10,916,204</b>	
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	-	-	-	-	-	-	-	-	
<b>Total profit sensitivity gap</b>	<b>(495,619)</b>	<b>1,421,807</b>	<b>(95,991)</b>	<b>864,929</b>	<b>119,131</b>	<b>(1,924,372)</b>	<b>110,115</b>	<b>-</b>	

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### A21. FINANCIAL RISK MANAGEMENT (Cont'd.)

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

Bank	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			
30 September 2011	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	%	
<b>ASSETS</b>									
Cash and short-term funds	2,329,180	-	-	-	-	245,374	-	2,574,554	2.44
Deposits and placements with banks and other financial institutions	-	423,506	491,268	-	-	-	-	914,774	2.59
Securities held-for-trading	-	-	-	-	-	-	106,717	106,717	2.13
Securities available-for-sale	244,262	164,431	165,885	255,843	108,633	19,776	-	958,830	2.51
Securities held-to-maturity	32,056	-	15,064	-	-	-	-	47,120	3.41
Financing, advances and receivables	1,663,902	2,616,942	68,925	610,568	478,244	3,606	-	5,442,187	5.88
Murabahah trading automobiles	-	-	-	-	-	-	32	32	-
Musarakah capital investment	-	-	-	-	-	5,898	-	5,898	-
Other assets	-	-	-	-	-	774,241	-	774,241	-
<b>TOTAL ASSETS</b>	<b>4,269,400</b>	<b>3,204,879</b>	<b>741,142</b>	<b>866,411</b>	<b>586,877</b>	<b>1,048,895</b>	<b>106,749</b>	<b>10,824,353</b>	
<b>LIABILITIES AND SHAREHOLDER'S EQUITY</b>									
Deposits from customers	3,239,681	500,191	273,225	-	-	444,460	-	4,457,557	2.63
Deposits and placements of banks and other financial institutions	2,130,721	1,001,943	381,559	-	-	-	-	3,514,223	2.73
Subordinated Murabahah Tawarruq	-	-	-	369,766	-	-	-	369,766	3.63
Murabahah bank financing	-	-	-	-	-	-	-	-	-
Other liabilities	-	-	-	-	-	437,239	-	437,239	-
<b>Total Liabilities</b>	<b>5,370,402</b>	<b>1,502,134</b>	<b>654,784</b>	<b>369,766</b>	<b>-</b>	<b>881,699</b>	<b>-</b>	<b>8,778,785</b>	
Shareholder's equity	-	-	-	-	-	2,045,568	-	2,045,568	-
<b>Total Liabilities and Shareholder's equity</b>	<b>5,370,402</b>	<b>1,502,134</b>	<b>654,784</b>	<b>369,766</b>	<b>-</b>	<b>2,927,267</b>	<b>-</b>	<b>10,824,353</b>	
On-balance sheet profit sensitivity gap	(1,101,002)	1,702,745	86,358	496,646	586,877	(1,878,375)	106,750	-	-
Off-balance sheet profit sensitivity gap	-	-	-	-	-	-	-	-	-
<b>Total profit sensitivity gap</b>	<b>(1,101,002)</b>	<b>1,702,745</b>	<b>86,358</b>	<b>496,646</b>	<b>586,877</b>	<b>(1,878,375)</b>	<b>106,750</b>	<b>-</b>	<b>-</b>

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### A21. FINANCIAL RISK MANAGEMENT (Cont'd.)

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

Bank	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			
31 December 2010	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	%	
<b>ASSETS</b>									
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	-
Musarakah capital investment	-	-	-	-	-	5,898	-	5,898	-
Other assets	-	-	-	-	-	715,874	-	715,874	-
<b>TOTAL ASSETS</b>	<b>4,843,193</b>	<b>3,101,531</b>	<b>472,062</b>	<b>1,226,894</b>	<b>119,131</b>	<b>1,019,851</b>	<b>110,115</b>	<b>10,892,777</b>	
<b>LIABILITIES AND SHAREHOLDER'S EQUITY</b>									
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	-
<b>Total Liabilities</b>	<b>5,247,250</b>	<b>1,679,724</b>	<b>659,359</b>	<b>403,232</b>	<b>-</b>	<b>881,501</b>	<b>-</b>	<b>8,871,066</b>	
Shareholder's equity	-	-	-	-	-	2,021,711	-	2,021,711	
<b>Total Liabilities and Shareholder's equity</b>	<b>5,247,250</b>	<b>1,679,724</b>	<b>659,359</b>	<b>403,232</b>	<b>-</b>	<b>2,903,212</b>	<b>-</b>	<b>10,892,777</b>	
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	-	-	-	-	-	-	-	-	
<b>Total profit sensitivity gap</b>	<b>(404,057)</b>	<b>1,421,807</b>	<b>(187,297)</b>	<b>823,662</b>	<b>119,131</b>	<b>(1,883,361)</b>	<b>110,115</b>	<b>-</b>	

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**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.

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**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:

<b>FRSs, Amendments to FRSs and Interpretations</b>	<b>Effective for financial period beginning on or after</b>
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 nine-months ended 30 September 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 nine-months ended 30 September 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 nine-months ended 30 September 2011.

**B7. Debt and Equity Securities**

There were no issuances, cancellation, repurchases, resales or repayments of debt and equity securities during the nine-months ended 30 September 2011.

**B8. Dividends Paid**

There were no dividends paid during the nine-months ended 30 September 2011.

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**Part B - Explanatory Notes Pursuant to Financial Reporting Standard ("FRS 134")  
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**B9. Segment Information on Operating Revenue, Profit/(Loss) Before Zakat & Taxation and Total Assets**

(i) **By Business Segment**

	3rd Quarter ended		Nine 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	
<b>Group</b>					
<b>30 September 2011</b>					
Retail banking	25,290	(3,270)	57,568	(12,781)	1,128,114
Treasury and capital market operations	80,551	5,095	210,189	1,271	4,539,199
Corporate banking	37,416	6,692	103,535	20,262	3,335,742
Commercial banking	26,709	5,680	108,906	4,056	1,475,990
	<b>169,966</b>	<b>14,197</b>	<b>480,198</b>	<b>12,808</b>	<b>10,479,045</b>
Inter-segment elimination	(46,905)	-	(143,837)	-	-
	<b>123,061</b>	<b>14,197</b>	<b>336,361</b>	<b>12,808</b>	<b>10,479,045</b>
Unallocated expenses	-	(4,328)	-	2,766	-
Unallocated assets	-	-	-	-	390,804
	<b>123,061</b>	<b>9,869</b>	<b>336,361</b>	<b>15,574</b>	<b>10,869,849</b>
<b>30 September 2010</b>					
Retail banking	(4,283)	(8,009)	11,797	(8,546)	323,258
Treasury and capital market operations	(24,139)	1,537	52,181	2,149	3,389,411
Corporate banking	32,255	43,758	117,257	(34,575)	2,921,443
Commercial banking	41,714	(27,115)	140,046	(19,034)	2,860,276
	<b>45,547</b>	<b>10,171</b>	<b>321,281</b>	<b>(60,006)</b>	<b>9,494,388</b>
Inter-segment elimination	48,567	-	(4,385)	-	-
	<b>94,114</b>	<b>10,171</b>	<b>316,896</b>	<b>(60,006)</b>	<b>9,494,388</b>
Unallocated expenses	-	(14,750)	-	(58,881)	-
Unallocated assets	-	-	-	-	355,252
	<b>94,114</b>	<b>(4,579)</b>	<b>316,896</b>	<b>(118,887)</b>	<b>9,849,640</b>

Inter-segment pricing is based on negotiated basis.



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

(ii) By Geographical Locations

	3rd Quarter ended		Nine 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	
<b>Group</b>					
<b>30 September 2011</b>					
Malaysia	122,297	9,716	335,597	16,712	10,870,550
Outside Malaysia	764	153	764	(1,138)	(701)
	<b>123,061</b>	<b>9,869</b>	<b>336,361</b>	<b>15,574</b>	<b>10,869,849</b>
<b>30 September 2010</b>					
Malaysia	94,105	(2,913)	316,869	(111,373)	9,844,876
Outside Malaysia	9	(1,666)	27	(7,514)	4,764
	<b>94,114</b>	<b>(4,579)</b>	<b>316,896</b>	<b>(118,887)</b>	<b>9,849,640</b>

**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 A19.

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**B14. Capital Commitments**

The capital commitments not provided for in the interim financial statements as at 30 September 2011 are as follows:

Capital expenditure

Authorised and contracted for:

- renovation
- purchase of equipment

Authorised and not contracted for:

- renovation
- purchase of equipment

	<b>Group RM'000</b>	<b>Bank RM'000</b>
	<b>1,759</b>	<b>1,759</b>
	<b>6,454</b>	<b>6,453</b>
	<b>8,213</b>	<b>8,212</b>
	<b>-</b>	<b>-</b>
	<b>1,240</b>	<b>1,240</b>

**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.