



KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

Interim Report for the Period Ended 31 March 2012

Interim Condensed Statements of Financial Position	1 - 2
Interim Condensed Consolidated Income Statements	3
Interim Condensed Consolidated Statements of Comprehensive Income	4
Interim Condensed Income Statements	5
Interim Condensed Statements of Comprehensive Income	6
Interim Condensed Statements of Changes in Equity	7
Interim Condensed Statements of Cash Flows	8
Selected Explanatory Notes to the Condensed Financial Statements	9 - 43

KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

INTERIM CONDENSED STATEMENTS OF FINANCIAL POSITION

	Note	Group		
		31 Mar 2012 Unaudited RM'000	31 Dec 2011 Unaudited RM'000 (restated)	1 Jan 2011 Unaudited RM'000 (restated)
ASSETS				
Cash and short-term funds		2,624,182	1,973,012	2,651,695
Deposits and placements with banks and other financial institutions	A3	562,864	734,973	275,092
Securities held-for-trading	A4	151,546	90,216	110,083
Hedging financial instruments	A8	45,367	43,688	80,632
Securities available-for-sale	A4	1,657,656	1,096,340	1,053,506
Securities held-to-maturity	A4	30,827	47,125	46,266
Financing, advances and other receivables	A5	5,206,791	5,197,764	5,931,615
Murabahah trading automobile	A6	32	32	32
Other assets	A7	657,566	411,730	385,682
Statutory deposits with Bank Negara Malaysia		180,684	180,200	44,854
Musarakah capital investment	A9	5,898	5,898	5,898
Investment in jointly controlled entities		-	-	932
Property and equipment		24,625	23,855	27,340
Intangible assets		22,645	23,422	27,529
Deferred tax assets		287,288	293,911	125,557
		11,457,971	10,122,166	10,766,713
LIABILITIES				
Deposits from customers	A10	4,654,232	4,717,854	4,560,037
Deposits and placements of banks and other financial institutions	A11	4,242,425	3,134,572	3,478,689
Hedging financial instruments	A8	45,355	72,655	39,789
Murabahah bank financing		-	-	23,233
Subordinated Murabahah Tawarruq	A13	364,722	373,589	350,797
Other liabilities	A12	667,456	365,785	398,002
Provision for zakat and tax		3,740	3,740	3,740
		9,977,930	8,668,195	8,854,287
SHAREHOLDER'S EQUITY				
Share capital		2,266,125	2,266,125	2,266,125
Reserves		(786,084)	(812,154)	(353,699)
		1,480,041	1,453,971	1,912,426
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY		11,457,971	10,122,166	10,766,713
COMMITMENTS AND CONTINGENCIES	A18	2,718,854	3,516,405	4,052,245
CAPITAL ADEQUACY				
Core capital ratio	A19	12.63%	13.82%	18.46%
Risk-weighted capital ratio	A19	16.91%	18.47%	24.33%
NET ASSETS PER SHARE (RM)		0.65	0.64	0.84

These condensed consolidated statements of financial position should be read in conjunction with the accompanying explanatory notes attached to these interim financial statements.

KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

INTERIM CONDENSED STATEMENTS OF FINANCIAL POSITION

	Note	Bank		
		31 Mar 2012 Unaudited RM'000	31 Dec 2011 Unaudited RM'000 (restated)	1 Jan 2011 Unaudited RM'000 (restated)
ASSETS				
Cash and short-term funds		2,686,953	2,076,287	2,744,436
Deposits and placements with banks and other financial institutions	A3	562,864	734,973	275,092
Securities held-for-trading	A4	151,546	83,776	110,083
Hedging financial instruments	A8	45,367	43,688	80,632
Securities available-for-sale	A4	1,548,956	977,255	925,933
Securities held-to-maturity	A4	30,827	47,125	46,266
Financing, advances and other receivables	A5	5,206,791	5,197,764	5,931,615
Murabahah trading automobile	A6	32	32	32
Other assets	A7	656,806	406,948	366,450
Statutory deposits with Bank Negara Malaysia		180,684	180,200	44,854
Musarakah capital investment	A9	5,898	5,898	5,898
Investment in subsidiaries		30,952	30,952	32,397
Property and equipment		24,357	23,624	26,915
Intangible assets		21,847	23,403	27,508
Deferred tax assets		287,202	293,824	125,175
		11,441,082	10,125,749	10,743,286
LIABILITIES				
Deposits from customers	A10	4,660,523	4,719,586	4,561,610
Deposits and placements of banks and other financial institutions	A11	4,235,279	3,152,042	3,486,642
Hedging financial instruments	A8	45,355	72,655	39,789
Murabahah bank financing		-	-	23,233
Subordinated Murabahah Tawarruq	A13	364,722	373,589	350,797
Other liabilities	A12	665,276	364,588	396,933
Provision for zakat and tax		3,740	3,740	3,740
		9,974,895	8,686,200	8,862,744
SHAREHOLDER'S EQUITY				
Share capital		2,266,125	2,266,125	2,266,125
Reserves		(799,938)	(826,576)	(385,583)
		1,466,187	1,439,549	1,880,542
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY				
		11,441,082	10,125,749	10,743,286
COMMITMENTS AND CONTINGENCIES				
	A18	2,718,854	3,516,405	4,052,245
CAPITAL ADEQUACY				
Core capital ratio	A19	12.58%	13.71%	18.36%
Risk-weighted capital ratio	A19	16.41%	17.86%	23.59%
NET ASSETS PER SHARE (RM)				
		0.65	0.64	0.83

These condensed consolidated statements of financial position should be read in conjunction with the accompanying explanatory notes attached to these interim financial statements.

KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENTS

Group	Note	1st Quarter ended 31 Mar		Three-months ended 31 Mar	
		2012 Unaudited RM'000	2011 Unaudited RM'000 (restated)	2012 Unaudited RM'000	2011 Unaudited RM'000 (restated)
Continuing operations					
Operating revenue		135,862	106,191	135,862	106,191
Income derived from investment of depositors' funds and others	A14	103,937	81,273	103,937	81,273
Income derived from investment of shareholder's equity	A15	31,925	24,918	31,925	24,918
Total gross income		135,862	106,191	135,862	106,191
Impairment write-back on securities		171	-	171	-
Impairment write-back/ (loss) on financing	A16	4,733	(57,682)	4,733	(57,682)
Total distributable income		140,766	48,509	140,766	48,509
Income attributable to the depositors	A17	(59,696)	(46,443)	(59,696)	(46,443)
Total net income		81,070	2,066	81,070	2,066
Personnel expenses		(25,038)	(21,540)	(25,038)	(21,540)
Other overheads and expenditures		(29,636)	(18,102)	(29,636)	(18,102)
Finance cost		(3,274)	(3,198)	(3,274)	(3,198)
Profit/(Loss) before zakat and taxation		23,122	(40,774)	23,122	(40,774)
Taxation		(6,582)	10,294	(6,582)	10,294
Net profit/(loss) for the period		16,540	(30,480)	16,540	(30,480)
Attributable to:					
Equity holders of the Bank		16,540	(30,480)	16,540	(30,480)
Earnings/(Loss) per share attributable to equity holders of the Bank					
- Basic/Diluted (sen)		0.73	(1.35)	0.73	(1.35)

These condensed consolidated statements of comprehensive income should be read in conjunction with the accompanying explanatory notes attached to these interim financial statements.

KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Group

Net profit/(loss) for the period

Other comprehensive income/(loss):

Securities available-for-sale:

Net gain taken to equity

Exchange differences on translation of foreign operations:

Net loss taken to equity

Income tax relating to components of other comprehensive income

Other comprehensive income for the period, net of tax

Total comprehensive income/(loss) for the period

Total comprehensive income/(loss) for the period attributable equity holders of the Bank

1st Quarter ended 31 Mar		Three-months ended 31 Mar	
2012 Unaudited RM'000	2011 Unaudited RM'000 (restated)	2012 Unaudited RM'000	2011 Unaudited RM'000 (restated)
16,540	(30,480)	16,540	(30,480)
13,900	8,415	13,900	8,415
(895)	(921)	(895)	(921)
(3,475)	(2,104)	(3,475)	(2,104)
9,530	5,390	9,530	5,390
26,070	(25,090)	26,070	(25,090)
26,070	(25,090)	26,070	(25,090)

These condensed consolidated statements of comprehensive income should be read in conjunction with the accompanying explanatory notes attached to these interim financial statements.

KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

INTERIM CONDENSED INCOME STATEMENTS

	Note	1st Quarter ended 31 Mar		Three-months ended 31 Mar	
		2012 Unaudited RM'000	2011 Unaudited RM'000 (restated)	2012 Unaudited RM'000	2011 Unaudited RM'000 (restated)
Bank					
Continuing operations					
Operating revenue		133,966	104,737	133,966	104,737
Income derived from investment of depositors' funds and others	A14	103,805	81,520	103,805	81,520
Income derived from investment of shareholder's equity	A15	30,161	23,217	30,161	23,217
Total gross income		133,966	104,737	133,966	104,737
Impairment loss on securities		171	-	171	-
Impairment loss on financing	A16	4,733	(57,682)	4,733	(57,682)
Total distributable income		138,870	47,055	138,870	47,055
Income attributable to the depositors	A17	(59,753)	(46,501)	(59,753)	(46,501)
Total net income		79,117	554	79,117	554
Personnel expenses		(23,822)	(19,781)	(23,822)	(19,781)
Other overheads and expenditures		(28,785)	(17,393)	(28,785)	(17,393)
Finance cost		(3,275)	(3,198)	(3,275)	(3,198)
Profit/(Loss) before zakat and taxation		23,235	(39,818)	23,235	(39,818)
Taxation		(6,563)	10,326	(6,563)	10,326
Net profit/(loss) for the period		16,672	(29,492)	16,672	(29,492)

These condensed consolidated statements of comprehensive income should be read in conjunction with the accompanying explanatory notes attached to these 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	
	2012 Unaudited RM'000	2011 Unaudited RM'000 (restated)	2012 Unaudited RM'000	2011 Unaudited RM'000 (restated)
Bank				
Net profit/(loss) for the period	16,672	(29,492)	16,672	(29,492)
Other comprehensive income/(loss):				
Securities available-for-sale:				
Net gain taken to equity	13,289	9,089	13,289	9,089
Income tax relating to components of other comprehensive income	(3,323)	(2,272)	(3,323)	(2,272)
Other comprehensive income for the period, net of tax	9,966	6,817	9,966	6,817
Total comprehensive income/(loss) for the period	26,638	(22,675)	26,638	(22,675)

These condensed consolidated statements of comprehensive income should be read in conjunction with the accompanying explanatory notes attached to these interim financial statements.

KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(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		Accumulated Losses RM'000
Group						
At 1 Jan 2012	2,266,125	34,952	(6,125)	(3,243)	(837,738)	1,453,971
Total comprehensive (loss)/income	-	-	(895)	10,425	16,540	26,070
At 31 Mar 2012	2,266,125	34,952	(7,020)	7,182	(821,198)	1,480,041
At 1 Jan 2011	2,266,125	34,952	(7,367)	(15,155)	(366,129)	1,912,426
Total comprehensive (loss)/income	-	-	(921)	6,311	(30,480)	(25,090)
At 31 Mar 2011	2,266,125	34,952	(8,288)	(8,844)	(396,609)	1,887,336
Bank						
At 1 Jan 2012	2,266,125	34,952	-	(4,105)	(857,423)	1,439,549
Total comprehensive income	-	-	-	9,966	16,672	26,638
At 31 Mar 2012	2,266,125	34,952	-	5,861	(840,751)	1,466,187
At 1 Jan 2011	2,266,125	34,952	-	(15,949)	(404,585)	1,880,542
Total comprehensive income/(loss)	-	-	-	6,817	(29,492)	(22,675)
At 31 Mar 2011	2,266,125	34,952	-	(9,132)	(434,077)	1,857,867

These condensed consolidated statements of changes in equity should be read in conjunction with the accompanying explanatory notes attached to these interim financial statements.

KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

INTERIM CONDENSED STATEMENTS OF CASH FLOWS

	Group		Bank	
	31 Mar 2012 Unaudited RM'000	31 Mar 2011 Unaudited RM'000 (restated)	31 Mar 2012 Unaudited RM'000	31 Mar 2011 Unaudited RM'000 (restated)
Profit/(loss) before zakat and taxation	23,122	(40,774)	23,235	(39,818)
Adjustments for non-cash items	(49,359)	54,056	(55,786)	47,196
Operating profit before changes in working capital	(26,237)	13,282	(32,551)	7,378
<u>Changes in the working capital</u>				
Net changes in operating assets	(61,880)	575,785	(65,898)	575,736
Net changes in operating liabilities	1,345,841	(1,052,006)	1,324,801	(1,053,941)
Zakat and taxation paid	(13)	-	-	-
Net cash generated from/(used in) operating activities	1,283,948	(476,221)	1,258,903	(478,205)
Net cash (used in)/generated from investing activities	(599,521)	100,054	(615,686)	98,788
Net cash used in from financing activities	-	(23,139)	-	(23,139)
	(599,521)	76,915	(615,686)	75,649
Net change in cash and cash equivalents	658,190	(386,024)	610,666	(395,178)
Cash and cash equivalents at beginning of the period	1,973,012	2,649,962	2,076,287	2,742,648
Exchange differences on translation of opening balances	(7,020)	(8,288)	-	-
Cash and cash equivalents at end of the period	2,624,182	2,255,650	2,686,953	2,347,470

These condensed consolidated statements of cash flows should be read in conjunction with the accompanying explanatory notes attached to these interim financial statements.

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

A1 Performance Review

The Group and the Bank recorded a profit before zakat and taxation of RM23.1 million and RM23.2 million respectively for the period ended 31 March 2012. The total assets of the Group increased by RM1.3 billion to RM11.5 billion as at 31 March 2012, as compared to RM10.1 billion as at 31 December 2011.

A2 Prospects for 2012

2011 was a year of continuing efforts in consolidating and streamlining operations to improve stakeholders' confidence. As part of the Bank's Strategic Business Plan, the Bank embarked on its transformation agenda to propel the implementation of the business and internal initiatives outlined. The Bank is expected to continue striving to achieve the same objective in 2012 by leveraging on four strategic thrusts namely balance sheet realignment, building internal capability, business refocusing and cost optimisation.

In order to support the above strategic thrust, the Bank expects to further build and strengthen its internal capability and capacity by increasing its visibility and presence in the market. In addition, the Bank will continue focusing on improving staff competency and internal operational and support process efficiency.

With these focused initiatives the Bank believes the customers will be better served and further heightened the competitiveness of the Bank. The Bank expects better performance in 2012.

A3 Deposits and Placements with Banks and Other Financial Institutions

	Group			Bank		
	31 Mar 2012 RM'000	31 Dec 2011 RM'000	1 Jan 2011 RM'000	31 Mar 2012 RM'000	31 Dec 2011 RM'000	1 Jan 2011 RM'000
Licensed Islamic banks	171,416	267,453	78,531	171,416	267,453	78,531
Other financial institutions	391,448	467,520	196,561	391,448	467,520	196,561
	562,864	734,973	275,092	562,864	734,973	275,092

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**

A4 Securities

i) Securities Held-For-Trading

At fair value

Unquoted Islamic private
debt securities/sukuk

Group			Bank		
31 Mar 2012 RM'000	31 Dec 2011 RM'000	1 Jan 2011 RM'000	31 Mar 2012 RM'000	31 Dec 2011 RM'000	1 Jan 2011 RM'000
151,546	90,216	110,083	151,546	83,776	110,083

ii) Securities Available-For-Sale

At fair value

Bank Negara Malaysia
Ijarah sukuk

Unquoted securities
- Islamic private debt
securities/sukuks
- Malaysian
Government sukuk
- Unquoted property funds

Group			Bank		
31 Mar 2012 RM'000	31 Dec 2011 RM'000	1 Jan 2011 RM'000	31 Mar 2012 RM'000	31 Dec 2011 RM'000	1 Jan 2011 RM'000
-	-	121,106	-	-	121,106
1,352,775	880,896	749,752	1,369,978	850,522	721,731
160,554	123,466	77,341	159,233	106,962	64,096
124,582	72,207	86,307	-	-	-
1,637,911	1,076,569	1,034,506	1,529,211	957,484	906,933
19,745	19,771	19,000	19,745	19,771	19,000
1,657,656	1,096,340	1,053,506	1,548,956	977,255	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 2012 RM'000	31 Dec 2011 RM'000	1 Jan 2011 RM'000	31 Mar 2012 RM'000	31 Dec 2011 RM'000	1 Jan 2011 RM'000
30,827	47,125	46,266	30,827	47,125	46,266

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

A5 Financing, Advances and Other Receivables

i) By type

	Group			Bank		
	31 Mar 2012 Unaudited RM'000	31 Dec 2011 Unaudited RM'000 (restated)	1 Jan 2011 Unaudited RM'000 (restated)	31 Mar 2012 Unaudited RM'000	31 Dec 2011 Unaudited RM'000 (restated)	1 Jan 2011 Unaudited RM'000 (restated)
Term financing						
- Murabahah financing	4,983,621	4,876,583	4,004,141	4,983,621	4,876,583	4,004,141
- Musyarakah financing	309,767	311,819	343,546	309,767	311,819	343,546
- Ijarah asset financing	1,836,718	1,910,347	2,046,766	1,836,718	1,910,347	2,046,766
- Mudharabah asset financing	83,589	85,770	117,887	83,589	85,770	117,887
- Musyarakah Mutanaqisah financing	74,685	81,122	106,782	74,685	81,122	106,782
- Istisna' financing	9,233	20,701	34,735	9,233	20,701	34,735
- Wakalah financing	-	6,768	-	-	6,768	-
- Qard Hassan financing	920	947	32,239	920	947	32,239
Staff financing	9,679	10,221	14,428	9,679	10,221	14,428
	7,308,212	7,304,278	6,700,524	7,308,212	7,304,278	6,700,524
Less : Unearned income	(875,410)	(875,770)	(97,252)	(875,410)	(875,770)	(97,252)
Gross financing, advances and other receivables	6,432,802	6,428,508	6,603,272	6,432,802	6,428,508	6,603,272
Less : Impairment and allowance on financing						
- Collective impairment	(150,731)	(140,866)	(259,942)	(150,731)	(140,866)	(259,942)
- Individual impairment	(1,075,280)	(1,089,878)	(411,715)	(1,075,280)	(1,089,878)	(411,715)
Net financing, advances and other receivables	5,206,791	5,197,764	5,931,615	5,206,791	5,197,764	5,931,615

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**

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

ii) By contract

	Group			Bank		
	31 Mar 2012 RM'000	31 Dec 2011 RM'000	1 Jan 2011 RM'000	31 Mar 2012 RM'000	31 Dec 2011 RM'000	1 Jan 2011 RM'000
Ijarah Muntahia Bittamlik (lease ended with ownership)	1,845,256	1,908,174	2,055,618	1,845,256	1,908,174	2,055,618
Murabahah (cost-plus)	4,108,211	4,022,022	3,927,781	4,108,211	4,022,022	3,927,781
Wakalah	-	85,770	117,887	-	85,770	117,887
Mudharabah (profit sharing)	83,588	394,289	451,858	83,588	394,289	451,858
Musarakah (profit and loss sharing)	385,512	1,030	32,530	385,512	1,030	32,530
Qard (benevolent financing)	1,002	10,455	17,598	1,002	10,455	17,598
Istisna'	9,233	6,768	-	9,233	6,768	-
	6,432,802	6,428,508	6,603,272	6,432,802	6,428,508	6,603,272

iii) By type of customer

	Group			Bank		
	31 Mar 2012 RM'000	31 Dec 2011 RM'000	1 Jan 2011 RM'000	31 Mar 2012 RM'000	31 Dec 2011 RM'000	1 Jan 2011 RM'000
Domestic business enterprises						
- Small medium enterprises	665,198	756,610	1,135,776	665,198	756,610	1,135,776
- Others	3,436,878	3,274,786	3,849,198	3,436,878	3,274,786	3,849,198
Individuals	1,406,201	1,324,218	204,778	1,406,201	1,324,218	204,778
Other domestic entities	107,932	107,058	86,446	107,932	107,058	86,446
Foreign entities	745,262	856,713	1,238,677	745,262	856,713	1,238,677
Domestic non-bank financial institutions	71,331	109,123	88,397	71,331	109,123	88,397
	6,432,802	6,428,508	6,603,272	6,432,802	6,428,508	6,603,272

iv) By profit rate sensitivity

	Group			Bank		
	31 Mar 2012 RM'000	31 Dec 2011 RM'000	1 Jan 2011 RM'000	31 Mar 2012 RM'000	31 Dec 2011 RM'000	1 Jan 2011 RM'000
Fixed rate						
- House financing	28,302	27,952	99,053	28,302	27,952	99,053
- Hire purchase receivables	60,611	52,878	6,902	60,611	52,878	6,902
- Syndicated financing	322,472	320,522	479,286	322,472	320,522	479,286
- Term financing	3,880,807	2,231,079	1,626,858	3,880,807	2,231,079	1,626,858
Variable rate						
- House financing	215,504	201,385	128,594	215,504	201,385	128,594
- Term financing	1,925,106	3,594,692	4,262,579	1,925,106	3,594,692	4,262,579
	6,432,802	6,428,508	6,603,272	6,432,802	6,428,508	6,603,272

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

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

v) By sector

	Group			Bank		
	31 Mar 2012 RM'000	31 Dec 2011 RM'000	1 Jan 2011 RM'000	31 Mar 2012 RM'000	31 Dec 2011 RM'000	1 Jan 2011 RM'000
Agriculture, hunting, forestry & fishing	115,700	122,683	203,019	115,700	122,683	203,019
Mining and quarrying	328,399	416,667	443,073	328,399	416,667	443,073
Manufacturing	1,057,067	829,907	1,063,816	1,057,067	829,907	1,063,816
Electricity, gas and water	149,889	151,341	273,136	149,889	151,341	273,136
Construction	256,045	250,153	500,568	256,045	250,153	500,568
Real estate	1,352,381	1,412,501	1,599,608	1,352,381	1,412,501	1,599,608
Purchase of landed property:						
- Residential	304,769	295,022	174,617	304,769	295,022	174,617
Wholesale & retail trade and restaurant & hotels	507,313	558,581	575,865	507,313	558,581	575,865
Transport, storage and communication	599,867	630,003	721,796	599,867	630,003	721,796
Finance, insurance and business services	412,637	473,949	696,682	412,637	473,949	696,682
Purchase of securities	49,519	48,806	46,148	49,519	48,806	46,148
Purchase of transport vehicles	63,223	52,878	6,902	63,223	52,878	6,902
Consumption credit	1,011,309	952,044	4,773	1,011,309	952,044	4,773
Others	224,684	233,973	293,269	224,684	233,973	293,269
	6,432,802	6,428,508	6,603,272	6,432,802	6,428,508	6,603,272

vi) Movements in impaired financing, advances and other receivables

	Group			Bank		
	31 Mar 2012 RM'000	31 Dec 2011 RM'000	1 Jan 2011 RM'000	31 Mar 2012 RM'000	31 Dec 2011 RM'000	1 Jan 2011 RM'000
At 1 Jan	1,493,648	793,987	952,806	1,493,648	793,987	952,806
Impaired during the period/year	(80,833)	699,661	527,751	(80,833)	699,661	527,751
- Impaired during the period/year	13,225	1,082,316	527,751	13,225	1,082,316	527,751
- Declassified to performing during the period/year	(26,823)	(140,414)	-	(26,823)	(140,414)	-
- Amount recovered	(67,235)	(131,514)	-	(67,235)	(131,514)	-
- Amount written off	-	(110,727)	-	-	(110,727)	-
Disposal of financing and advances under SPSIA arrangement (Notes B16)	-	-	(686,570)	-	-	(686,570)
Closing balance	1,412,815	1,493,648	793,987	1,412,815	1,493,648	793,987
Ratio of net impaired financing, advances and other receivables to gross financing, advances and other receivables less individual impairment	6.30%	7.56%	6.17%	6.30%	7.56%	6.17%

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**

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

vii) Movements in impairment and allowance on financing

	Group			Bank		
	31 Mar 2012 Unaudited RM'000	31 Dec 2011 Unaudited RM'000 (restated)	1 Jan 2011 Unaudited RM'000 (restated)	31 Mar 2012 Unaudited RM'000	31 Dec 2011 Unaudited RM'000 (restated)	1 Jan 2011 Unaudited RM'000 (restated)
Collective impairment						
At 1 Jan						
- As previously stated	140,866	118,773	118,773	140,866	118,773	118,773
- MFRS 139 as at 1 Jan	-	141,169	141,169	-	141,169	141,169
At 1 Jan (restated)	140,866	259,942	259,942	140,866	259,942	259,942
Net Impairment made/ (written-back) during the	9,865	(119,076)	-	9,865	(119,076)	-
Closing balance	150,731	140,866	259,942	150,731	140,866	259,942
As % of total gross financing, advances and other receivables less individual impairment	2.81%	2.64%	4.20%	2.81%	2.64%	4.20%
Individual impairment						
At 1 Jan	1,089,878	411,715	504,647	1,089,878	411,715	504,647
Net Impairment (written-back)/ made during the period/year	(14,598)	796,263	186,244	(14,598)	796,263	186,244
- Allowance made	3,971	950,387	564,291	3,971	950,387	564,291
- Allowance written-back	(18,569)	(154,124)	(378,047)	(18,569)	(154,124)	(378,047)
Amount written off	-	(110,727)	-	-	(110,727)	-
Disposal of financing and advances under SPSIA arrangement (Notes B16)	-	-	(272,328)	-	-	(272,328)
Exchange difference	-	(7,373)	(6,848)	-	(7,373)	(6,848)
Closing balance	1,075,280	1,089,878	411,715	1,075,280	1,089,878	411,715

(viii) Impaired financing by sector

	Group			Bank		
	31 Mar 2012 RM'000	31 Dec 2011 RM'000	1 Jan 2011 RM'000	31 Mar 2012 RM'000	31 Dec 2011 RM'000	1 Jan 2011 RM'000
Agriculture, hunting, forestry & fishing	90,144	94,885	78,094	90,144	94,885	78,094
Mining and quarrying	123,155	123,153	137,424	123,155	123,153	137,424
Construction	15,884	15,947	57,835	15,884	15,947	57,835
Electricity, gas and water	82,865	84,271	-	82,865	84,271	-
Manufacturing	429,338	435,188	55,436	429,338	435,188	55,436
Real estate	254,846	316,439	170,249	254,846	316,439	170,249
Wholesale & retail trade and restaurant & hotels	131,628	134,892	9,326	131,628	134,892	9,326
Transport, storage and communication	173,772	174,350	175,430	173,772	174,350	175,430
Finance, insurance and business services	106,650	110,381	76,663	106,650	110,381	76,663
Others	4,533	4,142	33,530	4,533	4,142	33,530
	1,412,815	1,493,648	793,987	1,412,815	1,493,648	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 2012 RM'000	31 Dec 2011 RM'000	1 Jan 2011 RM'000	31 Mar 2012 RM'000	31 Dec 2011 RM'000	1 Jan 2011 RM'000
Deposits and prepayments	27,338	27,084	7,298	26,985	26,696	6,594
Amount due from holding company	293	288	674	293	288	674
Amount due from subsidiaries	-	-	-	6	17	9,628
Amount due from other related parties	1,615	1,615	1,620	1,615	1,615	1,620
Fee receivable	2,522	270	-	2,522	270	-
Sundry debtors	673	4,665	35,034	242	240	6,846
Commodity assets	444,090	195,604	260,003	444,090	195,604	260,003
Tax recoverable	34,788	34,794	52,564	34,807	34,807	52,596
Gold depository	146,247	147,410	28,489	146,246	147,411	28,489
	657,566	411,730	385,682	656,806	406,948	366,450

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 2012			
Forward foreign exchange related contracts	326,831	307	4,578
Ijarah rental swap related contracts	596,350	45,060	40,777
Total	923,181	45,367	45,355
At 31 Dec 2011			
Forward foreign exchange related contracts	917,884	719	34,338
Ijarah rental swap related contracts	618,888	42,969	38,317
Total	1,536,772	43,688	72,655
At 1 Jan 2011			
Forward foreign exchange related contracts	1,128,680	38,760	5,023
Ijarah rental swap related contracts	690,229	41,872	34,766
Total	1,818,909	80,632	39,789

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 2012 RM'000	31 Dec 2011 RM'000	1 Jan 2011 RM'000	31 Mar 2012 RM'000	31 Dec 2011 RM'000	1 Jan 2011 RM'000
Non Mudharabah						
- Demand deposits	394,391	465,933	374,023	400,681	467,665	375,596
- Gold deposits	147,271	149,578	29,493	147,271	149,578	29,493
- Wakalah deposits	193,008	531,609	11,870	193,008	531,609	11,870
Mudharabah						
- Savings deposits	36,994	37,368	27,178	36,995	37,368	27,178
- General investment deposits	272,928	277,602	343,191	272,928	277,602	343,191
- Negotiable Instrument Deposit	607,582	601,716	-	607,582	601,716	-
Murabahah	3,002,058	2,654,048	3,774,282	3,002,058	2,654,048	3,774,282
	4,654,232	4,717,854	4,560,037	4,660,523	4,719,586	4,561,610

(ii) By type of customer

	Group			Bank		
	31 Mar 2012 RM'000	31 Dec 2011 RM'000	1 Jan 2011 RM'000	31 Mar 2012 RM'000	31 Dec 2011 RM'000	1 Jan 2011 RM'000
Business enterprises	2,453,859	2,367,190	2,290,527	2,451,854	2,365,171	2,290,222
Individuals	442,179	210,708	175,805	442,179	210,708	175,805
Subsidiaries	-	-	-	8,296	3,749	1,878
Government and statutory bodies	1,038,187	1,344,183	1,399,716	1,038,187	1,344,183	1,399,716
Other enterprises	720,007	795,773	693,989	720,007	795,775	693,989
	4,654,232	4,717,854	4,560,037	4,660,523	4,719,586	4,561,610

A11 Deposits and Placements of Banks and Other Financial Institutions

	Group			Bank		
	31 Mar 2012 RM'000	31 Dec 2011 RM'000	1 Jan 2011 RM'000	31 Mar 2012 RM'000	31 Dec 2011 RM'000	1 Jan 2011 RM'000
Murabahah						
Licensed Islamic banks	637,744	404,534	263,740	615,942	404,277	263,740
Bank Negara Malaysia	309,911	339,083	246,951	309,911	339,084	246,951
Licensed investment banks	-	-	30,765	-	-	30,765
Other financial institutions	3,294,770	2,390,955	2,937,233	3,309,426	2,408,681	2,945,186
	4,242,425	3,134,572	3,478,689	4,235,279	3,152,042	3,486,642

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 2012 RM'000	31 Dec 2011 RM'000	1 Jan 2011 RM'000	31 Mar 2012 RM'000	31 Dec 2011 RM'000	1 Jan 2011 RM'000
Sundry creditors	196,758	138,672	105,536	195,881	138,663	105,534
Project clearing account	1,565	1,595	4,605	1,565	1,595	4,605
Amount due to agent from the purchase of commodity assets	431,934	195,037	256,700	431,934	195,037	256,700
Accrued restoration cost	3,808	3,808	3,266	3,699	3,698	3,200
Other provisions and accruals	33,391	26,673	27,895	32,197	25,595	26,894
	667,456	365,785	398,002	665,276	364,588	396,933

A13 Subordinated Murabahah Tawarruq

The principal of subordinated Murabahah Tawarruq is a facility agreement with the holding company of the Bank, Kuwait Finance House K.S.C. The facility with principal amount of USD100,000,000 or equivalent RM306,475,000 (2011: USD100,000,000 or equivalent RM316,800,000) 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

A14 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

1st Quarter ended 31 Mar		Three-months ended 31 Mar	
2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
3,150	3,649	3,150	3,649
100,786	77,624	100,786	77,624
103,937	81,273	103,937	81,273
3,145	3,649	3,145	3,649
100,660	77,871	100,660	77,871
103,805	81,520	103,805	81,520

(i) Income derived from investment of general investment deposits

Group

Finance income from financing, advances and other receivables

Finance income from impaired financing

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
- Available-for-sale

Foreign exchange gain

Gain on Ijarah rental swap obligation

1st Quarter ended 31 Mar		Three-months ended 31 Mar	
2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
2,113	2,655	2,113	2,655
83	84	83	84
17	22	17	22
316	210	316	210
9	13	9	13
491	458	491	458
3,029	3,442	3,029	3,442
(41)	(1)	(41)	(1)
2,987	3,441	2,987	3,441
12	3	12	3
68	-	68	-
74	154	74	154
9	51	9	51
3,150	3,649	3,150	3,649

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

A14 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	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Bank				
Finance income from financing, advances and other receivables	2,115	2,653	2,115	2,653
Finance income from impaired financing	83	84	83	84
Securities				
- Held-for-trading	17	25	17	25
- Available-for-sale	301	198	301	198
- Held-to-maturity	9	13	9	13
Money at call and deposits with financial institutions	498	469	498	469
Amortisation of premium less accretion of discounts	3,023	3,442	3,023	3,442
Total finance income and hibah	(41)	(1)	(41)	(1)
	2,982	3,441	2,982	3,441
Gain arising from sale of securities				
- Held-for-trading	12	3	12	3
- Available-for-sale	68	-	68	-
Foreign exchange gain	75	154	75	154
Gain on Ijarah rental swap obligation	8	51	8	51
	3,145	3,649	3,145	3,649

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

A14 Income derived from Investment of Depositors' Funds and Others (cont'd.)

(ii) Income derived from investment of other deposits

<u>Group</u>	1st Quarter ended 31 Mar		Three-months ended 31 Mar	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Finance income from financing, advances and other receivables	67,471	56,443	67,471	56,443
Finance income from impaired financing	2,646	1,804	2,646	1,804
Securities				
- Held-for-trading	537	457	537	457
- Available-for-sale	10,187	4,481	10,187	4,481
- Held-to-maturity	290	285	290	285
Money at call and deposits with financial institutions	15,713	9,765	15,713	9,765
	96,843	73,236	96,843	73,236
Amortisation of premium less accretion of discounts	(1,346)	(32)	(1,346)	(32)
Total finance income and hibah	95,497	73,203	95,497	73,203
Gain arising from sale of securities				
- Held-for-trading	362	72	362	72
- Available-for-sale	2,265	-	2,265	-
Foreign exchange gain/(loss)	2,379	3,266	2,379	3,266
Gain on Ijarah rental swap obligation	283	1,083	283	1,083
	100,786	77,624	100,786	77,624

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

A14 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	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Bank				
Finance income from financing, advances and other receivables	67,557	56,632	67,557	56,632
Finance income from impaired financing	2,649	1,810	2,649	1,810
Securities				
- Held-for-trading	545	533	545	533
- Available-for-sale	9,706	4,214	9,706	4,214
- Held-to-maturity	289	286	289	286
Money at call and deposits with financial institutions	15,945	9,993	15,945	9,993
Amortisation of premium less accretion of discounts	96,691	73,468	96,691	73,468
Total finance income and hibah	(1,347)	(32)	(1,347)	(32)
	95,344	73,436	95,344	73,436
Gain arising from sale of securities				
- Held-for-trading	382	72	382	72
- Available-for-sale	2,268	-	2,268	-
Foreign exchange gain	2,382	3,277	2,382	3,277
Gain on Ijarah rental swap obligation	284	1,086	284	1,086
	100,660	77,871	100,660	77,871

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 Shareholder's Equity

<u>Group</u>	1st Quarter ended 31 Mar		Three-months ended 31 Mar	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Finance income from financing, advances and other receivables	11,471	15,987	11,471	15,987
Finance income from impaired financing	450	505	450	505
Securities				
- Held-for-trading	92	130	92	130
- Available-for-sale	1,722	1,271	1,722	1,271
- Held-to-maturity	50	81	50	81
Money at call and deposits with financial institutions	2,669	2,768	2,669	2,768
	16,454	20,742	16,454	20,742
Amortisation of premium less accretion of discounts	(225)	(9)	(225)	(9)
Total finance income and hibah	16,228	20,733	16,228	20,733
Fee income				
- Commission	989	598	989	598
- Other fee income	3,269	1,672	3,269	1,672
- Fund management fee	845	1,038	845	1,038
Gain arising from sale of securities				
- Held-for-trading	62	20	62	20
- Available-for-sale	374	-	374	-
Unrealised loss on revaluation of securities held-for-trading and Ijarah rental swap (net)	(357)	(297)	(357)	(297)
Foreign exchange gain/(loss)	10,147	527	10,147	527
Gain on Ijarah rental swap obligation	48	313	48	313
Other income	21	-	21	-
Gross dividend from property funds	299	314	299	314
	31,925	24,918	31,925	24,918

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 Shareholder's Equity (cont'd.)

	1st Quarter ended 31 Mar		Three-months ended 31 Mar	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Bank				
Finance income from financing, advances and other receivables	11,381	15,800	11,381	15,800
Finance income from impaired financing	446	499	446	499
Securities				
- Held-for-trading	91	149	91	149
- Available-for-sale	1,625	1,176	1,625	1,176
- Held-to-maturity	49	80	49	80
Money at call and deposits with financial institutions	2,684	2,791	2,684	2,791
	16,276	20,495	16,276	20,495
Amortisation of premium less accretion of discounts	(224)	(9)	(224)	(9)
Total finance income and hibah	16,052	20,486	16,052	20,486
Fee income				
- Commission	991	598	991	598
- Other fee income	3,268	1,672	3,268	1,672
Gain arising from sale of securities				
- Held-for-trading	64	20	64	20
- Available-for-sale	371	-	371	-
Unrealised loss on revaluation of securities held-for-trading and Ijarah rental swap (net)	(363)	(396)	(363)	(396)
Foreign exchange gain	10,274	332	10,274	332
Management fee	(544)	195	(544)	195
Gain on Ijarah rental swap obligation	48	310	48	310
	30,161	23,217	30,161	23,217

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 Impairment and Allowance on Financing, Advances and Other Receivables

Group

Impairment and allowance on financing

- Collective impairment (net)

- Individual (write-back)/impairment (net)

Allowance charge during the period

Allowance written-back during the period

Bank

Impairment and allowance on financing

- Collective impairment (net)

- Individual impairment (net)

Allowance charge during the period

Allowance written-back during the period

1st Quarter ended 31 Mar		Three-months ended 31 Mar	
2012 Unaudited RM'000	2011 Unaudited RM'000 (restated)	2012 Unaudited RM'000	2011 Unaudited RM'000 (restated)
9,865	19,571	9,865	19,571
(14,598)	38,111	(14,598)	38,111
3,971	50,028	3,971	50,028
(18,569)	(11,917)	(18,569)	(11,917)
(4,733)	57,682	(4,733)	57,682
9,865	19,571	9,865	19,571
(14,598)	38,111	(14,598)	38,111
3,971	50,028	3,971	50,028
(18,569)	(11,917)	(18,569)	(11,917)
(4,733)	57,682	(4,733)	57,682

A17 Income Attributable to the Depositors

Group

Deposits from customers

- Mudharabah

- Murabahah

- Wakalah

- Negotiable Instrument Deposit

Deposits and placements of banks and
other financial institutions

- Murabahah and Wakalah

Others

Bank

Deposits from customers

- Mudharabah

- Murabahah

- Wakalah

- Negotiable Instrument Deposit

Deposits and placements of banks and
other financial institutions

- Murabahah

Others

1st Quarter ended 31 Mar		Three-months ended 31 Mar	
2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
2,272	2,418	2,272	2,418
23,103	26,255	23,103	26,255
3,386	-	3,386	-
5,866	-	5,866	-
25,058	17,770	25,058	17,770
11	-	11	-
59,696	46,443	59,696	46,443
2,272	2,418	2,272	2,418
23,103	26,312	23,103	26,312
3,386	-	3,386	-
5,866	-	5,866	-
25,115	17,771	25,115	17,771
11	-	11	-
59,753	46,501	59,753	46,501

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**

A18 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 2012			As at 31 Dec 2011		
	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	453,225	453,225	453,225	637,113	637,113	411,526
Transaction related contingencies	74,109	37,055	37,055	108,859	54,429	38,877
Trade related contingencies	40,003	8,001	8,061	28,683	5,737	4,990
Irrevocable commitments to extend credit						
- maturity less than one year	437,593	87,519	87,519	395,901	79,180	77,513
- maturity more than one year	790,743	395,372	420,605	809,077	404,538	437,906
Foreign exchange related contracts *						
- less than one year	326,831	4,673	2,458	917,884	11,668	6,218
- one year to five years	194,172	14,142	8,830	197,286	14,610	8,833
- five years and above	100,207	10,571	9,140	101,772	11,032	3,714
Profit rate related contracts (Ijarah rental swap obligation) *						
- five years and above	301,971	40,639	36,109	319,830	43,331	35,655
	2,718,854	1,051,197	1,063,002	3,516,405	1,261,638	1,025,232

* 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").

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

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:

	Group		Bank	
	31 Mar 2012	31 Dec 2011	31 Mar 2012	31 Dec 2011
Core capital ratio				
Credit risk	13.53%	14.91%	13.46%	14.77%
Credit, market, operational and large exposure risks	12.63%	13.82%	12.58%	13.71%
Risk-weighted capital ratio				
Credit risk	18.11%	19.93%	17.56%	19.24%
Credit, market, operational and large exposure risks	16.91%	18.47%	16.41%	17.86%

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

	Group		Bank	
	31 Mar 2012 RM'000	31 Dec 2011 RM'000	31 Mar 2012 RM'000	31 Dec 2011 RM'000
Tier I capital				
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	(837,738)	(837,738)	(857,423)	(857,423)
	1,463,339	1,463,339	1,443,654	1,443,654
Less: Deferred tax assets (net)	(293,911)	(293,911)	(293,824)	(293,824)
Total Tier I capital	1,169,428	1,169,428	1,149,830	1,149,830
Tier II capital				
Subordinated Murabahah Tawarruq	245,180	253,440	245,180	253,440
Collective impairment on financing	150,442	140,378	150,442	140,378
Total Tier II capital	395,622	393,818	395,622	393,818
Less: Investment in subsidiaries	-	-	(46,193)	(46,193)
Capital base	1,565,050	1,563,246	1,499,259	1,497,455

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 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 2012									
ASSETS									
Cash and short-term funds	2,519,127	-	-	-	-	105,055	-	2,624,182	2.36
Deposits and placements with banks and other financial institutions	-	329,518	233,346	-	-	-	-	562,864	2.60
Securities held-for-trading	-	-	-	-	-	-	151,546	151,546	2.96
Securities available-for-sale	142,254	113,189	112,850	975,260	301,876	12,227	-	1,657,656	3.71
Securities held-to-maturity	30,827	-	-	-	-	-	-	30,827	2.82
Financing, advances and receivables	1,867,450	2,017,000	152,323	29,786	1,089,627	50,605	-	5,206,791	6.57
Murabahah trading automobiles	-	-	-	-	-	-	32	32	-
Musarakah capital investment	-	-	-	-	-	5,898	-	5,898	-
Other assets	-	-	-	-	-	1,218,175	-	1,218,175	-
TOTAL ASSETS	4,559,658	2,459,707	498,519	1,005,046	1,391,503	1,391,960	151,578	11,457,971	
LIABILITIES AND SHAREHOLDER'S EQUITY									
Deposits from customers	1,646,490	1,097,495	1,336,854	25,441	-	547,952	-	4,654,232	2.81
Deposits and placements of banks and other financial institutions	1,774,569	782,504	1,685,352	-	-	-	-	4,242,425	2.44
Subordinated Murabahah Tawarruq	-	-	-	364,722	-	-	-	364,722	3.69
Other liabilities	-	-	-	-	-	716,551	-	716,551	-
Total Liabilities	3,421,059	1,879,999	3,022,206	390,163	-	1,264,503	-	9,977,930	
Shareholder's equity	-	-	-	-	-	1,480,041	-	1,480,041	
Total Liabilities and Shareholder's Equity	3,421,059	1,879,999	3,022,206	390,163	-	2,744,544	-	11,457,971	
On-balance sheet profit sensitivity gap	1,138,599	579,708	(2,523,687)	614,883	1,391,503	(1,352,584)	151,578	-	
Off-balance sheet profit sensitivity gap	-	-	-	-	-	-	-	-	
Total profit sensitivity gap	1,138,599	579,708	(2,523,687)	614,883	1,391,503	(1,352,584)	151,578	-	

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 RATE OF RETURN RISK (Cont'd.)

Group As at 31 Dec 2011	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				RM'000	RM'000	%
ASSETS												
Cash and short-term funds	1,901,177	-	-	-	-	71,835	-	1,973,012	2.40			
Deposits and placements with banks and other financial institutions	-	370,123	364,850	-	-	-	-	734,973	2.87			
Securities held-for-trading	-	-	-	-	-	-	90,216	90,216	2.61			
Securities available-for-sale	-	266,184	45,824	621,005	89,130	74,197	-	1,096,340	3.16			
Securities held-to-maturity	-	47,125	-	-	-	-	-	47,125	3.52			
Financing, advances and receivables	1,815,700	1,768,047	36,851	488,495	1,029,533	59,138	-	5,197,764	5.91			
Murabahah trading automobiles	-	-	-	-	-	-	32	32	-			
Musarakah capital investment	-	-	-	-	-	5,898	-	5,898	-			
Other assets	-	-	-	-	-	976,806	-	976,806	-			
TOTAL ASSETS	3,716,877	2,451,479	447,525	1,109,500	1,118,663	1,187,874	90,248	10,122,166				
LIABILITIES AND SHAREHOLDER'S EQUITY												
Deposits from customers	1,826,034	1,069,570	1,204,424	4,512	-	613,314	-	4,717,854	2.71			
Deposits and placements of banks and other financial institutions	2,040,157	892,398	202,017	-	-	-	-	3,134,572	2.83			
Subordinated Murabahah Tawarruq	-	189,023	184,566	-	-	-	-	373,589	3.62			
Murabahah bank financing	-	-	-	-	-	-	-	-	-			
Other liabilities	-	-	-	-	-	442,180	-	442,180	-			
Total Liabilities	3,866,191	2,150,991	1,591,007	4,512	-	1,055,494	-	8,668,195				
Shareholder's equity	-	-	-	-	-	1,453,971	-	1,453,971				
Total Liabilities and Shareholder's Equity	3,866,191	2,150,991	1,591,007	4,512	-	2,509,465	-	10,122,166				
On-balance sheet profit sensitivity gap	(149,314)	300,488	(1,143,482)	1,104,988	1,118,663	(1,321,591)	90,248	-				
Off-balance sheet profit sensitivity gap	-	-	-	-	-	-	-	-				
Total profit sensitivity gap	(149,314)	300,488	(1,143,482)	1,104,988	1,118,663	(1,321,591)	90,248	-				

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 RATE OF RETURN RISK (Cont'd.)

Bank As at 31 Mar 2012	Non-trading book					Non-profit sensitive	Trading book	Total	Effective profit rate
	Up to 1 month	>1 - 3 months	>3 - 12 months	>1 - 5 years	Over 5 years				
ASSETS									
Cash and short-term funds	2,583,017	-	-	-	-	103,936	-	2,686,953	2.33
Deposits and placements with banks and other financial institutions	-	329,518	233,346	-	-	-	-	562,864	2.61
Securities held-for-trading	-	-	-	-	-	-	151,546	151,546	2.96
Securities available-for-sale	141,297	113,189	112,850	850,315	301,876	29,429	-	1,548,956	3.56
Securities held-to-maturity	30,827	-	-	-	-	-	-	30,827	2.82
Financing, advances and receivables	1,867,450	2,017,000	152,323	29,786	1,089,627	50,605	-	5,206,791	6.57
Murabahah trading automobiles	-	-	-	-	-	-	32	32	-
Musarakah capital investment	-	-	-	-	-	5,898	-	5,898	-
Other assets	-	-	-	-	-	1,247,215	-	1,247,215	-
TOTAL ASSETS	4,622,591	2,459,707	498,519	880,101	1,391,503	1,437,083	151,578	11,441,082	
LIABILITIES AND SHAREHOLDER'S EQUITY									
Deposits from customers	1,652,781	1,097,495	1,336,854	25,441	-	547,952	-	4,660,522	2.81
Deposits and placements of banks and other financial institutions	1,767,424	782,504	1,685,351	-	-	-	-	4,235,280	2.44
Subordinated Murabahah Tawarruq	-	-	-	364,722	-	-	-	364,722	3.69
Other liabilities	-	-	-	-	-	714,371	-	714,371	-
Total Liabilities	3,420,205	1,879,999	3,022,205	390,163	-	1,262,323	-	9,974,895	
Shareholder's equity	-	-	-	-	-	1,466,187	-	1,466,187	
Total Liabilities and Shareholder's Equity	3,420,205	1,879,999	3,022,205	390,163	-	2,728,510	-	11,441,082	
On-balance sheet profit sensitivity gap	1,202,386	579,708	(2,523,686)	489,938	1,391,503	(1,291,427)	151,578	-	
Off-balance sheet profit sensitivity gap	-	-	-	-	-	-	-	-	
Total profit sensitivity gap	1,202,386	579,708	(2,523,686)	489,938	1,391,503	(1,291,427)	151,578	-	

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 RATE OF RETURN RISK (Cont'd.)

Bank As at 31 Dec 2011	Non-trading book					Non-profit sensitive	Trading book	Total	Effective profit rate
	Up to 1 month	>1 - 3 months	>3 - 12 months	>1 - 5 years	Over 5 years				
ASSETS									
Cash and short-term funds	2,005,436	-	-	-	-	70,851	-	2,076,287	2.34
Deposits and placements with banks and other financial institutions	-	370,123	364,850	-	-	-	-	734,973	2.87
Securities held-for-trading	-	-	-	-	-	-	83,776	83,776	2.50
Securities available-for-sale	183,434	139,409	196,937	364,767	72,936	19,772	-	977,255	3.16
Securities held-to-maturity	31,857	15,268	-	-	-	-	-	47,125	3.52
Financing, advances and receivables	1,815,700	1,768,047	36,851	488,495	1,029,533	59,138	-	5,197,764	5.91
Murabahah trading automobiles	-	-	-	-	-	-	32	32	-
Musarakah capital investment	-	-	-	-	-	5,898	-	5,898	-
Other assets	-	-	-	-	-	1,002,639	-	1,002,639	-
TOTAL ASSETS	4,036,427	2,292,847	598,638	853,262	1,102,469	1,158,298	83,808	10,125,749	
LIABILITIES AND SHAREHOLDER'S EQUITY									
Deposits from customers	1,826,034	1,069,570	1,204,423	4,512	-	615,047	-	4,719,586	2.71
Deposits and placements of banks and other financial institutions	2,057,626	892,398	202,018	-	-	-	-	3,152,042	2.83
Subordinated Murabahah Tawarruq	-	189,023	184,566	-	-	-	-	373,589	3.62
Murabahah bank financing	-	-	-	-	-	-	-	-	-
Other liabilities	-	-	-	-	-	440,983	-	440,983	-
Total Liabilities	3,883,660	2,150,991	1,591,007	4,512	-	1,056,030	-	8,686,200	
Shareholder's equity	-	-	-	-	-	1,439,549	-	1,439,549	
Total Liabilities and Shareholder's Equity	3,883,660	2,150,991	1,591,007	4,512	-	2,495,579	-	10,125,749	
On-balance sheet profit sensitivity gap	152,767	141,856	(992,369)	848,750	1,102,469	(1,337,281)	83,808	-	
Off-balance sheet profit sensitivity gap	-	-	-	-	-	-	-	-	
Total profit sensitivity gap	152,767	141,856	(992,369)	848,750	1,102,469	(1,337,281)	83,808	-	

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

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

B1 Basis of Preparation of the Financial Statements

The financial statements of the Group and the Bank have been prepared under the historical cost convention unless otherwise indicated and comply with the provisions of the Companies Act, 1965 and applicable Malaysian Financial Reporting Standards ("MFRS") in Malaysia together with directives and guidelines issued by Bank Negara Malaysia, and the principles of Shariah. At the beginning of the current financial year, the Group and the Bank adopted new and revised MFRS which are mandatory for financial periods beginning on or after 1 January 2012.

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 2011.

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

B2 First-time adoption of Malaysian Financial Reporting Standards ("MFRS")

These condensed consolidated interim financial statements, for the period ended 31 March 2012 have been prepared in accordance with MFRS 134 Interim Financial Reporting. These condensed consolidated interim financial statements also comply with IAS 34 Interim Financial Reporting issued by the International Accounting Standards Board. For the periods up to and including the year ended 31 December 2011, the Group prepared its financial statements in accordance with Financial Reporting Standards ("FRS").

These condensed consolidated interim financial statements are the Group's first MFRS condensed consolidated interim financial statements for part of the period covered by the Group's first MFRS annual financial statements for the year ending 31 December 2012. MFRS 1 First-Time Adoption of Malaysian Financial Reporting Standards ("MFRS 1") has been applied except for the application of optional exemptions made available under MFRS 1. The Group is currently assessing whether to adopt any of the optional exemptions at the transition date of 1 January 2011, including obtaining feedback from the regulator and the auditors. The Group expects to be in the position to make a decision before the end of the financial year ending 31 December 2012.

The explanatory notes attached to these condensed consolidated 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 2011.

In preparing its opening MFRS Statement of Financial Position as at 1 January 2011 (which is also the date of transition), the Group and the Bank have adjusted the amounts previously reported in financial statements prepared in accordance with FRS. An explanation of how the transition from FRS to MFRS has affected the Group's financial position, financial performance and cash flows is set out in B3 below. These notes include reconciliation of equity and total comprehensive income for comparative periods and of equity at the date of transition reported under FRS to those reported for those periods and at the date of transition under MFRS. The transition from FRS to MFRS has not had a material impact on the statement of cash flows.

Upon completion of the assessments of the optional exemptions made available under MFRS 1 as stated above, any effect of the decision made will be set out in the Group's and the Bank's interim report and financial statements for the financial year ending 31 December 2012.

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

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

B3 Significant Accounting Policies and application of MFRS 1

The audited financial statements of the Group for the year ended 31 December 2011 were prepared in accordance with FRS. Except for certain differences, the requirements under FRS and MFRS are similar. The significant accounting policies adopted in preparing these condensed consolidated interim financial statements are consistent with those of the audited financial statements for the year ended 31 December 2011 except as discussed below:

(a) Business combination

MFRS 1 provides the option to apply MFRS 3 Business Combinations, prospectively from the date of transition or from a specific date prior to the date of transition. This provides relief from full retrospective application of MFRS 3 which would require restatement of all business combinations prior to the date of transition.

Acquisition before date of transition

The Group has elected to apply MFRS 3 prospectively from the date of transition,

- (i) The classification of former business combinations under FRS is maintained;
- (ii) There is no re-measurement of original fair values determined at the time of business combination (date of acquisition); and
- (iii) The carrying amount of goodwill recognised under FRS is not adjusted.

(b) Impairment loss on Financing, advances and other receivables

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

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

The collective assessment for impairment are estimated on the basis of reference to peers' historical loss experience data which publicly available in the Basel II-Pillar 3 disclosure. The historical loss experience described by Probability of Default (PD) and Loss Given Default (LGD) published by peers were mapped to the Bank's portfolio with reference to equivalent external mapping defined by the Bank and peers.

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

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

B3 Significant Accounting Policies and application of MFRS 1 (cont'd.)

(b) Impairment loss on Financing, advances and other receivables (cont'd.)

The changes in accounting policies as described above which resulted in adjustments to opening retained profits of the Group and the Bank are as follows:

Effect of adopting new policy on collective impairment
- Impairment assessment
- Deferred tax assets

Group and Bank	
2012 RM'000	2011 RM'000
(22,093)	(141,169)
5,523	-
(16,570)	(141,169)

The following are effects arising from the above changes in accounting policies to the opening statements of financial position of the Group and the Bank respectively.

Statements of financial position

Group

Financing, advances and other receivables
Deferred tax assets
Shareholder's Equity

Bank

Financing, advances and other receivables
Deferred tax assets
Shareholder's Equity

As at 1 January 2011 (as previously stated)	Effect of adopting new policy on collective impairment	As at 1 January 2011 (as restated)
RM'000	RM'000	RM'000
6,072,784	(141,169)	5,931,615
125,557	-	125,557
2,053,595	(141,169)	1,912,426
6,072,784	(141,169)	5,931,615
125,175	-	125,175
2,021,711	(141,169)	1,880,542

Statements of financial position

Group

Financing, advances and other receivables
Deferred tax assets
Shareholder's Equity

Bank

Financing, advances and other receivables
Deferred tax assets
Shareholder's Equity

As at 1 January 2012 (as previously stated)	Effect of adopting new policy on collective impairment	As at 1 January 2012 (as restated)
RM'000	RM'000	RM'000
5,219,857	(22,093)	5,197,764
288,388	5,523	293,911
1,470,541	(16,570)	1,453,971
5,219,857	(22,093)	5,197,764
288,301	5,523	293,824
1,456,119	(16,570)	1,439,549

(c) Estimates

The estimates at at 1 January 2011 and at 31 December 2011 were consistent with those made for the same dates in accordance with FRS. The estimates used by the Group to present these amounts in accordance with MFRS reflect conditions at 1 January 2011, the date of transition to MFRS and as of 31 December 2011.

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

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

B3 Significant Accounting Policies and application of MFRS 1 (cont'd.)

(d) Reconciliation of equity

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

<u>Group</u>	<u>Note</u>	<u>FRS as at</u> <u>1 Jan 2011</u> <u>RM'000</u>	<u>Adjustments</u> <u>RM'000</u>	<u>MFRS as at</u> <u>1 Jan 2011</u> <u>RM'000</u>	<u>FRS as at</u> <u>31 Mar 2011</u> <u>RM'000</u>	<u>Adjustments</u> <u>RM'000</u>	<u>MFRS as at</u> <u>31 Mar 2011</u> <u>RM'000</u>	<u>FRS as at</u> <u>31 Dec 2011</u> <u>RM'000</u>	<u>Adjustments</u> <u>RM'000</u>	<u>MFRS as at</u> <u>31 Dec 2011</u> <u>RM'000</u>
ASSETS										
Cash and short-term funds		2,651,695	-	2,651,695	2,255,650	-	2,255,650	1,973,012	-	1,973,012
Deposits and placements with banks and other financial institutions		275,092	-	275,092	381,159	-	381,159	734,973	-	734,973
Securities held-for-trading		110,083	-	110,083	152,970	-	152,970	90,216	-	90,216
Hedging financial instruments		80,632	-	80,632	59,921	-	59,921	43,688	-	43,688
Securities available-for-sale		1,053,506	-	1,053,506	914,653	-	914,653	1,096,340	-	1,096,340
Securities held-to-maturity		46,266	-	46,266	45,473	-	45,473	47,125	-	47,125
Financing, advances and other receivables	B3 (b)	6,072,784	(141,169)	5,931,615	5,536,829	(182,992)	5,353,837	5,219,857	(22,093)	5,197,764
Murabahah trading automobile		32	-	32	32	-	32	32	-	32
Other assets		385,682	-	385,682	272,525	-	272,525	411,730	-	411,730
Statutory deposits with Bank Negara Malaysia		44,854	-	44,854	34,000	-	34,000	180,200	-	180,200
Musarakah capital investment		5,898	-	5,898	5,898	-	5,898	5,898	-	5,898
Investment in subsidiaries		932	-	932	916	-	916	-	-	-
Property and equipment		27,340	-	27,340	30,292	-	30,292	23,855	-	23,855
Intangible assets		27,529	-	27,529	25,846	-	25,846	23,422	-	23,422
Deferred tax assets	B3 (b)	125,557	-	125,557	123,430	10,455	133,885	288,388	5,523	293,911
		10,907,882	(141,169)	10,766,713	9,839,594	(172,537)	9,667,057	10,138,736	(16,570)	10,122,166

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

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

B3 Significant Accounting Policies and application of MFRS 1 (cont'd.)

(d) Reconciliation of equity (cont'd.)

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

<u>Group</u>	Note	FRS as at 1 Jan 2011 RM'000	Adjustments RM'000	MFRS as at 1 Jan 2011 RM'000	FRS as at 31 Mar 2011 RM'000	Adjustments RM'000	MFRS as at 31 Mar 2011 RM'000	FRS as at 31 Dec 2011 RM'000	Adjustments RM'000	MFRS as at 31 Dec 2011 RM'000
LIABILITIES										
Deposits from customers		4,560,037	-	4,560,037	4,527,864	-	4,527,864	4,717,854	-	4,717,854
Deposits and placements of banks and other financial institutions		3,478,689	-	3,478,689	2,603,309	-	2,603,309	3,134,572	-	3,134,572
Hedging financial instruments		39,789	-	39,789	38,020	-	38,020	72,655	-	72,655
Murabahah bank financing		23,233	-	23,233	-	-	-	-	-	-
Subordinated Murabahah Tawarruq		350,797	-	350,797	344,443	-	344,443	373,589	-	373,589
Other liabilities		398,002	-	398,002	262,345	-	262,345	365,785	-	365,785
Provision for zakat		3,740	-	3,740	3,740	-	3,740	3,740	-	3,740
		8,854,287	-	8,854,287	7,779,721	-	7,779,721	8,668,195	-	8,668,195
SHAREHOLDER'S EQUITY										
Share capital		2,266,125	-	2,266,125	2,266,125	-	2,266,125	2,266,125	-	2,266,125
Reserves	B3 (b)	(212,530)	(141,169)	(353,699)	(206,252)	(172,537)	(378,789)	(795,584)	(16,570)	(812,154)
		2,053,595	(141,169)	1,912,426	2,059,873	(172,537)	1,887,336	1,470,541	(16,570)	1,453,971
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY		10,907,882	(141,169)	10,766,713	9,839,594	(172,537)	9,667,057	10,138,736	(16,570)	10,122,166

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

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

B3 Significant Accounting Policies and application of MFRS 1 (cont'd.)

(d) Reconciliation of equity (cont'd.)

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

	Note	FRS as at 1 Jan 2011 RM'000	Adjustments RM'000	MFRS as at 1 Jan 2011 RM'000	FRS as at 31 Mar 2011 RM'000	Adjustments RM'000	MFRS as at 31 Mar 2011 RM'000	FRS as at 31 Dec 2011 RM'000	Adjustments RM'000	MFRS as at 31 Dec 2011 RM'000
Bank										
ASSETS										
Cash and short-term funds		2,744,436	-	2,744,436	2,347,470	-	2,347,470	2,076,287	-	2,076,287
Deposits and placements with banks and other financial institutions		275,092	-	275,092	381,159	-	381,159	734,973	-	734,973
Securities held-for-trading		110,083	-	110,083	152,970	-	152,970	83,776	-	83,776
Hedging financial instruments		80,632	-	80,632	59,921	-	59,921	43,688	-	43,688
Securities available-for-sale		925,933	-	925,933	788,299	-	788,299	977,255	-	977,255
Securities held-to-maturity		46,266	-	46,266	45,473	-	45,473	47,125	-	47,125
Financing, advances and other receivables	B3 (b)	6,072,784	(141,169)	5,931,615	5,536,829	(182,992)	5,353,837	5,219,857	(22,093)	5,197,764
Murabahah trading automobile		32	-	32	32	-	32	32	-	32
Other assets		366,450	-	366,450	253,492	-	253,492	406,948	-	406,948
Statutory deposits with										
Bank Negara Malaysia		44,854	-	44,854	34,000	-	34,000	180,200	-	180,200
Musyarakah capital investment		5,898	-	5,898	5,898	-	5,898	5,898	-	5,898
Investment in subsidiaries		32,397	-	32,397	32,397	-	32,397	30,952	-	30,952
Property and equipment		26,915	-	26,915	29,896	-	29,896	23,624	-	23,624
Intangible assets		27,508	-	27,508	25,827	-	25,827	23,403	-	23,403
Deferred tax assets	B3 (b)	125,175	-	125,175	122,985	10,455	133,440	288,301	5,523	293,824
		10,884,455	(141,169)	10,743,286	9,816,649	(172,537)	9,644,112	10,142,319	(16,570)	10,125,749

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

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

B3 Significant Accounting Policies and application of MFRS 1 (cont'd.)

(d) Reconciliation of equity (cont'd.)

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

<u>Bank</u>	Note	FRS as at 1 Jan 2011 RM'000	Adjustments RM'000	MFRS as at 1 Jan 2011 RM'000	FRS as at 31 Mar 2011 RM'000	Adjustments RM'000	MFRS as at 31 Mar 2011 RM'000	FRS as at 31 Dec 2011 RM'000	Adjustments RM'000	MFRS as at 31 Dec 2011 RM'000
LIABILITIES										
Deposits from customers		4,561,610	-	4,561,610	4,528,947	-	4,528,947	4,719,586	-	4,719,586
Deposits and placements of banks and other financial institutions		3,486,642	-	3,486,642	2,610,128	-	2,610,128	3,152,042	-	3,152,042
Hedging financial instruments		39,789	-	39,789	38,020	-	38,020	72,655	-	72,655
Murabahah bank financing		23,233	-	23,233	-	-	-	-	-	-
Subordinated Murabahah Tawarruq		350,797	-	350,797	344,444	-	344,444	373,589	-	373,589
Other liabilities		396,933	-	396,933	260,966	-	260,966	364,588	-	364,588
Provision for zakat		3,740	-	3,740	3,740	-	3,740	3,740	-	3,740
		8,862,744	-	8,862,744	7,786,245	-	7,786,245	8,686,200	-	8,686,200
SHAREHOLDER'S EQUITY										
Share capital		2,266,125	-	2,266,125	2,266,125	-	2,266,125	2,266,125	-	2,266,125
Reserves	B3 (b)	(244,414)	(141,169)	(385,583)	(235,721)	(172,537)	(408,258)	(810,006)	(16,570)	(826,576)
		2,021,711	(141,169)	1,880,542	2,030,404	(172,537)	1,857,867	1,456,119	(16,570)	1,439,549
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY		10,884,455	(141,169)	10,743,286	9,816,649	(172,537)	9,644,112	10,142,319	(16,570)	10,125,749

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

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

B3 Significant Accounting Policies and application of MFRS 1 (cont'd.)

(e) Reconciliation of total comprehensive income for the period ended 31 March 2011 and for the year ended for the year ended 31 December 2011

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

<u>Group</u>	Note	FRS as at 31 Mar 2011 RM'000	Adjustments RM'000	MFRS as at 31 Mar 2011 RM'000	FRS as at 31 Dec 2011 RM'000	Adjustments RM'000	MFRS as at 31 Dec 2011 RM'000
Continuing operations							
Operating revenue		106,191	-	106,191	459,788	-	459,788
Income derived from investment of depositors' funds and others		81,273	-	81,273	342,673	-	342,673
Income derived from investment of shareholder's equity		24,918	-	24,918	117,115	-	117,115
Total gross income		106,191	-	106,191	459,788	-	459,788
Impairment loss and allowance on investments		-	-	-	(20,000)	-	(20,000)
Impairment loss on financing	B3 (b)	(15,860)	(41,822)	(57,682)	(795,997)	119,076	(676,921)
Total distributable income		90,331	(41,822)	48,509	(356,209)	119,076	(237,133)
Income attributable to the depositors		(46,443)	-	(46,443)	(208,486)	-	(208,486)
Total net income		43,888	(41,822)	2,066	(564,695)	119,076	(445,619)
Personnel expenses		(21,540)	-	(21,540)	(94,843)	-	(94,843)
Other overheads and expenditures		(18,102)	-	(18,102)	(91,032)	-	(91,032)
Finance cost		(3,198)	-	(3,198)	(12,949)	-	(12,949)
Profit/(Loss) before zakat and taxation		1,048	(41,822)	(40,774)	(763,519)	119,076	(644,443)
Taxation	B3 (b)	(161)	10,455	10,294	167,311	5,523	172,834
Net profit/(loss) for the period		887	(31,367)	(30,480)	(596,208)	124,599	(471,609)
Other comprehensive income/(loss):							
Net gain taken to equity on securities available-for-sale		8,415	-	8,415	18,391	-	18,391
Exchange differences on translation of foreign operations		(921)	-	(921)	1,242	-	1,242
Income tax relating to components of other comprehensive income		(2,104)	-	(2,104)	(6,479)	-	(6,479)
Other comprehensive income for the period, net of tax		5,390	-	5,390	13,154	-	13,154
Total comprehensive income/(loss) for the period		6,277	(31,367)	(25,090)	(583,054)	124,599	(458,455)
Total comprehensive income/(loss) for the period attributable to equity holders of the parent		6,277	(31,367)	(25,090)	(583,054)	124,599	(458,455)

KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

Part B - Explanatory Notes Pursuant to Malaysian Financial Reporting Standard ("MFRS 134")

Issued by Malaysian Accounting Standards Board

B3 Significant Accounting Policies and application of MFRS 1 (cont'd.)

(e) Reconciliation of total comprehensive income for the period ended 31 March 2011 and for the year ended for the year ended 31 December 2011 (cont'd.)

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

<u>Bank</u>	Note	FRS as at 31 Mar 2011 RM'000	Adjustments RM'000	MFRS as at 31 Mar 2011 RM'000	FRS as at 31 Dec 2011 RM'000	Adjustments RM'000	MFRS as at 31 Dec 2011 RM'000
Continuing operations							
Operating revenue		104,737	-	104,737	450,331	-	450,331
Income derived from investment of depositors' funds and others		81,520	-	81,520	343,833	-	343,833
Income derived from investment of shareholder's equity		23,217	-	23,217	106,498	-	106,498
Total gross income		104,737	-	104,737	450,331	-	450,331
Impairment loss and allowance on investments		-	-	-	(2,833)	-	(2,833)
Impairment loss on financing	B3 (b)	(15,860)	(41,822)	(57,682)	(795,997)	119,076	(676,921)
Total distributable income		88,877	(41,822)	47,055	(348,499)	119,076	(229,423)
Income attributable to the depositors		(46,501)	-	(46,501)	(208,686)	-	(208,686)
Total net income		42,376	(41,822)	554	(557,185)	119,076	(438,109)
Personnel expenses		(19,781)	-	(19,781)	(87,892)	-	(87,892)
Other overheads and expenditures		(17,393)	-	(17,393)	(87,145)	-	(87,145)
Finance cost		(3,198)	-	(3,198)	(12,949)	-	(12,949)
Profit/(Loss) before zakat and taxation		2,004	(41,822)	(39,818)	(745,171)	119,076	(626,095)
Taxation	B3 (b)	(129)	10,455	10,326	167,735	5,523	173,258
Net profit/(loss) for the period		1,875	(31,367)	(29,492)	(577,436)	124,599	(452,837)
Other comprehensive income/(loss):							
Net gain taken to equity on securities available-for-sale		9,089	-	9,089	18,386	-	18,386
Income tax relating to components of other comprehensive income		(2,272)	-	(2,272)	(6,542)	-	(6,542)
Other comprehensive income for the period, net of tax		6,817	-	6,817	11,844	-	11,844
Total comprehensive income/(loss) for the period		8,692	(31,367)	(22,675)	(565,592)	124,599	(440,993)
Total comprehensive income/(loss) for the period attributable to equity holders of the parent		8,692	(31,367)	(22,675)	(565,592)	124,599	(440,993)

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

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

B4 Auditors' Report on Preceding Annual Financial Statements

The auditors' report on the audited financial statements for the financial year ended 31 December 2011 was not qualified.

B5 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 2012.

B6 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 2012.

B7 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 2012.

B8 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 2012.

B9 Dividends Paid

There were no dividends paid during the three-months ended 31 March 2012.

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

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

B10 Segment Information on Operating Revenue, Profit/(Loss) Before Zakat & Taxation and Total Assets

(i) Primary Segment - By Business Segment

Group	Treasury & Capital Markets	Corporate & Investment Banking	Commercial Banking	Others	Elimination	Total
31 Mar 2012	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
External revenue	38,554	39,476	23,508	34,324		135,862
Revenue from other segments	45,746	918	1,738	14,774	(63,176)	-
Total Revenue	84,300	40,394	25,245	49,098	(63,176)	135,862
Segment results	5,456	11,527	21,687	13,581	-	52,251
Unallocated expenses						(29,129)
Profit from operations						23,122
Taxation						(6,582)
Net profit for the year						16,540
Other information						
Segment assets	5,128,126	2,817,208	955,694	2,113,898	(118,243)	10,896,683
Unallocated corporate assets						561,288
Total assets						11,457,971
Segment liabilities	6,720,633	125,541	222,600	2,428,521	(87,291)	9,410,005
Unallocated corporate liabilities						567,925
Total liabilities						9,977,930
Other segment items						
Purchase of property and equipment	-	-	-	3,812	-	3,812
Purchase of intangible assets	-	-	-	1,320	-	1,320
Depreciation of property and equipment	-	-	-	3,043	-	3,043
Amortisation of intangible assets	-	-	-	2,096	-	2,096
Other non-cash expense other than depreciation	171	1,322	13,726	(10,315)	-	4,904

(ii) By Geographical Locations

Group	Operating Revenue RM'000	Profit/(Loss) Before Zakat and Taxation RM'000	Total Assets RM'000
31 Mar 2012			
Malaysia	135,840	23,740	11,456,654
Outside Malaysia	22	(618)	1,317
	135,862	23,122	11,457,971

The Group has funds management operations in Australia.

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

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

B10 Segment Information on Operating Revenue, Profit/(Loss) Before Zakat & Taxation and Total Assets (cont'd.)

(i) Primary Segment - By Business Segment

Group	Treasury & Capital Markets	Corporate & Investment Banking	Commercial Banking	Others	Elimination	Total
31 Mar 2011	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
External revenue	24,367	29,909	45,625	6,290		106,191
Revenue from other segments	35,228	1,895	2,010	11,242	(50,375)	-
Total Revenue	59,595	31,804	47,635	17,533	(50,375)	106,191
Segment results	(2,143)	7,905	(15,832)	(9,603)	-	(19,672)
Unallocated expenses						(21,102)
Loss from operations						(40,774)
Taxation						10,294
Net loss for the year						(30,480)
Other information						
Segment assets	3,918,232	2,574,212	2,677,807	489,599	(152,440)	9,507,410
Unallocated corporate assets						159,648
Total assets						9,667,058
Segment liabilities	5,720,183	234,320	221,194	1,294,087	(120,044)	7,349,740
Unallocated corporate liabilities						429,981
Total liabilities						7,779,721
Other segment items						
Purchase of property and equipment	-	-	-	5,426	-	5,426
Purchase of intangible assets	-	-	-	377	-	377
Depreciation of property and equipment	-	-	-	2,474	-	2,474
Amortisation of intangible assets	-	-	-	2,060	-	2,060
Other non-cash expense other than depreciation	-	(95)	(38,278)	(19,309)	-	(57,682)

(ii) By Geographical Locations

Group	Operating Revenue RM'000	Profit/(Loss) Before Zakat and Taxation RM'000	Total Assets RM'000
31 Mar 2011			
Malaysia	106,190	(40,171)	9,665,055
Outside Malaysia	1	(603)	2,003
	106,191	(40,774)	9,667,058

The Group has funds management operations in Australia and Singapore.

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

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

B11 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 2011.

B12 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.

B13 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 2011.

B14 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 2011 other than those as disclosed in note A18.

B15 Capital Commitments

The capital commitments not provided for in the interim financial statements as at 31 March 2012 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
261	261
5,561	5,350
5,822	5,611
570	570

B16 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.