

KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

Interim Report for the Period Ended 30 June 2012

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KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

INTERIM CONDENSED STATEMENTS OF FINANCIAL POSITION

	Note	Bank		
		30 Jun 2012 Unaudited RM'000	31 Dec 2011 Unaudited RM'000 (restated)	1 Jan 2011 Unaudited RM'000 (restated)
ASSETS				
Cash and short-term funds		1,626,048	2,076,287	2,744,436
Deposits and placements with banks and other financial institutions	A3	451,485	734,973	275,092
Securities held-for-trading	A4	102,336	83,776	110,083
Hedging financial instruments	A8	43,060	43,688	80,632
Securities available-for-sale	A4	924,562	977,255	925,933
Securities held-to-maturity	A4	31,954	47,125	46,266
Financing, advances and other receivables	A5	5,173,701	5,197,764	5,931,615
Murabahah trading automobile	A6	32	32	32
Other assets	A7	534,964	406,948	366,450
Statutory deposits with Bank Negara Malaysia		176,600	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		37,940	23,624	26,915
Intangible assets		20,412	23,403	27,508
Deferred tax assets		282,417	293,824	125,175
		9,442,361	10,125,749	10,743,286
LIABILITIES				
Deposits from customers	A10	3,663,510	4,719,586	4,561,610
Deposits and placements of banks and other financial institutions	A11	3,405,478	3,152,042	3,486,642
Hedging financial instruments	A8	44,140	72,655	39,789
Murabahah bank financing		-	-	23,233
Subordinated Murabahah Tawarruq	A13	381,546	373,589	350,797
Other liabilities	A12	473,422	364,588	396,933
Provision for zakat and tax		-	3,740	3,740
		7,968,096	8,686,200	8,862,744
SHAREHOLDER'S EQUITY				
Share capital		2,266,125	2,266,125	2,266,125
Reserves		(791,860)	(826,576)	(385,583)
		1,474,265	1,439,549	1,880,542
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY		9,442,361	10,125,749	10,743,286
COMMITMENTS AND CONTINGENCIES		2,734,312	3,516,405	4,052,245
CAPITAL ADEQUACY				
Core capital ratio	A20	13.92%	13.71%	18.36%
Risk-weighted capital ratio	A20	17.90%	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

	Note	2nd Quarter ended 30 Jun		Half-year ended 30 Jun	
		2012 Unaudited RM'000	2011 Unaudited RM'000 (restated)	2012 Unaudited RM'000	2011 Unaudited RM'000 (restated)
Group					
Continuing operations					
Operating revenue		115,037	107,109	250,899	213,300
Income derived from investment of depositors' funds and others	A14	94,290	79,807	198,811	161,081
Income derived from investment of shareholder's equity	A15	20,747	27,302	52,088	52,219
Total gross income		115,037	107,109	250,899	213,300
Impairment write-back on securities		(1,387)	(1,539)	(1,215)	(1,539)
Impairment write-back/ (loss) on financing	A16	3,396	(3,353)	8,128	(19,214)
Total distributable income		117,046	102,217	257,812	192,547
Income attributable to the depositors	A17	(49,959)	(50,234)	(109,655)	(96,677)
Total net income		67,087	51,983	148,157	95,870
Personnel expenses		(24,441)	(22,953)	(49,478)	(44,493)
Other overheads and expenditures		(20,268)	(21,469)	(49,904)	(39,570)
Finance cost		(3,392)	(3,121)	(6,666)	(6,319)
Profit before zakat and taxation		18,986	4,440	42,109	5,488
Taxation		(5,650)	(3,449)	(12,232)	(3,610)
Net profit for the period		13,336	991	29,877	1,878
Attributable to:					
Equity holders of the Bank		13,336	991	29,877	1,878
Earnings per share attributable to equity holders of the Bank					
- Basic/Diluted (sen)		0.59	0.04	1.32	0.08

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

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INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Group

Net profit for the period

Other comprehensive (loss)/income:

Securities available-for-sale:

Net (loss)/gain taken to equity

Exchange differences on translation of foreign operations:

Net loss taken to equity

Income/(loss) tax relating to components of other comprehensive income/(loss)

Other comprehensive (loss)/income for the period, net of tax

Total comprehensive income for the period

Total comprehensive income for the period attributable to equity holders of the Bank

2nd Quarter ended 30 Jun		Half-year ended 30 Jun	
2012 Unaudited RM'000	2011 Unaudited RM'000 (restated)	2012 Unaudited RM'000	2011 Unaudited RM'000 (restated)
13,336	991	29,877	1,878
(6,332)	10,321	7,567	18,735
1,094	143	199	(895)
1,583	(2,580)	(1,892)	(4,684)
(3,655)	7,884	5,874	13,156
9,681	8,875	35,751	15,034
9,681	8,875	35,751	15,034

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	2nd Quarter ended 30 Jun		Half-year ended 30 Jun	
		2012 Unaudited RM'000	2011 Unaudited RM'000 (restated)	2012 Unaudited RM'000	2011 Unaudited RM'000 (restated)
Bank					
Continuing operations					
Operating revenue		113,039	105,818	247,006	210,554
Income derived from investment of depositors' funds and others	A14	93,875	79,615	198,214	161,134
Income derived from investment of shareholder's equity	A15	19,164	26,203	48,792	49,420
Total gross income		113,039	105,818	247,006	210,554
Impairment loss on securities		(1,387)	(1,116)	(1,215)	(1,116)
Impairment loss on financing	A16	3,396	(3,353)	8,128	(19,214)
Total distributable income		115,048	101,349	253,919	190,224
Income attributable to the depositors	A17	(49,921)	(50,277)	(109,674)	(96,777)
Total net income		65,127	51,072	144,245	93,447
Personnel expenses		(23,940)	(20,748)	(47,761)	(40,529)
Other overheads and expenditures		(19,181)	(20,562)	(47,967)	(37,956)
Finance cost		(3,393)	(3,121)	(6,667)	(6,319)
Profit before zakat and taxation		18,613	6,641	41,850	8,643
Taxation		(5,632)	(3,432)	(12,195)	(3,560)
Net profit for the period		12,981	3,209	29,655	5,083

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

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(Incorporated in Malaysia)

INTERIM CONDENSED STATEMENTS OF COMPREHENSIVE INCOME

	2nd Quarter ended 30 Jun		Half-year ended 30 Jun	
	2012 Unaudited RM'000	2011 Unaudited RM'000 (restated)	2012 Unaudited RM'000	2011 Unaudited RM'000 (restated)
Bank				
Net profit for the period	12,981	3,209	29,655	5,083
Other comprehensive (loss)/income:				
Securities available-for-sale:				
Net gain taken to equity	(6,540)	9,895	6,749	18,985
Income tax relating to components of other comprehensive income	1,635	(2,474)	(1,688)	(4,746)
Other comprehensive (loss)/income for the period, net of tax	(4,905)	7,421	5,061	14,239
Total comprehensive income for the period	8,076	10,630	34,716	19,322

These condensed consolidated statements of comprehensive income should be read in conjunction with the accompanying explanatory notes attached to these 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		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 income	-	-	199	5,675	29,877	35,751
At 30 Jun 2012	2,266,125	34,952	(5,926)	2,432	(807,861)	1,489,722
At 1 Jan 2011	2,266,125	34,952	(7,367)	(15,155)	(366,129)	1,912,426
Total comprehensive (loss)/income	-	-	(895)	14,051	1,878	15,034
At 30 Jun 2011	2,266,125	34,952	(8,262)	(1,104)	(364,251)	1,927,460
Bank						
At 1 Jan 2012	2,266,125	34,952	-	(4,105)	(857,423)	1,439,549
Total comprehensive income	-	-	-	5,061	29,655	34,716
At 30 Jun 2012	2,266,125	34,952	-	956	(827,768)	1,474,265
At 1 Jan 2011	2,266,125	34,952	-	(15,949)	(404,586)	1,880,542
Total comprehensive income	-	-	-	14,239	5,083	19,322
At 30 Jun 2011	2,266,125	34,952	-	(1,710)	(399,503)	1,899,864

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

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INTERIM CONDENSED STATEMENTS OF CASH FLOWS

	Group		Bank	
	30 Jun 2012 Unaudited RM'000	30 Jun 2011 Unaudited RM'000 (restated)	30 Jun 2012 Unaudited RM'000	30 Jun 2011 Unaudited RM'000 (restated)
Profit before zakat and taxation	42,109	5,488	41,850	8,643
Adjustments for non-cash items	(34,848)	55,292	(41,767)	48,199
Operating profit before changes in working capital	7,261	60,780	83	56,842
<u>Changes in the working capital</u>				
Net changes in operating assets	211,079	263,374	207,044	259,495
Net changes in operating liabilities	(650,815)	(496,931)	(693,019)	(503,094)
Zakat and taxation paid	(3,766)	(95)	(3,740)	(59)
Net cash used in operating activities	(443,502)	(233,652)	(489,715)	(243,658)
Net cash generated from investing activities	52,874	15,972	39,393	15,572
Net cash used in from financing activities	-	(23,139)	-	(23,139)
	52,874	(7,167)	39,393	(7,567)
Net change in cash and cash equivalents	(383,367)	(180,039)	(450,239)	(194,383)
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	(5,926)	(9,483)	-	-
Cash and cash equivalents at end of the period	1,583,719	2,460,440	1,626,048	2,548,265

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

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

A1 Performance Review

The Group and the Bank recorded a profit before zakat and taxation of RM42.1 million and RM41.9 million respectively for the period ended 30 June 2012. The total assets of the Group decreased by RM0.6 billion to RM9.5 billion as at 30 June 2012, as compared to RM10.1 billion as at 31 December 2011.

A2 Prospects for 2012

Initiating the implementation of the Bank's Strategic Business Plan, the Bank embarked on its transformation agenda to propel the implementation of the business plan with a number of initiatives that will be implemented for the next two and a half years starting from 1st quarter of 2012. 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.

The Bank expects to further build and strengthen its internal capability and capacity by introducing new business lines, enhancing existing infrastructure and processes and culture. The Bank has given priority to critical areas by implementing key initiatives that will address corporate and commercial credit process improvements, IT strategy and bank-wide development roadmap, optimizing Non-Performing Financing management, proper account planning for corporate and commercial business growth, launching new products or proposition in retail in the first six months of 2012. Human resource transformation and culture change initiatives are also underway to ensure successful implementation of the strategic business plan.

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		
	30 Jun 2012 RM'000	31 Dec 2011 RM'000	1 Jan 2011 RM'000	30 Jun 2012 RM'000	31 Dec 2011 RM'000	1 Jan 2011 RM'000
Licensed Islamic banks	241,812	267,453	78,531	241,812	267,453	78,531
Other financial institutions	209,673	467,520	196,561	209,673	467,520	196,561
	451,485	734,973	275,092	451,485	734,973	275,092

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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

i) Securities Held-For-Trading

At fair value

Unquoted Islamic private debt securities/sukuk

Group			Bank		
30 Jun 2012 RM'000	31 Dec 2011 RM'000	1 Jan 2011 RM'000	30 Jun 2012 RM'000	31 Dec 2011 RM'000	1 Jan 2011 RM'000
102,336	90,216	110,083	102,336	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		
30 Jun 2012 RM'000	31 Dec 2011 RM'000	1 Jan 2011 RM'000	30 Jun 2012 RM'000	31 Dec 2011 RM'000	1 Jan 2011 RM'000
-	-	121,106	-	-	121,106
797,599	880,896	749,752	815,432	850,522	721,731
90,833	123,466	77,341	89,357	106,962	64,096
127,485	72,207	86,307	-	-	-
1,015,917	1,076,569	1,034,506	904,789	957,484	906,933
19,773	19,771	19,000	19,773	19,771	19,000
1,035,690	1,096,340	1,053,506	924,562	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		
30 Jun 2012 RM'000	31 Dec 2011 RM'000	1 Jan 2011 RM'000	30 Jun 2012 RM'000	31 Dec 2011 RM'000	1 Jan 2011 RM'000
31,954	47,125	46,266	31,954	47,125	46,266

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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

i) By type

	Group			Bank		
	30 Jun 2012 Unaudited RM'000	31 Dec 2011 Unaudited RM'000 (restated)	1 Jan 2011 Unaudited RM'000 (restated)	30 Jun 2012 Unaudited RM'000	31 Dec 2011 Unaudited RM'000 (restated)	1 Jan 2011 Unaudited RM'000 (restated)
Term financing						
- Murabahah financing	4,508,763	4,876,583	4,004,141	4,508,763	4,876,583	4,004,141
- Musyarakah financing	310,837	311,819	343,546	310,837	311,819	343,546
- Ijarah asset financing	1,750,857	1,910,347	2,046,766	1,750,857	1,910,347	2,046,766
- Mudharabah asset financing	84,341	85,770	117,887	84,341	85,770	117,887
- Musyarakah Mutanaqisah financing	67,461	81,122	106,782	67,461	81,122	106,782
- Istisna' financing	16,475	20,701	34,735	16,475	20,701	34,735
- Wakalah financing	-	6,768	-	-	6,768	-
- Qard Hassan financing	878	947	32,239	878	947	32,239
Staff financing	9,450	10,221	14,428	9,450	10,221	14,428
	6,749,062	7,304,278	6,700,524	6,749,062	7,304,278	6,700,524
Less : Unearned income	(899,353)	(875,770)	(97,252)	(899,353)	(875,770)	(97,252)
Gross financing, advances and other receivables	5,849,709	6,428,508	6,603,272	5,849,709	6,428,508	6,603,272
Less : Impairment and allowance on financing						
- Collective impairment	(153,245)	(140,866)	(259,942)	(153,245)	(140,866)	(259,942)
- Individual impairment	(522,763)	(1,089,878)	(411,715)	(522,763)	(1,089,878)	(411,715)
Net financing, advances and other receivables	5,173,701	5,197,764	5,931,615	5,173,701	5,197,764	5,931,615

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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 Jun 2012 RM'000	31 Dec 2011 RM'000	1 Jan 2011 RM'000	30 Jun 2012 RM'000	31 Dec 2011 RM'000	1 Jan 2011 RM'000
Ijarah Muntahia Bittamlik (lease ended with ownership)	1,746,026	1,908,174	2,055,618	1,746,026	1,908,174	2,055,618
Murabahah (cost-plus)	3,630,938	4,022,022	3,927,781	3,630,938	4,022,022	3,927,781
Wakalah	-	6,768	-	-	6,768	-
Mudharabah (profit sharing)	84,341	85,770	117,887	84,341	85,770	117,887
Musarakah (profit and loss sharing)	379,344	394,289	451,858	379,344	394,289	451,858
Qard (benevolent financing)	949	1,030	32,530	949	1,030	32,530
Istisna'	8,111	10,455	17,598	8,111	10,455	17,598
	5,849,709	6,428,508	6,603,272	5,849,709	6,428,508	6,603,272

iii) By type of customer

	Group			Bank		
	30 Jun 2012 RM'000	31 Dec 2011 RM'000	1 Jan 2011 RM'000	30 Jun 2012 RM'000	31 Dec 2011 RM'000	1 Jan 2011 RM'000
Domestic business enterprises						
- Small medium enterprises	657,013	756,610	1,135,776	657,013	756,610	1,135,776
- Others	3,191,567	3,274,786	3,849,198	3,191,567	3,274,786	3,849,198
Individuals	1,441,422	1,324,218	204,778	1,441,422	1,324,218	204,778
Other domestic entities	116,194	107,058	86,446	116,194	107,058	86,446
Foreign entities	330,384	856,713	1,238,677	330,384	856,713	1,238,677
Domestic non-bank financial institutions	113,129	109,123	88,397	113,129	109,123	88,397
	5,849,709	6,428,508	6,603,272	5,849,709	6,428,508	6,603,272

iv) By profit rate sensitivity

	Group			Bank		
	30 Jun 2012 RM'000	31 Dec 2011 RM'000	1 Jan 2011 RM'000	30 Jun 2012 RM'000	31 Dec 2011 RM'000	1 Jan 2011 RM'000
Fixed rate						
- House financing	26,040	27,952	99,053	26,040	27,952	99,053
- Hire purchase receivables	59,227	52,878	6,902	59,227	52,878	6,902
- Syndicated financing	324,755	320,522	479,286	324,755	320,522	479,286
- Term financing	3,438,173	2,231,079	1,626,858	3,438,173	2,231,079	1,626,858
Variable rate						
- House financing	184,693	201,385	128,594	184,693	201,385	128,594
- Term financing	1,816,821	3,594,692	4,262,579	1,816,821	3,594,692	4,262,579
	5,849,709	6,428,508	6,603,272	5,849,709	6,428,508	6,603,272

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

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

v) By sector

	Group			Bank		
	30 Jun 2012 RM'000	31 Dec 2011 RM'000	1 Jan 2011 RM'000	30 Jun 2012 RM'000	31 Dec 2011 RM'000	1 Jan 2011 RM'000
Agriculture, hunting, forestry & fishing	70,603	122,683	203,019	70,603	122,683	203,019
Mining and quarrying	320,294	416,667	443,073	320,294	416,667	443,073
Manufacturing	939,513	829,907	1,063,816	939,513	829,907	1,063,816
Electricity, gas and water	91,381	151,341	273,136	91,381	151,341	273,136
Construction	224,128	250,153	500,568	224,128	250,153	500,568
Real estate	1,194,179	1,412,501	1,599,608	1,194,179	1,412,501	1,599,608
Purchase of landed property:						
- Residential	321,738	295,022	174,617	321,738	295,022	174,617
Wholesale & retail trade and restaurant & hotels	387,945	558,581	575,865	387,945	558,581	575,865
Transport, storage and communication	571,027	630,003	721,796	571,027	630,003	721,796
Finance, insurance and business services	374,296	473,949	696,682	374,296	473,949	696,682
Purchase of securities	50,125	48,806	46,148	50,125	48,806	46,148
Purchase of transport vehicles	68,058	52,878	6,902	68,058	52,878	6,902
Consumption credit	1,023,155	952,044	4,773	1,023,155	952,044	4,773
Others	213,267	233,973	293,269	213,267	233,973	293,269
	5,849,709	6,428,508	6,603,272	5,849,709	6,428,508	6,603,272

vi) Movements in impaired financing, advances and other receivables

	Group			Bank		
	30 Jun 2012 RM'000	31 Dec 2011 RM'000	1 Jan 2011 RM'000	30 Jun 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
Movement during the period/year	(594,632)	699,661	527,751	(594,632)	699,661	527,751
- Impaired during the period/year	108,209	1,082,316	527,751	108,209	1,082,316	527,751
- Declassified to performing during the period/year	(26,823)	(140,414)	-	(26,823)	(140,414)	-
- Amount recovered	(116,969)	(131,514)	-	(116,969)	(131,514)	-
- Amount written off	(559,049)	(110,727)	-	(559,049)	(110,727)	-
Disposal of financing and advances under SPSIA arrangement (Notes B16)	-	-	(686,570)	-	-	(686,570)
Closing balance	899,016	1,493,648	793,987	899,016	1,493,648	793,987
Ratio of net impaired financing, advances and other receivables to gross financing, advances and other receivables less individual impairment	7.06%	7.56%	6.17%	7.06%	7.56%	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 Jun 2012 Unaudited RM'000	31 Dec 2011 Unaudited RM'000 (restated)	1 Jan 2011 Unaudited RM'000 (restated)	30 Jun 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 Closing balance	12,379	(119,076)	-	12,379	(119,076)	-
	153,245	140,866	259,942	153,245	140,866	259,942
As % of total gross financing, advances and other receivables less individual impairment	2.88%	2.64%	4.20%	2.88%	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	(20,507)	796,263	186,244	(20,507)	796,263	186,244
- Allowance made	20,164	950,387	564,291	20,164	950,387	564,291
- Allowance written-back	(40,671)	(154,124)	(378,047)	(40,671)	(154,124)	(378,047)
Amount written off	(546,608)	(110,727)	-	(546,608)	(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	522,763	1,089,878	411,715	522,763	1,089,878	411,715

viii) Impaired financing by sector

	Group			Bank		
	30 Jun 2012 RM'000	31 Dec 2011 RM'000	1 Jan 2011 RM'000	30 Jun 2012 RM'000	31 Dec 2011 RM'000	1 Jan 2011 RM'000
Agriculture, hunting, forestry & fishing	46,169	94,885	78,094	46,169	94,885	78,094
Mining and quarrying	122,409	123,153	137,424	122,409	123,153	137,424
Construction	27,641	15,947	57,835	27,641	15,947	57,835
Electricity, gas and water	31,356	84,271	-	31,356	84,271	-
Manufacturing	365,012	435,188	55,436	365,012	435,188	55,436
Real estate	70,795	316,439	170,249	70,795	316,439	170,249
Wholesale & retail trade and restaurant & hotels	133,566	134,892	9,326	133,566	134,892	9,326
Transport, storage and communication	56,306	174,350	175,430	56,306	174,350	175,430
Finance, insurance and business services	35,780	110,381	76,663	35,780	110,381	76,663
Others	9,982	4,142	33,530	9,982	4,142	33,530
	899,016	1,493,648	793,987	899,016	1,493,648	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 Jun 2012 RM'000	31 Dec 2011 RM'000	1 Jan 2011 RM'000	30 Jun 2012 RM'000	31 Dec 2011 RM'000	1 Jan 2011 RM'000
Deposits and prepayments	32,634	27,084	7,298	32,307	26,696	6,594
Amount due from holding company	294	288	674	294	288	674
Amount due from subsidiaries	-	-	-	4	17	9,628
Amount due from other related parties	1,615	1,615	1,620	1,615	1,615	1,620
Fee receivable	1,389	270	-	1,389	270	-
Sundry debtors	617	4,665	35,034	180	240	6,846
Commodity assets	305,062	195,604	260,003	305,062	195,604	260,003
Tax recoverable	34,783	34,794	52,564	34,807	34,807	52,596
Gold depository	159,306	147,410	28,489	159,306	147,411	28,489
	535,700	411,730	385,682	534,964	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

Group and Bank

At 30 Jun 2012

Forward foreign exchange related contracts
Ijarah rental swap related contracts
Total

At 31 Dec 2011

Forward foreign exchange related contracts
Ijarah rental swap related contracts
Total

At 1 Jan 2011

Forward foreign exchange related contracts
Ijarah rental swap related contracts
Total

Notional Amount RM'000	Fair Value	
	Assets RM'000	Liabilities RM'000
277,520	25	5,249
606,579	43,035	38,891
884,099	43,060	44,140
917,884	719	34,338
618,888	42,969	38,317
1,536,772	43,688	72,655
1,128,680	38,760	5,023
690,229	41,872	34,766
1,818,909	80,632	39,789

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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 Jun 2012 RM'000	31 Dec 2011 RM'000	1 Jan 2011 RM'000	30 Jun 2012 RM'000	31 Dec 2011 RM'000	1 Jan 2011 RM'000
Non Mudharabah						
- Demand deposits	404,986	465,933	374,023	408,277	467,665	375,596
- Gold deposits	160,005	149,578	29,493	160,005	149,578	29,493
- Wakalah deposits	223,235	531,609	11,870	223,235	531,609	11,870
Mudharabah						
- Savings deposits	46,037	37,368	27,178	46,037	37,368	27,178
- General investment deposits	269,333	277,602	343,191	269,333	277,602	343,191
- Negotiable Instrument Deposit	617,060	601,716	-	617,060	601,716	-
Murabahah	1,939,563	2,654,048	3,774,282	1,939,563	2,654,048	3,774,282
	3,660,219	4,717,854	4,560,037	3,663,510	4,719,586	4,561,610

(ii) By type of customer

	Group			Bank		
	30 Jun 2012 RM'000	31 Dec 2011 RM'000	1 Jan 2011 RM'000	30 Jun 2012 RM'000	31 Dec 2011 RM'000	1 Jan 2011 RM'000
Business enterprises	1,805,461	2,367,190	2,290,527	1,803,365	2,365,171	2,290,222
Individuals	528,491	210,708	175,805	528,491	210,708	175,805
Subsidiaries	-	-	-	5,387	3,749	1,878
Government and statutory bodies	695,379	1,344,183	1,399,716	695,379	1,344,183	1,399,716
Other enterprises	630,888	795,773	693,989	630,888	795,775	693,989
	3,660,219	4,717,854	4,560,037	3,663,510	4,719,586	4,561,610

A11 Deposits and Placements of Banks and Other Financial Institutions

	Group			Bank		
	30 Jun 2012 RM'000	31 Dec 2011 RM'000	1 Jan 2011 RM'000	30 Jun 2012 RM'000	31 Dec 2011 RM'000	1 Jan 2011 RM'000
<u>Murabahah</u>						
Licensed Islamic banks	604,823	404,534	263,740	585,596	404,277	263,740
Bank Negara Malaysia	321,128	339,083	246,951	321,128	339,084	246,951
Licensed investment banks	-	-	30,765	-	-	30,765
Other financial institutions	1,512,691	1,453,162	2,937,233	1,522,606	1,470,888	2,945,186
<u>Wakalah</u>						
Licensed Islamic banks	308,888	-	-	292,982	-	-
Other financial institutions	683,166	937,793	-	683,166	937,793	-
	3,430,696	3,134,572	3,478,689	3,405,478	3,152,042	3,486,642

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A12 Other Liabilities

	Group			Bank		
	30 Jun 2012 RM'000	31 Dec 2011 RM'000	1 Jan 2011 RM'000	30 Jun 2012 RM'000	31 Dec 2011 RM'000	1 Jan 2011 RM'000
Sundry creditors	152,087	138,672	105,536	150,557	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	300,990	195,037	256,700	300,990	195,037	256,700
Accrued restoration cost	3,811	3,808	3,266	3,699	3,698	3,200
Other provisions and accruals	17,240	26,673	27,895	16,611	25,595	26,894
	475,693	365,785	398,002	473,422	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 RM317,715,000 (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").

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A14 Income derived from Investment of Depositors' Funds and Others

	2nd Quarter ended 30 Jun		Half-year ended 30 Jun	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Group				
Income derived from investment of:				
- General investment deposits	3,336	3,260	6,502	6,899
- Other deposits	90,954	76,547	192,309	154,182
	94,290	79,807	198,811	161,081
Bank				
Income derived from investment of:				
- General investment deposits	3,318	3,251	6,477	6,900
- Other deposits	90,557	76,364	191,737	154,234
	93,875	79,615	198,214	161,134

(i) Income derived from investment of general investment deposits

	2nd Quarter ended 30 Jun		Half-year ended 30 Jun	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Group				
Finance income from financing, advances and other receivables	2,291	2,053	4,413	4,696
Finance income from impaired financing	51	229	135	313
Securities				
- Held-for-trading	23	41	40	63
- Available-for-sale	352	187	669	398
- Held-to-maturity	6	12	16	26
Money at call and deposits with financial institutions	305	618	799	1,076
	3,028	3,140	6,073	6,572
Amortisation of premium less accretion of discounts	(51)	(14)	(93)	(16)
Total finance income and hibah	2,977	3,126	5,980	6,556
Gain arising from sale of securities				
- Held-for-trading	12	30	24	33
- Available-for-sale	250	-	318	-
Foreign exchange gain	87	92	161	246
Gain on Ijarah rental swap obligation	10	12	19	64
	3,336	3,260	6,502	6,899

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

(i) Income derived from investment of general investment deposits

	2nd Quarter ended 30 Jun		Half-year ended 30 Jun	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Bank				
Finance income from financing, advances and other receivables	2,292	2,059	4,416	4,711
Finance income from impaired financing	51	230	135	314
Securities				
- Held-for-trading	17	28	34	53
- Available-for-sale	334	175	636	372
- Held-to-maturity	7	12	16	26
Money at call and deposits with financial institutions	309	628	810	1,096
Amortisation of premium less accretion of discounts	3,010	3,132	6,047	6,572
Total finance income and hibah	(51)	(14)	(93)	(16)
	2,959	3,118	5,954	6,556
Gain arising from sale of securities				
- Held-for-trading	11	30	23	33
- Available-for-sale	250	-	318	-
Foreign exchange gain	88	92	163	247
Gain on Ijarah rental swap obligation	10	12	19	64
	3,318	3,251	6,477	6,900

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

(ii) Income derived from investment of other deposits

<u>Group</u>	2nd Quarter ended 30 Jun		Half-year ended 30 Jun	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Finance income from financing, advances and other receivables	62,336	48,298	130,186	104,751
Finance income from impaired financing	1,467	5,214	4,127	7,018
Securities				
- Held-for-trading	613	955	1,153	1,413
- Available-for-sale	9,595	4,413	19,842	8,893
- Held-to-maturity	173	288	465	573
Money at call and deposits with financial institutions	8,355	14,597	24,157	24,362
	82,539	73,765	179,930	147,010
Amortisation of premium less accretion of discounts	(1,400)	(335)	(2,754)	(366)
Total finance income and hibah	81,139	73,430	177,176	146,644
Gain arising from sale of securities				
- Held-for-trading	300	674	663	746
- Available-for-sale	6,877	-	9,158	-
Foreign exchange gain	2,362	2,166	4,752	5,432
Gain on Ijarah rental swap obligation	276	277	560	1,360
	90,954	76,547	192,309	154,182

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

(ii) Income derived from investment of other deposits

	2nd Quarter ended 30 Jun		Half-year ended 30 Jun	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Bank				
Finance income from financing, advances and other receivables	62,443	48,437	130,348	105,070
Finance income from impaired financing	1,470	5,229	4,132	7,039
Securities				
- Held-for-trading	463	659	1,010	1,192
- Available-for-sale	9,114	4,123	18,871	8,337
- Held-to-maturity	173	289	465	575
Money at call and deposits with financial institutions	8,466	14,836	24,494	24,829
Amortisation of premium less accretion of discounts	82,129	73,573	179,320	147,042
Total finance income and hibah	(1,403)	(335)	(2,757)	(368)
	80,726	73,238	176,563	146,674
Gain arising from sale of securities				
- Held-for-trading	300	676	684	748
- Available-for-sale	6,888	-	9,170	-
Foreign exchange gain	2,366	2,172	4,758	5,448
Gain on Ijarah rental swap obligation	277	278	562	1,364
	90,557	76,364	191,737	154,234

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A15 Income derived from Investment of Shareholder's Equity

<u>Group</u>	2nd Quarter ended 30 Jun		Half-year ended 30 Jun	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Finance income from financing, advances and other receivables	12,678	13,190	23,758	29,177
Finance income from impaired financing	286	1,458	721	1,962
Securities				
- Held-for-trading	126	263	215	393
- Available-for-sale	1,946	1,204	3,607	2,475
- Held-to-maturity	35	79	83	160
Money at call and deposits with financial institutions	1,690	3,973	4,268	6,741
	16,761	20,167	32,652	40,909
Amortisation of premium less accretion of discounts	(284)	(90)	(501)	(99)
Total finance income and hibah	16,477	20,077	32,151	40,810
Fee income				
- Commission	487	619	1,476	1,217
- Other fee income	3,761	2,167	7,031	3,839
- Fund management fee	871	1,022	1,716	2,060
Gain arising from sale of securities				
- Held-for-trading	61	189	121	209
- Available-for-sale	1,381	-	1,739	-
Unrealised loss on revaluation of securities held-for-trading and Ijarah rental swap (net)	(141)	(1,785)	(498)	(2,083)
Foreign exchange (loss)/gain	(2,567)	4,613	7,568	5,139
Gain on Ijarah rental swap obligation	56	76	103	389
Other income	68	-	89	-
Gross dividend from property funds	293	324	592	639
	20,747	27,302	52,088	52,219

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A15 Income derived from Investment of Shareholder's Equity (cont'd.)

	2nd Quarter ended 30 Jun		Half-year ended 30 Jun	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Bank				
Finance income from financing, advances and other receivables	12,566	13,046	23,590	28,846
Finance income from impaired financing	283	1,441	716	1,940
Securities				
- Held-for-trading	93	177	182	326
- Available-for-sale	1,829	1,110	3,401	2,286
- Held-to-maturity	35	78	83	158
Money at call and deposits with financial institutions	1,695	3,983	4,294	6,774
	16,501	19,835	32,266	40,330
Amortisation of premium less accretion of discounts	(281)	(89)	(497)	(98)
Total finance income and hibah	16,220	19,746	31,769	40,232
Fee income				
- Commission	490	620	1,479	1,218
- Other fee income	3,760	2,160	7,028	3,832
Gain arising from sale of securities				
- Held-for-trading	60	187	123	207
- Available-for-sale	1,370	-	1,727	-
Unrealised loss on revaluation of securities held-for-trading and Ijarah rental swap (net)	48	(1,390)	(315)	(1,785)
Foreign exchange gain	(2,743)	4,610	7,520	4,943
Management fee	(97)	194	(641)	389
Gain on Ijarah rental swap obligation	56	76	102	384
	19,164	26,203	48,792	49,420

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A16 Impairment and Allowance on Financing, Advances and Other Receivables

	2nd Quarter ended 30 Jun		Half-year ended 30 Jun	
	2012 Unaudited RM'000	2011 Unaudited RM'000 (restated)	2012 Unaudited RM'000	2011 Unaudited RM'000 (restated)
Group				
Impairment and allowance on financing				
- Collective impairment (net)	2,514	1,747	12,379	(20,503)
- Individual (write-back)/impairment (net)	(5,910)	1,606	(20,507)	39,717
Allowance charge during the period	16,193	115,734	20,164	165,762
Allowance written-back during the period	(22,103)	(114,128)	(40,671)	(126,045)
	(3,396)	3,353	(8,128)	19,214
Bank				
Impairment and allowance on financing				
- Collective impairment (net)	2,514	1,747	12,379	(20,503)
- Individual (write-back)/impairment (net)	(5,910)	1,606	(20,507)	39,717
Allowance charge during the period	16,193	115,734	20,164	165,762
Allowance written-back during the period	(22,103)	(114,128)	(40,671)	(126,045)
	(3,396)	3,353	(8,128)	19,214

A17 Income Attributable to the Depositors

	2nd Quarter ended 30 Jun		Half-year ended 30 Jun	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Group				
Deposits from customers				
- Mudharabah	2,223	2,538	4,495	4,956
- Murabahah	17,729	28,577	40,832	54,831
- Wakalah	1,585	-	4,970	-
- Negotiable Instrument Deposit	5,697	-	11,563	-
Deposits and placements of banks and other financial institutions				-
- Murabahah and Wakalah	22,711	19,119	47,770	36,890
Others	14	-	25	-
	49,959	50,234	109,655	96,677
Bank				
Deposits from customers				
- Mudharabah	2,223	2,538	4,495	4,956
- Murabahah	17,729	28,624	40,832	54,935
- Wakalah	1,585	-	4,970	-
- Negotiable Instrument Deposit	5,697	-	11,563	-
Deposits and placements of banks and other financial institutions				-
- Murabahah	22,673	19,115	47,789	36,886
Others	14	-	25	-
	49,921	50,277	109,674	96,777

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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 30 Jun 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	449,330	449,330	298,743	637,113	637,113	411,526
Transaction related contingencies	114,722	57,361	39,115	108,859	54,429	38,877
Trade related contingencies	42,091	8,418	7,851	28,683	5,737	4,990
Irrevocable commitments to extend credit						
- maturity less than one year	457,973	91,595	87,913	395,901	79,180	77,513
- maturity more than one year	786,097	393,049	378,143	809,077	404,538	437,906
Foreign exchange related contracts *						
- less than one year	277,520	4,180	1,682	917,884	11,668	6,218
- one year to five years	198,463	10,353	6,286	197,286	14,610	8,833
- five years and above	102,899	9,560	4,958	101,772	11,032	3,714
Profit rate related contracts (Ijarah rental swap obligation) *						
- five years and above	305,217	42,220	34,895	319,830	43,331	35,655
	2,734,312	1,066,066	859,586	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").

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A19. Credit transactions and exposures with connected parties

As at 30 Jun 2012			
Total outstanding value RM'000	Total number of accounts	Total exposure * RM'000	Total non- performing credit exposure RM'000
Bank			
Financing, credit facility and leasing (except guarantee)	508,800	5	511,150
Equities and Islamic Private Debt Securities held	23,100	2	23,100
Off-balance sheet exposures	-	1	1,000
	531,900	8	535,250
Total exposure to connected parties as % capital base		36.2%	0.0%
Total exposure to connected parties as % of total outstanding credit exposures		8.5%	0.0%

As at 31 Dec 2011			
Total outstanding value RM'000	Total number of accounts	Total exposure * RM'000	Total non- performing credit exposure RM'000
Bank			
Financing, credit facility and leasing (except guarantee)	555,011	9	571,892
Equities and Islamic Private Debt Securities held	117,216	3	122,100
Off-balance sheet exposures	35	1	1,000
	672,262	13	694,992
Total exposure to connected parties as % capital base		47.0%	1.4%
Total exposure to connected parties as % of total outstanding credit exposures		10.0%	0.3%

* Included total outstanding and unutilised limit.

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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.

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

In addition, the Bank has also provided detailed Capital Adequacy disclosures as per the requirements stipulated in Bank Negara Malaysia CAFIB - Disclosures Requirements (Pillar 3) guidelines, as set out in Notes A20 (c), (d), (e), (f) and (g).

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

	Group		Bank	
	30 Jun 2012	31 Dec 2011 (restated)	30 Jun 2012	31 Dec 2011 (restated)
Core capital ratio				
Credit risk	15.49%	14.91%	15.44%	14.77%
Credit, market, operational and large exposure risks	13.95%	13.82%	13.92%	13.71%
Risk-weighted capital ratio				
Credit risk	20.46%	19.93%	19.86%	19.24%
Credit, market, operational and large exposure risks	18.43%	18.47%	17.90%	17.86%

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

	Group		Bank	
	30 Jun 2012 RM'000	31 Dec 2011 RM'000 (restated)	30 Jun 2012 RM'000	31 Dec 2011 RM'000 (restated)
<u>Tier I capital</u>				
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
<u>Tier II capital</u>				
Subordinated Murabahah Tawarruq	222,401	253,440	222,401	253,440
Collective impairment on financing	152,789	140,378	152,789	140,378
Total Tier II capital	375,190	393,818	375,190	393,818
Less: Investment in subsidiaries	-	-	(46,193)	(46,193)
Capital base	1,544,618	1,563,246	1,478,827	1,497,455

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A20 Capital Adequacy (Cont' d.)

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

	Group		Bank	
	30 Jun 2012 RM'000	31 Dec 2011 RM'000 (restated)	30 Jun 2012 RM'000	31 Dec 2011 RM'000 (restated)
Computation of Total Risk-Weighted Assets (RWA)				
Total Credit RWA	7,550,787	7,845,359	7,447,585	7,783,184
Total Market RWA	337,888	102,799	337,888	102,799
Total Operational RWA	481,239	504,470	464,699	487,523
Large Exposure Risk RWA for Equity Hldgs	11,948	11,948	11,948	11,948
Total Risk-Weighted Assets	8,381,862	8,464,576	8,262,120	8,385,454
Computation of Capital Ratios				
Core Capital	1,169,428	1,169,428	1,149,830	1,149,830
Capital Base	1,544,618	1,563,246	1,478,827	1,497,455
Core Capital Ratio	13.95%	13.82%	13.92%	13.71%
Risk-Weighted Capital Ratio	18.43%	18.47%	17.90%	17.86%

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A20 Capital Adequacy (Cont'd)

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

Group	Gross Exposures	Net Exposures **	Risk Weighted Assets	Total Risk Weighted Assets After Effects of PSIA	Capital Requirement
As at 30 Jun 2012	RM'000	RM'000	RM'000	RM'000	RM'000
(i) Credit Risk					
(a) On-Balance Sheet Exposures					
Sovereigns/Central Banks	891,077	891,077	129,887	129,887	10,391
Public Sector Entities	68,656	68,656	-	-	-
Banks, Development Financial Institutions & MDBs	1,731,643	1,731,643	405,659	405,659	32,453
Corporates	3,220,096	3,220,096	3,079,280	3,079,280	246,342
Regulatory Retail	1,366,799	1,366,799	1,025,100	1,025,100	82,008
Residential Mortgages	116,158	116,158	44,942	44,942	3,595
Higher Risk Assets ¹	257,631	257,631	386,447	386,447	30,916
Other Assets	749,742	749,742	564,313	564,313	45,145
Defaulted Exposures ²	805,527	805,527	1,055,573	1,055,573	84,446
	9,207,329	9,207,329	6,691,201	6,691,201	535,296
(b) Off-Balance Sheet Exposures*					
OTC Hedging Financial Instruments ³	66,314	66,314	47,821	47,821	3,826
Off balance sheet exposures other than OTC hedging financial instruments ⁴	999,752	999,752	811,765	811,765	64,941
Defaulted Exposures ²	-	-	-	-	-
	1,066,066	1,066,066	859,586	859,586	68,767
Total On and Off-Balance Sheet Exposures	10,273,395	10,273,395	7,550,787	7,550,787	604,063
(ii) Large Exposures Risk Requirement					
	24,898	24,898	11,948	11,948	956
(iii) Market Risk					
	Long Position	Short Position			
Benchmark Rate Risk	674,620	(629,443)	45,177	41,852	3,348
Foreign Currency Risk ^b	23,351	(295,023)	(271,672)	295,975	23,678
Inventory Risk	32	-	32	61	5
		(226,463)	337,888	337,888	27,031
(iv) Operational Risk					
			481,239	481,239	38,499
(v) Total RWA and Capital Requirements					
			8,381,862	8,381,862	670,549

Note:

** After netting and credit risk mitigation

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

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A20 Capital Adequacy (Cont'd)

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

Group	Gross Exposures	Net Exposures **	Risk-Weighted Assets	Total Risk-Weighted Assets After Effects of PSIA	Capital Requirement
	RM'000	RM'000	RM'000	RM'000	RM'000
31 Dec 2011					
(i) Credit Risk					
(a) On-Balance Sheet Exposures					
Sovereigns/Central Banks	1,335,299	1,335,299	20,551	20,551	1,644
Public Sector Entities	110,204	110,204	-	-	-
Banks, Development Financial Institutions & MDBs	2,185,042	2,185,042	762,704	762,704	61,016
Corporates	3,497,139	3,497,139	3,210,729	3,210,729	256,858
Regulatory Retail	883,177	883,177	662,345	662,345	52,988
Residential Mortgages	68,365	68,365	28,381	28,381	2,270
Higher Risk Assets ¹	261,827	261,827	392,740	392,740	31,419
Other Assets	557,205	557,205	383,738	383,738	30,699
Defaulted Exposures ²	997,833	997,833	1,358,939	1,358,939	108,715
	9,896,091	9,896,091	6,820,127	6,820,127	545,609
(b) Off-Balance Sheet Exposures*					
OTC Hedging Financial Instruments ³	79,818	79,818	53,184	53,184	4,255
Off-balance sheet exposures other than OTC hedging financial instruments ⁴	1,175,981	1,175,981	964,039	964,039	77,123
Defaulted Exposures ²	5,839	5,839	8,009	8,009	641
	1,261,638	1,261,638	1,025,232	1,025,232	82,019
Total On and Off-Balance Sheet Exposures	11,157,729	11,157,729	7,845,359	7,845,359	627,628
(ii) Large Exposures Risk Requirement	24,898	24,898	11,948	11,948	956
	Long Position	Short Position			
(iii) Market Risk					
Benchmark Rate Risk	679,480	(645,623)	33,857	20,812	1,665
Foreign Currency Risk ⁵	78,952	(27,198)	51,754	81,926	6,554
Inventory Risk	32	-	32	61	5
			85,643	102,799	8,224
(iv) Operational Risk			504,470	504,470	40,358
(v) Total RWA and Capital Requirements			8,464,576	8,464,576	677,166

Note:

** After netting and credit risk mitigation

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

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

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

⁴ Comprising of trade finance facilities, underwriting and undrawn balances.

⁵ Representing the sum of all individual non-Ringggit Net Open Positions. Computation is as per section D.8.2 paragraph 224 of CAFIB guidelines issued by Bank Negara Malaysia.

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A20 Capital adequacy (Cont'd.)

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

Bank	Gross Exposures	Net Exposures **	Risk Weighted Assets	Total Risk Weighted Assets After Effects of PSIA	Capital Requirement
As at 30 Jun 2012	RM'000	RM'000	RM'000	RM'000	RM'000
(i) Credit Risk					
(a) On-Balance Sheet Exposures					
Sovereigns/Central Banks	889,601	889,601	129,592	129,592	10,367
Public Sector Entities	68,656	68,656	-	-	-
Banks, Development Financial Institutions & MDBs	1,773,971	1,773,971	414,125	414,125	33,130
Corporates	3,237,929	3,237,929	3,097,113	3,097,113	247,769
Regulatory Retail	1,366,799	1,366,799	1,025,099	1,025,099	82,008
Residential Mortgages	116,158	116,158	44,942	44,942	3,595
Higher Risk Assets ¹	257,631	257,631	386,447	386,447	30,916
Other Assets	620,537	620,537	435,108	435,108	34,809
Defaulted Exposures ²	805,527	805,527	1,055,573	1,055,573	84,446
	9,136,809	9,136,809	6,587,999	6,587,999	527,040
(b) Off-Balance Sheet Exposures*					
OTC Hedging Financial Instruments ³	66,314	66,314	47,821	47,821	3,826
Off balance sheet exposures other than OTC hedging financial instruments ⁴	999,752	999,752	811,765	811,765	64,941
	1,066,066	1,066,066	859,586	859,586	68,767
Total On and Off-Balance Sheet Exposures	10,202,875	10,202,875	7,447,585	7,447,585	595,807
(ii) Large Exposures Risk Requirement					
	24,898	24,898	11,948	11,948	956
(iii) Market Risk					
	Long Position	Short Position			
Benchmark Rate Risk	674,620	(629,443)	45,177	41,852	3,348
Foreign Currency Risk ⁵	23,351	(295,023)	(271,672)	295,975	23,678
Inventory Risk	32	-	32	61	5
		(226,463)	337,888	337,888	27,031
(iv) Operational Risk					
(v) Total RWA and Capital Requirements					
			464,699	464,699	37,176
			8,262,120	8,262,120	660,970

Note:

** After netting and credit risk mitigation

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

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

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

⁴ Comprising of trade finance facilities, underwriting and undrawn balances.

⁵ Representing the sum of all individual non-Ringgit Net Open Positions. Computation is as per section D.8.2 paragraph 224 of CAFIB guidelines issued by Bank Negara Malaysia.

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A20 CAPITAL ADEQUACY (Cont'd.)

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

Bank	Gross Exposures	Net Exposures **	Risk-Weighted Assets	Total Risk-Weighted Assets After Effects of PSIA	Capital Requirement
	RM'000	RM'000	RM'000	RM'000	RM'000
31 Dec 2011					
(i) Credit Risk					
(a) On-Balance Sheet Exposures					
Sovereigns/Central Banks	1,322,037	1,322,037	17,900	17,900	1,432
Public Sector Entities	110,204	110,204	-	-	-
Banks, Development Financial Institutions & MDBs	2,253,081	2,253,081	778,815	778,815	62,305
Corporates	3,498,726	3,498,726	3,212,316	3,212,316	256,985
Regulatory Retail	883,177	883,177	662,345	662,345	52,988
Residential Mortgages	68,365	68,365	28,381	28,381	2,270
Higher Risk Assets ¹	261,795	261,795	392,692	392,692	31,416
Other Assets	480,031	480,031	306,564	306,564	24,525
Defaulted Exposures ²	997,832	997,832	1,358,939	1,358,939	108,715
	9,875,248	9,875,248	6,757,952	6,757,952	540,636
(b) Off-Balance Sheet Exposures⁴					
OTC Hedging Financial Instruments ³	79,818	79,818	53,184	53,184	4,255
Off-balance sheet exposures other than OTC hedging financial instruments ⁴	1,175,981	1,175,981	964,039	964,039	77,123
Defaulted Exposures ²	5,839	5,839	8,009	8,009	641
	1,261,638	1,261,638	1,025,232	1,025,232	82,019
Total On and Off-Balance Sheet Exposures	11,136,886	11,136,886	7,783,184	7,783,184	622,655
(ii) Large Exposures Risk Requirement	24,898	24,898	11,948	11,948	956
	Long Position	Short Position			
(iii) Market Risk					
Benchmark Rate Risk	673,041	(645,623)	27,418	20,812	1,665
Foreign Currency Risk ⁵	78,952	(27,198)	51,754	81,926	6,554
Inventory Risk	32	-	32	61	5
		79,204	102,799	102,799	8,224
(iv) Operational Risk			487,523	487,523	39,002
(v) Total RWA and Capital Requirements			8,385,454	8,385,454	670,837

Note:

** After netting and credit risk mitigation

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

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

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

⁴ Comprising of trade finance facilities, underwriting and undrawn balances.

⁵ Representing the sum of all individual non-Ringggit Net Open Positions. Computation is as per section D.8.2 paragraph 224 of CAFIB guidelines issued by Bank Negara Malaysia.

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A20 Capital adequacy (Cont'd.)

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

		Exposures after Netting and Credit Risk Mitigation						Total Exposures after Netting and Credit Risk Mitigation	Total Risk Weighted Assets
Sovereigns & Central Banks	Public Sector Entities	Banks, MDBs and DFIs	Corporate	Regulatory Retail	Residential Mortgages	Higher Risk Assets	Other Assets		
Group	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
As at 30 Jun 2012									
Risk-Weights									
0%	241,642	68,656	-	57,954	-	-	185,429	553,681	-
20%	649,434	1,271	1,564,352	104,637	-	-	-	2,319,694	463,939
35%	-	-	-	-	-	87,583	-	87,583	30,654
50%	-	-	215,446	527,685	7	28,575	-	771,713	385,857
75%	-	-	-	-	1,382,818	-	-	1,382,818	1,037,113
100%	-	-	-	3,638,188	936	3,832	-	564,313	4,207,269
150%	-	-	5,463	462,017	2,925	-	480,232	950,637	1,425,955
	891,076	69,927	1,785,261	4,790,481	1,386,686	119,990	480,232	749,742	10,273,395
As at 31 Dec 2011									
Risk-Weights									
0%	1,232,542	110,204	58,067	203,755	50	-	-	173,467	1,778,085
20%	102,757	2,574	1,021,571	112,231	-	-	-	1,239,133	247,827
35%	-	-	-	-	-	38,678	-	38,678	13,537
50%	-	-	1,171,717	590,760	1	29,687	-	1,792,165	896,083
75%	-	-	-	-	886,576	-	-	886,576	664,932
100%	-	-	-	3,839,577	-	-	-	383,738	4,223,315
150%	-	-	-	738,010	164	-	461,603	1,199,777	1,799,665
	1,335,299	112,778	2,251,355	5,484,333	886,791	68,365	461,603	557,205	11,157,729
									7,845,359

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A20 Capital adequacy (Cont'd.)

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

		Exposures after Netting and Credit Risk Mitigation							Total Exposures after Netting and Credit Risk Mitigation	Total Risk Weighted Assets
Bank	Risk-Weights	Sovereigns & Central Banks	Public Sector Entities	Banks, MDB s and DFIs	Corporate	Residential Mortgages	Higher Risk Assets	Other Assets		
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
As at 30 Jun 2012										
	0%	241,642	68,656	-	57,954	-	-	185,429	553,681	-
	20%	647,958	1,271	1,606,680	104,637	-	-	-	2,360,546	472,110
	35%	-	-	-	-	87,583	-	-	87,583	30,654
	50%	-	-	215,446	527,685	28,575	-	-	771,714	385,857
	75%	-	-	-	-	-	-	-	1,382,818	1,037,113
	100%	-	-	-	3,656,021	3,832	-	435,108	4,095,896	4,095,896
	150%	-	-	5,463	462,017	-	480,232	-	950,637	1,425,955
		889,600	69,927	1,827,589	4,808,314	119,990	480,232	620,537	10,202,875	7,447,585
As at 31 Dec 2011										
	0%	1,232,542	110,204	45,541	203,755	-	-	173,467	1,765,559	-
	20%	89,495	2,574	1,102,135	112,231	-	-	-	1,306,435	261,287
	35%	-	-	-	-	38,678	-	-	38,678	13,537
	50%	-	-	1,171,717	590,760	29,687	-	-	1,792,165	896,082
	75%	-	-	-	-	-	-	-	886,576	664,932
	100%	-	-	-	3,841,164	-	-	306,564	4,147,728	4,147,728
	150%	-	-	-	738,010	-	461,571	-	1,199,745	1,799,618
		1,322,037	112,778	2,319,393	5,485,920	68,365	461,571	480,031	11,136,886	7,783,184

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A20 CAPITAL ADEQUACY (Cont'd.)

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

	Group		Bank	
	Principal RM'000	Risk-weighted RM'000	Principal RM'000	Risk-weighted RM'000
30 Jun 2012				
0%	553,681	-	553,681	-
20%	2,319,694	463,939	2,360,546	472,110
35%	87,583	30,654	87,583	30,654
50%	771,713	385,857	771,714	385,857
75%	1,382,818	1,037,113	1,382,818	1,037,113
100%	4,207,269	4,207,269	4,095,896	4,095,896
150%	950,637	1,425,955	950,637	1,425,955
Risk-weighted assets for credit risk	10,273,395	7,550,787	10,202,875	7,447,585
Risk-weighted assets for market risk		337,888		337,888
Risk-weighted assets for operational risk		481,239		464,699
Large exposure risk-weighted assets for equity holdings		11,948		11,948
Total risk-weighted assets		8,381,862		8,262,120
31 Dec 2011				
0%	1,778,085	-	1,765,559	-
20%	1,239,133	247,827	1,306,435	261,287
35%	38,678	13,537	38,678	13,537
50%	1,792,165	896,083	1,792,165	896,082
75%	886,576	664,932	886,576	664,932
100%	4,223,315	4,223,315	4,147,728	4,147,728
150%	1,199,777	1,799,665	1,199,745	1,799,618
Risk-weighted assets for credit risk	11,157,729	7,845,359	11,136,886	7,783,184
Risk-weighted assets for market risk		102,799		102,799
Risk-weighted assets for operational risk		504,470		487,523
Large exposure risk-weighted assets for equity holdings		11,948		11,948
Total risk-weighted assets		8,464,576		8,385,454

(g) The risk-weighted assets and capital requirements for the various categories of risk under market risk are as follows:

Group and Bank	30 Jun 2012		31 Dec 2011	
	Risk-Weighted Assets Equivalent RM'000	Capital Required RM'000	Risk-Weighted Assets Equivalent RM'000	Capital Required RM'000
Benchmark Rate Risk	41,852	3,348	20,812	1,665
Foreign Exchange Risk	295,975	23,678	81,926	6,554
Inventory Risk	61	5	61	5
Total	337,888	27,031	102,799	8,224

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A21. FINANCIAL RISK MANAGEMENT

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

(a) CREDIT RISK

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

The following tables show the maximum exposure to credit risk for the components of the statements of financial position, including derivatives, before the effect of mitigation through the use of master netting and collateral agreements. Where financial instruments are recorded at fair value, the amounts shown represent the current credit risk exposure but not the maximum risk exposure that could arise in the future as a result of changes in values.

	30-Jun-12		31-Dec-11	
	Total gross maximum exposure		Total gross maximum exposure	
	Group	Bank	Group	Bank
	RM'000	RM'000	RM'000	RM'000
Cash and short-term funds	1,583,719	1,626,048	1,973,012	2,076,287
Deposits and placements with banks and other financial institutions	451,485	451,485	734,973	734,973
Securities held-for-trading	102,336	102,336	90,216	83,776
Securities available-for-sale	1,015,917	904,789	1,076,569	957,484
Securities held-to-maturity	31,954	31,954	47,125	47,125
Financing, advances and other receivables	5,849,709	5,849,709	6,428,508	6,428,508
Other assets	535,700	534,964	411,730	406,948
Statutory deposits with Bank Negara Malaysia ("BNM")	176,600	176,600	180,200	180,200
Hedging financial instruments				
- Ijarah rental swap	24,077	24,077	24,334	24,334
- Cross-currency Ijarah rental swap	18,958	18,958	18,635	18,635
- Promissory foreign exchange contract	25	25	719	719
Total On-Balance Sheet	9,790,480	9,720,945	10,986,021	10,958,989
Financial guarantees	449,330	449,330	637,113	637,113
Contingent liabilities	57,361	57,361	137,542	137,542
Commitments	484,643	484,643	1,204,977	1,204,977
Total Off-Balance Sheet	991,334	991,334	1,979,632	1,979,632
Total On and Off-Balance Sheet	10,781,814	10,712,279	12,965,653	12,938,621

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A21. FINANCIAL RISK MANAGEMENT (Cont'd.)

(a) CREDIT RISK (Cont'd.)

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

	Geographic region			Total gross maximum exposure RM'000
	Malaysia RM'000	Middle east RM'000	Others RM'000	
30 Jun 2012				
Group				
Cash and short-term funds	1,513,473	2,731	67,515	1,583,719
Deposits and placements with banks and other financial institutions	264,061	159,937	27,487	451,485
Securities held-for-trading				
- Unquoted	-	41,242	61,094	102,336
Securities available-for-sale				
- Unquoted	380,984	263,993	370,940	1,015,917
Securities held-to-maturity				
- Unquoted	-	31,954	-	31,954
Financing, advances and other receivables	5,694,018	20,615	135,076	5,849,709
Other assets	535,406	294	-	535,700
Statutory deposits with BNM	176,600	-	-	176,600
Hedging financial instruments				
- Ijarah rental swap	24,077	-	-	24,077
- Cross-currency Ijarah rental swap	18,958	-	-	18,958
- Promissory foreign exchange contract	25	-	-	25
Total On-Balance Sheet	8,607,602	520,766	662,112	9,790,480
Financial guarantees	449,330	-	-	449,330
Contingent liabilities	44,479	-	12,882	57,361
Commitments	452,294	3,361	28,988	484,643
Total Off-Balance Sheet	946,103	3,361	41,870	991,334
Total On and Off-Balance Sheet	9,553,705	524,127	703,982	10,781,814

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A21. FINANCIAL RISK MANAGEMENT (Cont'd.)

(a) CREDIT RISK (Cont'd.)

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

	Geographic region			Total gross maximum exposure RM'000
	Malaysia RM'000	Middle east RM'000	Others RM'000	
31 Dec 2011				
Group				
Cash and short-term funds	1,771,115	40,076	161,821	1,973,012
Deposits and placements with banks and other financial institutions	267,453	411,840	55,680	734,973
Securities held-for-trading				
- Unquoted	13,259	9,611	67,346	90,216
Securities available-for-sale				
- Unquoted	445,099	538,173	93,297	1,076,569
Securities held-to-maturity				
- Unquoted	15,268	31,857	-	47,125
Financing, advances and other receivables	6,014,971	116,278	297,259	6,428,508
Other assets	411,442	288	-	411,730
Statutory deposits with BNM	180,200	-	-	180,200
Hedging financial instruments				
- Ijarah rental swap	24,334	-	-	24,334
- Cross-currency Ijarah rental swap	18,635	-	-	18,635
- Promissory foreign exchange contract	485	-	234	719
Total On-Balance Sheet	9,162,260	1,148,124	675,637	10,986,021
Financial guarantees	487,078	35	150,000	637,113
Contingent liabilities	91,975	-	45,567	137,542
Commitments	1,198,274	6,703	-	1,204,977
Total Off-Balance Sheet	1,777,327	6,738	195,567	1,979,632
Total On and Off-Balance Sheet	10,939,587	1,154,862	871,204	12,965,653

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A21. FINANCIAL RISK MANAGEMENT (Cont'd.)

(a) CREDIT RISK (Cont'd.)

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

	Geographic region			Total gross maximum exposure RM'000
	Malaysia RM'000	Middle east RM'000	Others RM'000	
30 Jun 2012				
Bank				
Cash and short-term funds	1,516,803	2,731	106,514	1,626,048
Deposits and placements with banks and other financial institutions	264,061	159,937	27,487	451,485
Securities held-for-trading				
- Unquoted	-	41,242	61,094	102,336
Securities available-for-sale				
- Unquoted	367,505	210,617	326,667	904,789
Securities held-to-maturity				
- Unquoted	-	31,954	-	31,954
Financing, advances and other receivables	5,694,019	20,615	135,076	5,849,709
Other assets	534,670	294	-	534,964
Statutory deposits with BNM	176,600	-	-	176,600
Hedging financial instruments				
- Ijarah rental swap	24,077	-	-	24,077
- Cross-currency Ijarah rental swap	18,958	-	-	18,958
- Promissory foreign exchange contract	25	-	-	25
Total On-Balance Sheet	8,596,718	467,390	656,838	9,720,945
Financial guarantees	449,330	-	-	449,330
Contingent liabilities	44,479	-	12,882	57,361
Commitments	452,294	3,361	28,988	484,643
Total Off-Balance Sheet	946,103	3,361	41,870	991,334
Total On and Off-Balance Sheet	9,542,822	470,751	698,708	10,712,279

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A21. FINANCIAL RISK MANAGEMENT (Cont'd.)

(a) CREDIT RISK (Cont'd.)

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

	Geographic region			Total gross maximum exposure
	Malaysia	Middle east	Others	
31 Dec 2011	RM'000	RM'000	RM'000	RM'000
Bank				
Cash and short-term funds	1,874,390	40,076	161,821	2,076,287
Deposits and placements with banks and other financial institutions	267,453	411,840	55,680	734,973
Securities held-for-trading				
- Unquoted	13,259	9,611	60,906	83,776
Securities available-for-sale				
- Unquoted	431,837	460,014	65,633	957,484
Securities held-to-maturity				
- Unquoted	15,268	31,857	-	47,125
Financing, advances and other receivables	6,014,971	116,278	297,259	6,428,508
Other assets	406,647	288	13	406,948
Statutory deposits with BNM	180,200	-	-	180,200
Hedging financial instruments				
- Ijarah rental swap	24,334	-	-	24,334
- Cross-currency Ijarah rental swap	18,635	-	-	18,635
- Promissory foreign exchange contract	485	-	234	719
Total On-Balance Sheet	9,247,477	1,069,965	641,547	10,958,989
Financial guarantees	487,078	35	150,000	637,113
Contingent liabilities	91,975	-	45,567	137,542
Commitments	1,198,274	6,703	-	1,204,977
Total Off-Balance Sheet	1,777,327	6,738	195,567	1,979,632
Total On and Off-Balance Sheet	11,024,804	1,076,703	837,114	12,938,621

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A21. FINANCIAL RISK MANAGEMENT (Cont'd.)

(a) CREDIT RISK (Cont'd.)

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

An industry sector analysis of the Bank's financial assets, before taking into account collateral held by residual contractual maturity .

	Industry					Total gross maximum exposure RM'000	
	Trading and manufacturing RM'000	Banks and financial institutions RM'000	Construction and real estate RM'000	Transportation, storage and communication RM'000	Government RM'000		Others RM'000
30 Jun 2012							
Group							
Cash and short-term funds	-	1,583,719	-	-	-	-	1,583,719
Deposits and placements with banks and other financial institutions	-	451,485	-	-	-	-	451,485
Securities held-for-trading	-	98,983	-	-	-	3,353	102,336
Securities available-for-sale	-	45,868	104,200	56,222	634,506	175,121	1,015,917
Securities held-to-maturity	-	-	31,953.68	-	-	-	31,954
Financing, advances and other receivables	1,326,442	374,296	1,418,307	571,027	-	2,159,637	5,849,709
Other assets	-	-	-	-	-	535,700	535,700
Statutory deposits with BNM	-	-	-	-	-	176,600	176,600
Hedging financial instruments	-	18,983	-	24,077	-	-	43,060
Total On-Balance Sheet	1,326,442	2,573,334	1,554,461	651,326	634,506	3,050,411	9,790,480
Financial guarantees	6,231	-	15,621	421,079	-	6,399	449,330
Contingent liabilities	1,355	19,681	10,953	4,977	-	20,395	57,361
Commitments	87,946	-	173,550	36,949	-	186,198	484,643
Total Off-Balance Sheet	95,532	19,681	200,123	463,005	-	212,992	991,334
Total On and Off-Balance Sheet	1,421,974	2,593,015	1,754,584	1,114,331	634,506	3,263,403	10,781,814

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A21. FINANCIAL RISK MANAGEMENT (Cont'd.)

(a) CREDIT RISK (Cont'd.)

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

	Industry					Total gross maximum exposure RM'000
	Trading and manufacturing RM'000	Banks and financial institutions RM'000	Construction and real estate RM'000	Transportation, storage and communication RM'000	Government RM'000	
31 Dec 2011						
Group						
Cash and short-term funds	-	1,973,012	-	-	-	1,973,012
Deposits and placements with banks and other financial institutions	-	734,973	-	-	-	734,973
Securities held-for-trading	-	70,518	-	-	13,259	90,216
Securities available-for-sale	-	317,604	96,949	71,377	110,204	1,076,569
Securities held-to-maturity	-	-	31,857	-	-	47,125
Financing, advances and other receivables	1,388,488	473,949	1,662,654	630,003	-	6,428,508
Other assets	-	-	-	-	-	411,730
Statutory deposits with BNM	-	-	-	-	180,200	180,200
Hedging financial instruments	374	15,918	-	24,315	-	43,688
Total On-Balance Sheet	1,388,862	3,585,975	1,791,460	725,695	303,663	10,986,021
Financial guarantees	439,469	21,374	15,621	1,137	-	637,113
Contingent liabilities	31,914	66,976	28,246	9,958	-	137,542
Commitments	279,128	126,564	411,948	71,902	-	1,204,977
Total Off-Balance Sheet	750,510	214,913	455,815	82,998	-	1,979,632
Total On and Off-Balance Sheet	2,139,372	3,800,888	2,247,274	808,692	303,663	12,965,653

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A21. FINANCIAL RISK MANAGEMENT (Cont'd.)

(a) CREDIT RISK (Cont'd.)

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

	Industry						Total gross maximum exposure RM'000
	Trading and manufacturing RM'000	Banks and financial institutions RM'000	Construction and real estate RM'000	Transportation, storage and communication RM'000	Government RM'000	Others RM'000	
30 Jun 2012							
Bank							
Cash and short-term funds	-	1,626,048	-	-	-	-	1,626,048
Deposits and placements with banks and other financial institutions	-	451,485	-	-	-	-	451,485
Securities held-for-trading	-	98,983	-	-	-	3,353	102,336
Securities available-for-sale	-	9,952	104,200	56,222	552,370	182,045	904,789
Securities held-to-maturity	-	-	31,954	-	-	-	31,954
Financing, advances and other receivables	1,326,442	374,296	1,418,307	571,027	-	2,159,637	5,849,709
Other assets	-	-	-	-	-	534,964	534,964
Statutory deposits with BNM	-	-	-	-	-	176,600	176,600
Hedging financial instruments	-	18,983	-	24,077	-	-	43,060
Total On-Balance Sheet	1,326,442	2,579,747	1,554,461	651,326	552,370	3,056,599	9,720,945
Financial guarantees	6,231	-	15,621	421,079	-	6,399	449,330
Contingent liabilities	1,355	19,681	10,953	4,977	-	20,395	57,361
Commitments	87,946	-	173,550	36,949	-	186,198	484,643
Total Off-Balance Sheet	95,533	19,681	200,124	463,005	-	212,992	991,334
Total On and Off-Balance Sheet	1,421,975	2,599,428	1,754,585	1,114,331	552,370	3,269,590	10,712,279

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A21. FINANCIAL RISK MANAGEMENT (Cont'd.)

(a) CREDIT RISK (Cont'd.)

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

	Industry						Total gross maximum exposure RM'000
	Trading and manufacturing RM'000	Banks and financial institutions RM'000	Construction and real estate RM'000	Transportation, storage and communication RM'000	Government RM'000	Others RM'000	
31 Dec 2011							
Bank							
Cash and short-term funds	-	2,076,287	-	-	-	-	2,076,287
Deposits and placements with banks and other financial institutions	-	734,973	-	-	-	-	734,973
Securities held-for-trading	-	70,518	-	-	13,258	-	83,776
Securities available-for-sale	-	317,604	96,949	71,377	110,204	361,350	957,484
Securities held-to-maturity	-	-	31,857.00	-	-	15,268.00	47,125
Financing, advances and other receivables	1,388,488	473,949	1,662,654	630,003	-	2,273,414	6,428,508
Other assets	-	-	-	-	-	406,948	406,948
Statutory deposits with BNM	-	-	-	-	180,200	-	180,200
Hedging financial instruments	374	15,918	-	24,315	-	3,081	43,688
Total On-Balance Sheet	1,388,862	3,689,249	1,791,460	725,695	303,662	3,060,061	10,958,989
Financial guarantees	439,469	21,374	15,621	1,137	-	159,513	637,113
Contingent liabilities	31,914	66,976	28,246	9,958	-	448	137,542
Commitments	279,128	126,564	411,948	71,902	-	315,435	1,204,977
Total Off-Balance Sheet	750,510	214,913	455,815	82,998	-	475,396	1,979,632
Total On and Off-Balance Sheet	2,139,372	3,904,162	2,247,275	808,693	303,662	3,535,457	12,938,621

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A21. FINANCIAL RISK MANAGEMENT (Cont'd.)

(a) CREDIT RISK (Cont'd.)

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

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

	Residual Maturity				Not on demand and no maturity date	Total gross maximum exposure
	Less than 6 months	6 months to 1 year	1 year to 5 years	More than 5 years		
30 Jun 2012 Group	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cash and short-term funds	1,583,719	-	-	-	-	1,583,719
Deposits and placements with banks and other financial institutions	451,485	-	-	-	-	451,485
Securities held-for-trading	61,094	-	37,889	3,353	-	102,336
Securities available-for-sale	200,666	10,270	495,723	263,622	45,636	1,015,917
Securities held-to-maturity	31,954	-	-	-	-	31,954
Financing, advances and other receivables	3,326,503	251,439	504,024	1,685,739	82,004	5,849,709
Other assets	-	-	-	-	535,700	535,700
Statutory deposits with BNM	-	-	-	-	176,600	176,600
Hedging financial instruments	18,983	-	-	24,077	-	43,060
Total On-Balance Sheet	5,674,404	261,709	1,037,636	1,976,791	839,940	9,790,480
Financial guarantees	29,330	-	-	-	420,000	449,330
Contingent liabilities	57,361	-	-	-	-	57,361
Commitments	33,268	19,987	215,590	215,798	-	484,643
Total Off-Balance Sheet	119,959	19,987	215,590	215,798	420,000	991,334
Total On and Off-Balance Sheet	5,794,363	281,696	1,253,226	2,192,589	1,259,940	10,781,814

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A21. FINANCIAL RISK MANAGEMENT (Cont'd.)

(a) CREDIT RISK (Cont'd.)

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

	Residual Maturity				Not on demand and no maturity date	Total gross maximum exposure
	Less than 6 months	6 months to 1 year	1 year to 5 years	More than 5 years		
31 Dec 2011 Group	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cash and short-term funds	1,973,012	-	-	-	-	1,973,012
Deposits and placements with banks and other financial institutions	689,983	44,990	-	-	-	734,973
Securities held-for-trading	-	60,907	22,870	6,439	-	90,216
Securities available-for-sale	120,904	183,434	598,060	119,745	54,426	1,076,569
Securities held-to-maturity	15,268	31,857	-	-	-	47,125
Financing, advances and other receivables	3,990,687	29,484	717,915	1,608,101	82,321	6,428,508
Other assets	-	-	-	-	411,730	411,730
Statutory deposits with BNM	-	-	-	-	180,200	180,200
Hedging financial instruments	3,625	15,922	-	24,141	-	43,688
Total On-Balance Sheet	6,793,479	366,594	1,338,845	1,758,426	728,677	10,986,021
Financial guarantees	41,850	10,686	14,576	-	570,000	637,112
Contingent liabilities	91,332	7,287	34,372	4,551	-	137,542
Commitments	522,019	103,269	356,485	196,104	27,100	1,204,977
Total Off-Balance Sheet	655,201	121,242	405,433	200,655	597,100	1,979,632
Total On and Off-Balance Sheet	7,448,680	487,836	1,744,278	1,959,081	1,325,777	12,965,653

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A21. FINANCIAL RISK MANAGEMENT (Cont'd.)

(a) CREDIT RISK (Cont'd.)

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

	Residual Maturity				Not on demand and no maturity date	Total gross maximum exposure
	Less than 6 months	6 months to 1 year	1 year to 5 years	More than 5 years		
30 Jun 2012	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Bank						
Cash and short-term funds	1,626,048	-	-	-	-	1,626,048
Deposits and placements with banks and other financial institutions	451,485	-	-	-	-	451,485
Securities held-for-trading	61,094	-	37,889	3,353	-	102,336
Securities available-for-sale	200,665	10,270	446,328	247,526	-	904,789
Securities held-to-maturity	31,954	-	-	-	-	31,954
Financing, advances and other receivables	3,326,503	251,439	504,024	1,685,739	82,004	5,849,709
Other assets	-	-	-	-	534,964	534,964
Statutory deposits with BNM	-	-	-	-	176,600	176,600
Hedging financial instruments	18,983	-	-	24,077	-	43,060
Total On-Balance Sheet	5,716,732	261,709	988,241	1,960,695	793,568	9,720,945
Financial guarantees	29,330	-	-	-	420,000	449,330
Contingent liabilities	57,361	-	-	-	-	57,361
Commitments	33,268	19,987	215,590	215,798	-	484,643
Total Off-Balance Sheet	119,959	19,987	215,590	215,798	420,000	991,334
Total On and Off-Balance Sheet	5,836,691	281,696	1,203,831	2,176,493	1,213,568	10,712,279

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A21. FINANCIAL RISK MANAGEMENT (Cont'd.)

(a) CREDIT RISK (Cont'd.)

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

	Residual Maturity				Not on demand and no maturity date	Total gross maximum exposure
	Less than 6 months	6 months to 1 year	1 year to 5 years	More than 5 years		
31 Dec 2011	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Bank						
Cash and short-term funds	2,076,287	-	-	-	-	2,076,287
Deposits and placements with banks and other financial institutions	689,983	44,990	-	-	-	734,973
Securities held-for-trading		60,906	22,870	-	-	83,776
Securities available-for-sale	107,643	183,434	562,857	103,551	-	957,484
Securities held-to-maturity	15,268	31,857	-	-	-	47,125
Financing, advances and other receivables	3,990,687	29,484	717,915	1,608,101	82,321	6,428,508
Other assets	-	-	-	-	406,948	406,948
Statutory deposits with BNM	-	-	-	-	180,200	180,200
Hedging financial instruments	3,625	15,922	-	24,141	-	43,688
Total On-Balance Sheet	6,883,492	366,594	1,303,642	1,735,792	669,469	10,958,989
Financial guarantees	41,850	10,686	14,576	-	570,000	637,113
Contingent liabilities	91,332	7,287	34,372	4,551	-	137,542
Commitments	522,019	103,269	356,485	196,104	27,100	1,204,977
Total Off-Balance Sheet	655,201	121,242	405,434	200,655	597,100	1,979,632
Total On and Off-Balance Sheet	7,538,693	487,836	1,709,075	1,936,448	1,266,569	12,938,621

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A21. FINANCIAL RISK MANAGEMENT (Cont'd.)

(a) CREDIT RISK (Cont'd.)

(ii) Credit quality per class of financial assets

The credit quality of financial assets is managed by the Bank using internal credit ratings. The table below shows the credit quality by class of asset for all financial assets exposed to credit risk, based on the Bank's internal credit rating system. The amount presented are gross of impairment allowances.

	Performing	Past due but not impaired	Restructured & rescheduled	Impaired	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
30 Jun 2012					
Group					
Securities held-for-trading	102,336	-	-	-	102,336
Securities available-for-sale	960,598	-	-	55,319	1,015,917
Securities held-to-maturity	31,954	-	-	-	31,954
Financing, advances and other receivables	3,708,902	854,481	387,310	899,016	5,849,709
Other assets	1,388	-	-	-	1,388
Hedging financial instruments	43,060	-	-	-	43,060
Total On-Balance Sheet	4,848,238	854,481	387,310	954,335	7,044,364
Financial guarantees	449,330	-	-	-	449,330
Contingent liabilities	57,361	-	-	-	57,361
Commitments	484,643	-	-	-	484,643
Total Off-Balance Sheet	991,334	-	-	-	991,334
Total On and Off-Balance Sheet	5,839,572	854,481	387,310	954,335	8,035,698
Bank					
Securities held-for-trading	102,336	-	-	-	102,336
Securities available-for-sale	895,106	-	-	9,683	904,789
Securities held-to-maturity	31,954	-	-	-	31,954
Financing, advances and other receivables	3,708,902	854,481	387,310	899,016	5,849,709
Other assets	1,389	-	-	-	1,389
Hedging financial instruments	44,140	-	-	-	44,140
Total On-Balance Sheet	4,783,827	854,481	387,310	908,699	6,934,317
Financial guarantees	449,330	-	-	-	449,330
Contingent liabilities	57,361	-	-	-	57,361
Commitments	484,643	-	-	-	484,643
Total Off-Balance Sheet	991,334	-	-	-	991,334
Total On and Off-Balance Sheet	5,775,161	854,481	387,310	908,699	7,925,651

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A21. FINANCIAL RISK MANAGEMENT (Cont'd.)

(a) CREDIT RISK (Cont'd.)

(ii) Credit quality per class of financial assets

31 Dec 2011 Group	Performing RM'000	Unrated RM'000	Past due but not impaired RM'000	Restructured & rescheduled RM'000	Impaired RM'000	Total RM'000
Securities held-for-trading	90,216	-	-	-	-	90,216
Securities available-for-sale	973,589	21,090	-	-	81,890.00	1,076,569
Securities held-to-maturity	47,125	-	-	-	-	47,125
Financing, advances and other receivables	2,741,712	1,188,364	555,173	449,611	1,493,648	6,428,508
Other assets	270	-	-	-	-	270
Hedging financial instruments	43,688	-	-	-	-	43,688
Total On-Balance Sheet	3,896,600	1,209,454	555,173	449,611	1,575,538	7,686,376
Financial guarantees	637,113	-	-	-	-	637,113
Contingent liabilities	137,542	-	-	-	-	137,542
Commitments	1,204,977	-	-	-	-	1,204,977
Total Off-Balance Sheet	1,979,632	-	-	-	-	1,979,632
Total On and Off-Balance Sheet	5,876,232	1,209,454	555,173	449,611	1,575,538	9,666,008
Bank						
Securities held-for-trading	83,776	-	-	-	-	83,776
Securities available-for-sale	947,801	-	-	-	9,683.00	957,484
Securities held-to-maturity	47,125	-	-	-	-	47,125
Financing, advances and other receivables	2,741,712	1,188,364	555,173	449,611	1,493,648	6,428,508
Other assets	270	-	-	-	-	270
Hedging financial instruments	43,688	-	-	-	-	43,688
Total On-Balance Sheet	3,864,372	1,188,364	555,173	449,611	1,503,331	7,560,851
Financial guarantees	637,113	-	-	-	-	637,113
Contingent liabilities	137,542	-	-	-	-	137,542
Commitments	1,204,977	-	-	-	-	1,204,977
Total Off-Balance Sheet	1,979,632	-	-	-	-	1,979,632
Total On and Off-Balance Sheet	5,844,004	1,188,364	555,173	449,611	1,503,331	9,540,483

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A21. FINANCIAL RISK MANAGEMENT (Cont'd.)

(a) CREDIT RISK (Cont'd.)

(iii) Credit risk exposure based on the Bank's internal credit risk rating

The principal objective of credit risk measurement for KFHM is to produce accurate quantitative assessment of the credit risk to which the Bank is exposed to. To determine the counterparty risk, KFHM has a risk rating system that enables the rank-ordering of the customers' risk profile to assess the credit quality of customers and assigns them an internal risk rating. Over the year, to ensure that the integrity of the data used is in place, KFHM has undergone a verification exercise with an independent consultant and is in the midst of further refining the rating process. The rating system is actively monitored and a monthly analysis of the corporate and commercial customers are provided to the senior management and the Board for oversight.

For retail banking, KFHM has in place a series of scorecards, which will assess the credit worthiness of the individual customers prior to approval. The main attributes of the credit assessment within the scorecard is mostly based on statistically derived default patterns within the customer profile and also credit bureau data. The performance of the scorecard is being monitored to ensure that it continues to effectively discriminate between good and potentially bad customers.

Group and Bank	30 Jun 2012 RM'000	31-Dec-11 RM'000
Corporate & Commercial		
Excellent	28,785	68,096
Strong	773,025	649,006
Minimum	1,018,005	1,029,966
Pass with condition	1,043,175	1,104,802
Early care	279,625	468,849
Impaired	899,016	1,397,346
New/SPV	127,581	63,126
Unrated	1,657,354	1,623,236
	5,826,566	6,404,427
SME		
Strong	-	2,422
Good	3,862	1,760
Very High Satisfactory	6,833	2,286
Upper Medium Satisfactory	2,830	4,060
Very Low Satisfactory	2,037	9,739
Marginal/ Watchlist	326	3,814
Early care	7,256	-
	23,143	24,081
Total	5,849,709	6,428,508

* Unrated segment includes retail consumer credit exposures

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A21. FINANCIAL RISK MANAGEMENT (Cont'd.)

(a) CREDIT RISK (Cont'd.)

(iii) Credit risk exposure based on the Bank's internal credit risk rating (Cont'd.)

30 Jun 2012

Securities

Moodys	Aaa to Aa3	A1 to A3	Baa1 to Ba3	B+ to C			
S&P	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D			
Fitch	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D			
RAM	AAA to AA3	A to A3	BBB to BB	B to D		Government -	Total
MARC	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated	guaranteed	RM'000
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Group							
Securities held-for-trading	-	61,094	-	-	41,242	-	102,336
Securities available-for-sale	33,592	561,581	261,248	-	55,319	104,177	1,015,917
Securities held-to-maturity	-	31,954	-	-	-	-	31,954
Bank							
Securities held-for-trading	-	61,094	-	-	41,242	-	102,336
Securities available-for-sale	20,701	548,102	222,127	-	9,682	104,177	904,789
Securities held-to-maturity	-	31,954	-	-	-	-	31,954

31 Dec 2011

Securities

Moodys	Aaa to Aa3	A1 to A3	Baa1 to Ba3	B+ to C			
S&P	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D			
Fitch	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D			
RAM	AAA to AA3	A to A3	BBB to BB	B to D		Government -	Total
MARC	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated	guaranteed	RM'000
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Group							
Securities held-for-trading	-	22,870	67,346	-	-	-	90,216
Securities available-for-sale	144,653	343,430	284,009	-	102,980	201,497	1,076,569
Securities held-to-maturity	-	47,125	-	-	-	-	47,125
Bank							
Securities held-for-trading	-	22,870	60,906	-	-	-	83,776
Securities available-for-sale	132,127	330,168	284,009	-	9,683	201,497	957,484
Securities held-to-maturity	-	47,125	-	-	-	-	47,125

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A21. FINANCIAL RISK MANAGEMENT (Cont'd.)

(a) CREDIT RISK (Cont'd.)

(iv) Aging analysis of past due but not impaired financing by class of financial assets

30 Jun 2012 Group and Bank	Less than 30 days	31 to 60 days	61 to 90 days	Total
	RM'000	RM'000	RM'000	RM'000
Financing and advances to customers				
Corporate financing	693	-	-	693
Commercial financing	56,357	1,424	6,849	64,630
Retail & Consumer financing	611,072	176,284	1,802	789,158
Total	668,122	177,708	8,651	854,481

31 Dec 2011 Group and Bank	Less than 30 days	31 to 60 days	61 to 90 days	Total
	RM'000	RM'000	RM'000	RM'000
Financing and advances to customers				
Corporate financing	1,262	-	-	1,262
Commercial financing	151,453	12,629	5,138	169,220
Retail & Consumer financing	259,615	115,561	9,515	384,691
Total	412,330	128,190	14,653	555,173

Impaired and past due financing by geographical regions

30 Jun 2012 Group and Bank	Impaired	Past due but not impaired	Individual impairment	Collective impairment	Write-off
	RM'000	RM'000	RM'000	RM'000	RM'000
Malaysia	830,933	848,326	522,763		407,885
Middle East	5,463	2,568	-		138,723
Others	62,620	3,587	-		-
Total	899,016	854,481	522,763	153,245	546,608

31 Dec 2011 Group and Bank	Impaired	Past due but not impaired	Individual impairment	Collective impairment	Write-off
	RM'000	RM'000	RM'000	RM'000	RM'000
Malaysia	1,277,834	553,317	943,997		54,945
Middle East	93,574	773	86,574		55,782
Others	122,240	1,083	59,307		-
Total	1,493,648	555,173	1,089,878	140,866	110,727

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A21. FINANCIAL RISK MANAGEMENT (Cont'd.)

(a) CREDIT RISK (Cont'd.)

(iv) Aging analysis of past due but not impaired financing by class of financial assets

Impaired and past due financing by industry sector

30 Jun 2012	Impaired	Past due but not impaired	Individual impairment	Collective impairment	Write-off
Group and Bank	RM'000	RM'000	RM'000	RM'000	RM'000
Trading and manufacturing	498,503	53,646	291,393		94,517
Banks and financial institutions	35,780	4,255	4,553		66,370
Construction and real estate	98,437	16,141	13,775		184,346
Transportation, storage and communication	56,381	5,147	4,092		112,265
Others	209,915	775,292	208,950		89,110
Total	899,016	854,481	522,763	153,245	546,608

31 Dec 2011	Impaired	Past due but not impaired	Individual impairment	Collective impairment	Write-off
Group and Bank	RM'000	RM'000	RM'000	RM'000	RM'000
Trading and manufacturing	570,080	89,057	485,976		1,386
Banks and financial institutions	99,376	1,437	78,013		35,177
Construction and real estate	343,391	17,985	209,321		45,518
Transportation, storage and communication	174,350	52,420	117,559		-
Others	306,451	394,274	199,009		28,646
Total	1,493,648	555,173	1,089,878	140,866	110,727

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A21. FINANCIAL RISK MANAGEMENT (Cont'd.)

(a) CREDIT RISK (Cont'd.)

(v) Carrying amount by class of financial assets whose terms have been renegotiated

	30 Jun 2012	31 Dec 2011
	Total	Total
	RM'000	RM'000
Group and Bank		
Financing and advances to customers		
Corporate financing	2,964,358	3,257,462
Commercial financing	1,343,033	1,734,628
Retail & Consumer financing	1,542,318	1,436,418
	5,849,709	6,428,508

Collateral

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. The Bank has established clear guidelines that have been approved by the management and the Board on the types of acceptable collateral, valuation parameters and processes and secured margins to be taken.

The main types of collateral accepted include real estate, securities, cash and bank guarantees. The Bank also obtains guarantees from parent companies for finance facilities extended to their subsidiaries. In line with the Bank's established credit guidelines, proper due diligence on the guarantor is conducted to ascertain their creditworthiness.

Management monitors the market value of collateral, requests additional collateral in accordance with the underlying agreements, and monitors the market value of collateral obtained during its review of the adequacy of the allowance for impairment losses.

As at 30 June 2012, 69.7% (31 December 2011: 70.4%) of financing, advances and other receivables of the Bank are collateralised.

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A21. FINANCIAL RISK MANAGEMENT (Cont'd.)

(b) LIQUIDITY RISK

The maturities of on-balance sheet assets and liabilities as well as other off-balance sheets assets and liabilities, commitments and counter-guarantees are important factors in assessing liquidity of the Group and the Bank. The table below provides analysis of assets and liabilities into relevant maturity tenures based on their behavioural profile:

Group	Up to 6 months	>6 - 12 months	>1 - 5 years	Over 5 years	Not on demand & no maturity date	Total
30 Jun 2012	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
ASSETS						
Cash and short-term funds	1,473,898	-	-	-	109,821	1,583,719
Deposits and placements with banks and other financial institutions	451,485	-	-	-	-	451,485
Securities held-for-trading	102,336	-	-	-	-	102,336
Securities available-for-sale	256,473	10,270	446,328	247,526	75,093	1,035,690
Securities held-to-maturity	31,954	-	-	-	-	31,954
Financing, advances and receivables	2,884,265	194,241	442,775	1,652,420	-	5,173,701
Murabahah trading automobile	-	-	-	-	32	32
Musarakah capital investment	-	-	-	-	5,898	5,898
Other assets	-	-	-	-	1,097,201	1,097,201
Total Assets	5,200,411	204,511	889,103	1,899,946	1,288,045	9,482,016
LIABILITIES AND SHAREHOLDER'S EQUITY						
Deposits from customers	2,564,259	485,078	42,600	-	568,282	3,660,219
Deposits and placements of banks and other financial institutions	3,404,138	26,558	-	-	-	3,430,696
Subordinated Murabahah Tawarruq	381,546	-	-	-	-	381,546
Other liabilities	-	-	-	-	519,833	519,833
Total Liabilities	6,349,943	511,636	42,600	-	1,088,115	7,992,294
Shareholder's equity	-	-	-	-	1,489,722	1,489,722
Total Liabilities and Shareholder's equity	6,349,943	511,636	42,600	-	2,577,837	9,482,016
OFF-BALANCE SHEET LIABILITIES						
Commitments & contingencies	157,704	494,917	133,996	279,449	-	1,066,066
Net maturity mismatch	(1,307,236)	(802,042)	712,507	1,620,497	(1,289,792)	(1,066,066)

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A21. FINANCIAL RISK MANAGEMENT (Cont'd.)

(b) LIQUIDITY RISK (Cont'd.)

Group	Up to 6 months	>6 - 12 months	>1 - 5 years	Over 5 years	Not on demand & no maturity date	Total
31 Dec 2011	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
Deposits and placements with banks and other financial institutions	689,982	44,991	-	-	-	734,973
Securities held-for-trading	-	60,907	22,870	6,439	-	90,216
Securities available-for-sale	97,959	183,435	621,005	119,745	74,196	1,096,340
Securities held-to-maturity	15,268	31,857	-	-	-	47,125
Financing, advances and receivables	2,834,068	20,537	834,938	1,449,083	59,138	5,197,764
Murabahah trading automobile	-	-	-	-	32	32
Musarakah capital investment	-	-	-	-	5,898	5,898
Other assets	-	-	-	-	976,806	976,806
Total Assets	5,538,454	341,727	1,478,813	1,575,267	1,187,905	10,122,166
LIABILITIES AND SHAREHOLDER'S EQUITY						
Deposits from customers	3,315,023	782,024	4,512	-	616,295	4,717,854
Deposits and placements of banks and other financial institutions	3,073,215	61,357	-	-	-	3,134,572
Subordinated Murabahah Tawarruq	-	-	373,589	-	-	373,589
Murabahah bank financing	-	-	-	-	-	-
Other liabilities	-	-	-	-	442,180	442,180
Total Liabilities	6,388,238	843,381	378,101	-	1,058,475	8,668,195
Shareholder's equity	-	-	-	-	1,453,971	1,453,971
Total Liabilities and Shareholder's equity	6,388,238	843,381	378,101	-	2,512,446	10,122,166
OFF-BALANCE SHEET LIABILITIES						
Commitments & contingencies	140,171	60,480	1,060,988	-	-	1,261,638
Net maturity mismatch	(989,955)	(562,134)	39,724	1,575,267	(1,324,541)	(1,261,638)

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A21. FINANCIAL RISK MANAGEMENT (Cont'd.)

(b) LIQUIDITY RISK (Cont'd.)

Bank	Up to 6 months	>6 - 12 months	>1 - 5 years	Over 5 years	Not on demand & no maturity date	Total
30 Jun 2012	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
ASSETS						
Cash and short-term funds	1,517,034	-	-	-	109,014	1,626,048
Deposits and placements with banks and other financial institutions	451,485	-	-	-	-	451,485
Securities held-for-trading	102,336	-	-	-	-	102,336
Securities available-for-sale	294,392	10,270	365,452	224,992	29,456	924,562
Securities held-to-maturity	31,954	-	-	-	-	31,954
Financing, advances and receivables	2,884,265	194,241	442,775	1,652,420	-	5,173,701
Murabahah trading automobile	-	-	-	-	32	32
Musarakah capital investment	-	-	-	-	5,898	5,898
Other assets	-	-	-	-	1,126,345	1,126,345
Total Assets	5,281,466	204,511	808,227	1,877,412	1,270,745	9,442,361
LIABILITIES AND SHAREHOLDER'S EQUITY						
Deposits from customers	2,567,549	485,079	42,600	-	568,282	3,663,510
Deposits and placements of banks and other financial institutions	3,378,919	26,559	-	-	-	3,405,478
Subordinated Murabahah Tawarruq	381,546	-	-	-	-	381,546
Murabahah bank financing	-	-	-	-	-	-
Other liabilities	-	-	-	-	517,562	517,562
Total Liabilities	6,328,014	511,638	42,600	-	1,085,844	7,968,096
Shareholder's equity	-	-	-	-	1,474,265	1,474,265
Total Liabilities and Shareholder's equity	6,328,014	511,638	42,600	-	2,560,109	9,442,361
OFF-BALANCE SHEET LIABILITIES						
Commitments & contingencies	157,704	494,917	133,996	279,449	-	1,066,066
Net maturity mismatch	(1,204,252)	(802,044)	631,631	1,597,963	(1,289,364)	(1,066,066)

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A21. FINANCIAL RISK MANAGEMENT (Cont'd.)

(b) LIQUIDITY RISK (Cont'd.)

Bank	Up to 6 months	>6 - 12 months	>1 - 5 years	Over 5 years	Not on demand & no maturity date	Total
31 Dec 2011	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
ASSETS						
Cash and short-term funds	2,005,436	-	-	-	70,851	2,076,287
Deposits and placements with banks and other financial institutions	689,981	44,992	-	-	-	734,973
Securities held-for-trading	-	60,907	22,869	-	-	83,776
Securities available-for-sale	97,959	183,434	572,540	103,551	19,771	977,255
Securities held-to-maturity	15,268	31,857	-	-	-	47,125
Financing, advances and receivables	2,834,068	20,537	834,938	1,449,083	59,138	5,197,764
Murabahah trading automobile	-	-	-	-	32	32
Musarakah capital investment	-	-	-	-	5,898	5,898
Other assets	-	-	-	-	1,002,639	1,002,639
Total Assets	5,642,712	341,727	1,430,347	1,552,634	1,158,329	10,125,749
LIABILITIES AND SHAREHOLDER'S EQUITY						
Deposits from customers	3,318,004	782,024	4,512	-	615,046	4,719,586
Deposits and placements of banks and other financial institutions	3,090,684	61,358	-	-	-	3,152,042
Subordinated Murabahah Tawarruq	-	-	373,589	-	-	373,589
Murabahah bank financing	-	-	-	-	-	-
Other liabilities	-	-	-	-	440,983	440,983
Total Liabilities	6,408,688	843,382	378,101	-	1,056,029	8,686,200
Shareholder's equity	-	-	-	-	1,439,549	1,439,549
Total Liabilities and Shareholder's equity	6,408,688	843,382	378,101	-	2,495,578	10,125,749
OFF-BALANCE SHEET LIABILITIES						
Commitments & contingencies	140,171	60,480	1,060,988	-	-	1,261,638
Net maturity mismatch	(906,147)	(562,135)	(8,742)	1,552,634	(1,337,249)	(1,261,638)

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A21. FINANCIAL RISK MANAGEMENT (Cont'd.)

(b) LIQUIDITY RISK (Cont'd.)

The following table summarises the maturity analysis for financial liabilities that shows the remaining contractual maturities based on position as at 30 June 2012:

30 Jun 2012 Group	Up to 6 months RM'000	> 6 -12 months RM'000	> 1 – 5 years RM'000	Over 5 years RM'000	Not on demand & no maturity RM'000	Total RM'000
Deposits from customers	2,564,259	485,078	42,600	-	568,282	3,660,219
Deposit and placements of banks and other financial institutions	3,404,138	26,558	-	-	-	3,430,696
Subordinated Murabahah Tawarruq	381,546	-	-	-	-	381,546
Other liabilities	-	-	-	-	519,833	519,833
Total	6,349,943	511,636	42,600	-	1,088,115	7,992,294
Bank						
Deposits from customers	2,567,549	485,079	42,600	-	568,282	3,663,510
Deposit and placements of banks and other financial institutions	3,378,919	26,559	-	-	-	3,405,478
Subordinated Murabahah Tawarruq	381,546	-	-	-	-	381,546
Other liabilities	-	-	-	-	517,562	517,562
Total	6,328,014	511,638	42,600	-	1,085,844	7,968,096

To manage the risk inherent from the above position, limits on the following ratios are imposed to ensure that the Bank has sufficient liquidity to meet the liability obligations:

- i) The sum of assets to mature within a period of one week and liquefiable assets over the liabilities that will mature within a period of 1 week;
- ii) The sum of assets to mature within a period of one month and liquefiable assets over the liabilities that will mature within a period of 1 month; and
- iii) The sum of cash, bank balances, placements and deposits with banks and financial institutions, and liquefiable assets over the total deposits from the 10 largest depositors of the Bank.

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A21. FINANCIAL RISK MANAGEMENT (Cont'd.)

(b) LIQUIDITY RISK (Cont'd.)

The following table summarises the maturity analysis for financial liabilities that shows the remaining contractual maturities based on the position as at 31 December 2011.

31 Dec 2011 Group	Up to 6 months RM'000	> 6 -12 months RM'000	> 1 – 5 years RM'000	Over 5 years RM'000	Not on demand & no maturity RM'000	Total RM'000
Deposits from customers	3,315,023	782,024	4,512	-	616,295	4,717,854
Deposit and placements of banks and other financial institutions	3,073,215	61,357	-	-	-	3,134,572
Subordinated Murabahah Tawarruq	-	-	373,589	-	-	373,589
Murabahah bank financing	-	-	-	-	-	-
Other liabilities	-	-	-	-	442,180	442,180
Total	6,388,238	843,381	378,101	-	1,058,475	8,668,195
Bank						
Deposits from customers	3,318,004	782,024	4,512	-	615,046	4,719,586
Deposit and placements of banks and other financial institutions	3,090,684	61,358	-	-	-	3,152,042
Subordinated Murabahah Tawarruq	-	-	373,589	-	-	373,589
Murabahah bank financing	-	-	-	-	-	-
Other liabilities	-	-	-	-	440,983	440,983
Total	6,408,688	843,382	378,101	-	1,056,029	8,686,200

To manage the risk inherent from the above position, limits on the following ratios are imposed to ensure that the Bank has sufficient liquidity to meet the liability obligations:

- i) The sum of assets to mature within a period of one week and liquefiable assets over the liabilities that will mature within a period of 1 week;
- ii) The sum of assets to mature within a period of one month and liquefiable assets over the liabilities that will mature within a period of 1 month; and
- iii) The sum of cash, bank balances, placements and deposits with banks and financial institutions, and liquefiable assets over the total deposits from the 10 largest depositors of the Bank.

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A21. FINANCIAL RISK MANAGEMENT (Cont'd.)

(c) MARKET RISK

Trading

All positions, when the change in fair values will affect the current financial year net profit, are classified as trading positions. Limits on the trading exposures, annual loss and holding period are imposed to manage the potential impact of the trading positions on the Bank's profit and loss. Risk Management Division will review these limits regularly and will recommend to Board Risk Management Committee changes or additional limits, when necessary.

The capital requirement for the Bank's trading exposures is guided by Bank Negara Malaysia's Capital Adequacy Framework for Islamic Bank ("CAFIB").

(i) Benchmark Rate Risk

Rate sensitive financial instruments are normally affected by general changes in the market profit rate, known as general risk. Changes in factor related to a specific issuer, in particular issuer's credit quality, which would affect the instrument, are known as specific risk. The Bank has adopted the maturity method as defined in CAFIB in computing the general risk charge of rate sensitive instruments.

The Bank's exposures to benchmark rate risk comprise of exposures in Held-for-Trading (HTM) sukuks, ijarah rental swap (IRS) and cross currency ijarah rental swap (CCIRS). As at 30 June 2012, the total risk weighted assets for exposures with benchmark rate risk was RM41.85 million (31 December 2011: RM20.81 million) with a total capital charge of RM3.348 million (31 December 2011: RM1.665 million).

All positions in IRS and CCIRS were fully squared (31 December 2011: Squared). The table below indicates the Basis Point Value ("BPV") sensitivity analysis of the securities held-for-trading against the movement in market benchmark rates.

Securities held-for-trading

Group	30 Jun 2012			31 Dec 2011		
	Nominal amount RM'000	Modified duration	BPV	Nominal amount RM	Modified duration	BPV
US Dollar (USD)	100,080	4.3	19,306	76,032	1.0	7,405

Securities held-for-trading

Bank	30 Jun 2012			31 Dec 2011		
	Nominal amount RM'000	Modified duration	BPV	Nominal amount RM	Modified duration	BPV
US Dollar (USD)	100,080	4.3	19,306	69,696	0.5	3,567

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A21. FINANCIAL RISK MANAGEMENT (Cont'd.)

(c) MARKET RISK (Cont'd.)

(ii) Foreign exchange risk

Foreign exchange risk is the risk to earnings and value of foreign currency assets, liabilities and derivative financial instruments caused by fluctuation in foreign exchange rates.

As at 30 June 2012, the total risk weighted assets for exposures with foreign exchange rate risk was RM295.975 million (31 December 2011: RM81.926 million) with a total capital charge of RM23.678 million (31 December 2011: RM6.554 million).

The table below indicates the currencies to which the Bank had significant exposure. The analysis calculates the effect of a reasonably possible movement of the currencies' exchange rates against Ringgit Malaysia, with all other variables held constant, on the income statement. A negative amount in the table reflects a potential net reduction in income statement, while a positive amount reflects a net potential increase.

	30 Jun 2012		31 Dec 2011	
	Change in exchange rate %	Effect on Income Statements / Equity RM'000	Change in exchange rate %	Effect on Income Statements / Equity RM'000
Group				
Singapore Dollar (SGD)	1	740	1	(390)
US Dollar (USD)	1	(8,533)	1	742
Euro (EUR)	1	87	1	(724)
Bank				
Singapore Dollar (SGD)	1	740	1	(390)
US Dollar (USD)	1	(10,085)	1	(838)
Euro (EUR)	1	(679)	1	(736)

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A21. FINANCIAL RISK MANAGEMENT (Cont'd.)

(c) MARKET RISK (Cont'd.)

(iii) Inventory risk

Inventory risk is defined as the risk arising from the holding of items in inventory either for resale under a Murabahah contract, or with a view to leasing under an ijarah contract. The Bank's exposures in inventory risk mainly are due from the holding of vehicles held for resale.

A vehicle held in inventory under sale or return basis carries risk weight similar to normal financing as it is considered as a financing of an inventory item. As at 30 June 2012, the total risk weighted assets for exposures with inventory risk was RM0.032 million (31 December 2011: RM0.032 million) with total capital charge of RM0.005 million (31 December 2011: RM0.005 million).

The table below indicates the breakdown of the risk-weighted assets of inventories held under resale or return basis and the normal inventories.

Group and Bank

Type of Inventory	30 Jun 2012	31 Dec 2011
	RM'000	RM'000
Not held under resale or return basis	32	32

Non-Trading

All positions, when the change in fair values will affect the Bank's equity, are classified as non-trading positions. The Bank's exposures in securities available-for-sale are classified as non-trading market risk positions. At present, these exposures are not subject to market risk capital charge requirement.

The table below indicates the Basis Point Value ("BPV") sensitivity analysis of the securities available-for-sale against the movement in market benchmark rates.

Securities available-for-sale

Group	30 Jun 2012			31 Dec 2011		
	Nominal amount RM'000	Modified duration	BPV	Nominal amount RM'000	Modified duration	BPV
Ringgit Malaysia	135,000	4.14	53,999	295,000	4.22	121,483
US Dollar	810,173	3.55	243,118	722,304	2.09	151,002
Bank						
Ringgit Malaysia	135,000	4.14	53,999	295,000	4.22	121,483
US Dollar	746,630	3.86	222,138	658,944	1.93	127,628

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A21 FINANCIAL RISK MANAGEMENT (Cont'd.)

(d) RATE OF RETURN RISK

The Group and the Bank are exposed to risks associated with the effects of fluctuations in the prevailing levels of yield/profit rate on the financial position. The rate of return risk is the potential impacts of market factors affecting rates on returns in comparison with the expected rates on return for investment account holders. Yield/profit rate is monitored and managed by the Asset and Liability Management Committee ("ALCO") to protect the income of its operations. The following table summarises the exposure to rate of return risk. The assets and liabilities at carrying amount are categorised by the earlier of the next contractual repricing dates and maturity dates.

Group As at 30 Jun 2012	Non-trading book						Trading book	Total	Effective profit rate
	Up to 1 month	>1 - 3 months	>3 - 12 months	>1 - 5 years	Over 5 years	Non- profit sensitive			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
ASSETS									
Cash and short-term funds	1,473,898	-	-	-	-	109,821	-	1,583,719	2.40
Deposits and placements with banks and other financial institutions	-	451,485	-	-	-	-	-	451,485	0.97
Securities held-for-trading	-	-	-	-	-	-	102,336	102,336	3.33
Securities available-for-sale	190,982	16,339	162,833	365,452	224,991	75,093	-	1,035,690	3.18
Securities held-to-maturity	31,954	-	-	-	-	-	-	31,954	2.72
Financing, advances and receivables	2,035,633	1,678,134	311,969	17,856	1,130,109	-	-	5,173,701	6.76
Murabahah trading automobiles	-	-	-	-	-	32	-	32	-
Musarakah capital investment	-	-	-	-	-	5,898	-	5,898	-
Other assets	-	-	-	-	-	1,097,201	-	1,097,201	-
TOTAL ASSETS	3,732,467	2,145,958	474,802	383,308	1,355,100	1,288,045	102,336	9,482,016	
LIABILITIES AND SHAREHOLDER'S EQUITY									
Deposits from customers	1,067,380	534,255	1,447,702	42,600	-	568,282	-	3,660,219	2.75
Deposits and placements of banks and other financial institutions	1,697,421	1,594,409	138,866	-	-	-	-	3,430,696	2.33
Subordinated Murabahah Tawarruq	-	192,528	189,018	-	-	-	-	381,546	3.62
Other liabilities	-	-	-	-	-	519,833	-	519,833	-
Total Liabilities	2,764,801	2,321,192	1,775,586	42,600	-	1,088,115	-	7,992,294	
Shareholder's equity	-	-	-	-	-	1,489,722	-	1,489,722	
Total Liabilities and Shareholder's Equity	2,764,801	2,321,192	1,775,586	42,600	-	2,577,837	-	9,482,016	
On-balance sheet profit sensitivity gap	967,666	(175,234)	(1,300,784)	340,708	1,355,100	(1,289,792)	102,336	-	
Off-balance sheet profit sensitivity gap	-	-	-	-	-	-	-	-	
Total profit sensitivity gap	967,666	(175,234)	(1,300,784)	340,708	1,355,100	(1,289,792)	102,336	-	

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A21 FINANCIAL RISK MANAGEMENT (Cont'd.)

(d) 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			
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
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	-	

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A21 FINANCIAL RISK MANAGEMENT (Cont'd.)

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

Bank As at 30 Jun 2012	Non-trading book					Non-profit sensitive RM'000	Trading book RM'000	Total RM'000	Effective profit rate %
	Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 12 months RM'000	>1 - 5 years RM'000	Over 5 years RM'000				
ASSETS									
Cash and short-term funds	1,517,034	-	-	-	-	109,014	-	1,626,048	2.37
Deposits and placements with banks and other financial institutions	-	451,485	-	-	-	-	-	451,485	0.97
Securities held-for-trading	-	-	-	-	-	-	102,336	102,336	3.33
Securities available-for-sale	190,981	-	113,681	365,452	224,992	29,456	-	924,562	3.28
Securities held-to-maturity	31,954	-	-	-	-	-	-	31,954	2.72
Financing, advances and receivables	2,035,633	1,678,134	311,969	17,856	1,130,109	-	-	5,173,701	6.76
Murabahah trading automobiles	-	-	-	-	-	32	-	32	-
Musarakah capital investment	-	-	-	-	-	-	5,898	5,898	-
Other assets	-	-	-	-	-	1,126,345	-	1,126,345	-
TOTAL ASSETS	3,775,602	2,129,619	425,650	383,308	1,355,101	1,264,847	108,234	9,442,361	
LIABILITIES AND SHAREHOLDER'S EQUITY									
Deposits from customers	1,070,671	534,255	1,447,702	42,600	-	568,282	-	3,663,510	2.75
Deposits and placements of banks and other financial institutions	1,672,202	1,594,410	138,866	-	-	-	-	3,405,478	2.35
Subordinated Murabahah Tawarruq	-	192,528	189,018	-	-	-	-	381,546	3.62
Other liabilities	-	-	-	-	-	517,562	-	517,562	-
Total Liabilities	2,742,873	2,321,193	1,775,586	42,600	-	1,085,844	-	7,968,096	
Shareholder's equity	-	-	-	-	-	-	-	1,474,265	
Total Liabilities and Shareholder's Equity	2,742,873	2,321,193	1,775,586	42,600	-	2,560,109	-	9,442,361	
On-balance sheet profit sensitivity gap	1,032,729	(191,574)	(1,349,936)	340,708	1,355,101	(1,295,262)	108,234	-	
Off-balance sheet profit sensitivity gap	-	-	-	-	-	-	-	-	
Total profit sensitivity gap	1,032,729	(191,574)	(1,349,936)	340,708	1,355,101	(1,295,262)	108,234	-	

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A21 FINANCIAL RISK MANAGEMENT (Cont'd.)

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

Bank As at 31 Dec 2011	Non-trading book					Non-profit sensitive RM'000	Trading book RM'000	Total RM'000	Effective profit rate %
	Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 12 months RM'000	>1 - 5 years RM'000	Over 5 years RM'000				
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	-	

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A21. FINANCIAL RISK MANAGEMENT (Cont'd.)

(e) FOREIGN EXCHANGE RISK

Foreign exchange risk is the risk to earnings and value of foreign currency assets, liabilities and hedging financial instruments caused by fluctuations in foreign exchange rates.

The banking activities of providing financial products and services to customers expose the Group and the Bank to foreign exchange risk. Foreign exchange risk is managed by treasury function, and monitored by Group Risk Management against delegated limits. The Group's policy is to ensure, where appropriate and practical, that its capital is protected from foreign exchange exposures. Hedging against foreign exchange exposures is mainly to protect the real economic value, rather than to avoid the short-term accounting impact.

The table below analyses the net foreign exchange positions of the Group and the Bank by major currencies, which are mainly in Ringgit Malaysia, Singapore Dollar, US Dollar, Euro and Kuwait Dinar.

Group	MYR	SGD	USD	EUR	KWD	Others	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
30 Jun 2012							
ASSETS							
Cash and short-term funds	917,009	32,531	627,716	-	-	6,463	1,583,719
Deposits and placements with banks and other financial institutions	-	22,525	423,998	-	-	4,962	451,485
Securities held-for-trading	-	-	102,336	-	-	-	102,336
Securities available-for-sale	144,606	-	866,938	24,146	-	-	1,035,690
Securities held-to-maturity	-	-	31,954	-	-	-	31,954
Financing, advances and receivables	4,650,647	-	523,054	-	-	-	5,173,701
Murabahah trading automobile	32	-	-	-	-	-	32
Musyarakah capital investment	5,898	-	-	-	-	-	5,898
Other assets	1,097,201	-	-	-	-	-	1,097,201
Total Assets	6,815,393	55,056	2,575,996	24,146	-	11,425	9,482,016

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A21. FINANCIAL RISK MANAGEMENT (Cont'd.)

(e) FOREIGN EXCHANGE RISK (Cont'd.)

Group	MYR	SGD	USD	EUR	KWD	Others	Total
30 Jun 2012 (Cont'd.)	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
LIABILITIES AND							
SHAREHOLDER'S EQUITY							
Deposits from customers	3,175,443	25,475	459,301	-	-	-	3,660,219
Deposits and placements with banks and other financial institutions	1,664,386	-	1,744,334	21,976	-	-	3,430,696
Subordinated Murabahah Tawarruq	-	-	381,546	-	-	-	381,546
Other liabilities	519,833	-	-	-	-	-	519,833
Total Liabilities	5,359,662	25,475	2,585,181	21,976	-	-	7,992,294
Shareholder's equity	1,489,722	-	-	-	-	-	1,489,722
Total Liabilities and Shareholder's equity	6,849,384	25,475	2,585,181	21,976	-	-	9,482,016
On-balance sheet open position	(33,991)	29,581	(9,185)	2,170	-	11,425	-
Off-balance sheet open position	255,246	-	(259,397)	-	-	-	(4,151)
Net open position	221,255	29,581	(268,582)	2,170	-	11,425	(4,151)

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A21. FINANCIAL RISK MANAGEMENT (Cont'd.)

(e) FOREIGN EXCHANGE RISK (Cont'd.)

Group	MYR	SGD	USD	EUR	KWD	Others	Total
31 Dec 2011	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
ASSETS							
Cash and short-term funds	1,571,924	120,764	263,310	-	5,685	11,329	1,973,012
Deposits and placements with banks and other financial institutions	249,378	48,743	436,852	-	-	-	734,973
Securities held-for-trading	-	-	90,216	-	-	-	90,216
Securities available-for-sale	290,073	-	781,580	24,687	-	-	1,096,340
Securities held-to-maturity	15,268	-	31,857	-	-	-	47,125
Financing, advances and receivables	4,292,563	10,814	894,387	-	-	-	5,197,764
Murabahah trading automobile	32	-	-	-	-	-	32
Musarakah capital investment	5,898	-	-	-	-	-	5,898
Other assets	829,396	-	-	-	-	147,410	976,806
Total Assets	7,254,532	180,321	2,498,202	24,687	5,685	158,739	10,122,166
LIABILITIES AND SHAREHOLDER'S EQUITY							
Deposits from customers	3,943,202	196,342	411,457	150	9,282	157,421	4,717,854
Deposits and placements with banks and other financial institutions	2,219,113	-	873,239	42,220	-	-	3,134,572
Subordinated Murabahah Tawarruq	-	-	373,589	-	-	-	373,589
Other liabilities	442,180	-	-	-	-	-	442,180
Total Liabilities	6,604,495	196,342	1,658,285	42,370	9,282	157,421	8,668,195
Shareholder's equity	1,453,971	-	-	-	-	-	1,453,971
Total Liabilities and Shareholder's equity	8,058,466	196,342	1,658,285	42,370	9,282	157,421	10,122,166
On-balance sheet open position	(803,934)	(16,021)	839,917	(17,683)	(3,597)	1,318	-
Off-balance sheet open position	786,555	-	(815,934)	-	-	-	(29,379)
Net open position	(17,379)	(16,021)	23,983	(17,683)	(3,597)	1,318	(29,379)

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A21. FINANCIAL RISK MANAGEMENT (Cont'd.)

(e) FOREIGN EXCHANGE RISK (Cont'd.)

Bank	MYR	SGD	USD	EUR	KWD	Others	Total
30 Jun 2012	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
ASSETS							
Cash and short-term funds	916,217	32,531	665,842	4,995	-	6,463	1,626,048
Deposits and placements with banks and other financial institutions	-	22,525	423,998	-	-	4,962	451,485
Securities held-for-trading	-	-	102,336	-	-	-	102,336
Securities available-for-sale	144,606	-	779,956	-	-	-	924,562
Securities held-to-maturity	-	-	31,954	-	-	-	31,954
Financing, advances and receivables	4,650,647	-	523,054	-	-	-	5,173,701
Murabahah trading automobile	32	-	-	-	-	-	32
Musyarakah capital investment	5,898	-	-	-	-	-	5,898
Other assets	1,126,345	-	-	-	-	-	1,126,345
Total Assets	6,843,745	55,056	2,527,140	4,995	-	11,425	9,442,361
LIABILITIES AND SHAREHOLDER'S EQUITY							
Deposits from customers	3,178,734	25,475	459,301	-	-	-	3,663,510
Deposits and placements with banks and other financial institutions	1,639,168	-	1,744,334	21,976	-	-	3,405,478
Subordinated Murabahah Tawarruq	-	-	381,546	-	-	-	381,546
Murabahah bank financing	-	-	-	-	-	-	-
Other liabilities	517,562	-	-	-	-	-	517,562
Total Liabilities	5,335,464	25,475	2,585,181	21,976	-	-	7,968,096
Shareholder's equity	1,474,265	-	-	-	-	-	1,474,265
Total Liabilities and Shareholder's equity	6,809,729	25,475	2,585,181	21,976	-	-	9,442,361
On-balance sheet open position	34,016	29,581	(58,041)	(16,981)	-	11,425	-
Off-balance sheet open position	255,246	-	(259,397)	-	-	-	(4,151)
Net open position	289,262	29,581	(317,438)	(16,981)	-	11,425	(4,151)

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A21. FINANCIAL RISK MANAGEMENT (Cont'd.)

(e) FOREIGN EXCHANGE RISK (Cont'd.)

Bank	MYR	SGD	USD	EUR	KWD	Others	Total
31 Dec 2011	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
ASSETS							
Cash and short-term funds	1,570,941	120,764	343,173	24,395	5,685	11,329	2,076,287
Deposits and placements with banks and other financial institutions	249,378	48,743	436,852	-	-	-	734,973
Securities held-for-trading	-	-	83,776	-	-	-	83,776
Securities available-for-sale	307,854	-	669,401	-	-	-	977,255
Securities held-to-maturity	15,268	-	31,857	-	-	-	47,125
Financing, advances and receivables	4,292,562	10,814	894,388	-	-	-	5,197,764
Murabahah trading automobile	32	-	-	-	-	-	32
Musarakah capital investment	5,898	-	-	-	-	-	5,898
Other assets	855,229	-	-	-	-	147,410	1,002,639
Total Assets	7,297,162	180,321	2,459,447	24,395	5,685	158,739	10,125,749
LIABILITIES AND SHAREHOLDER'S EQUITY							
Deposits from customers	3,944,933	196,342	411,457	150	9,283	157,421	4,719,586
Deposits and placements with banks and other financial institutions	2,225,494	-	884,328	42,220	-	-	3,152,042
Subordinated Murabahah Tawarruq	-	-	373,589	-	-	-	373,589
Murabahah bank financing	-	-	-	-	-	-	-
Other liabilities	440,983	-	-	-	-	-	440,983
Total Liabilities	6,611,410	196,342	1,669,374	42,370	9,283	157,421	8,686,200
Shareholder's equity	1,439,549	-	-	-	-	-	1,439,549
Total Liabilities and Shareholder's equity	8,050,959	196,342	1,669,374	42,370	9,283	157,421	10,125,749
On-balance sheet open position	(753,796)	(16,021)	790,073	(17,975)	(3,598)	1,318	-
Off-balance sheet open position	786,555	-	(815,934)	-	-	-	(29,379)
Net open position	32,759	(16,021)	(25,861)	(17,975)	(3,598)	1,318	(29,379)

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A21. FINANCIAL RISK MANAGEMENT (Cont'd.)

(f) PROFIT RATE RISK

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

The profit rate risk management function is overseen by the Asset and Liability Management Committee ("ALCO"), with the secretariat resided at Risk Management Division. ALCO is chaired by Chief Executive Officer with members comprised of senior management representing major business units, Finance Division, Credit & Risk Management Division.

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

- i) The total of fixed rate financing over the Bank's total financing; and
- ii) The 3 months rate sensitive assets over the 3 months rate sensitive liabilities.

The following table summarises the Bank's exposures to profit rate risk as at 30 June 2012. The assets and liabilities at carrying amount are categorised by the earlier of the next contractual repricing dates and maturity dates. All retail deposits (liabilities) are assumed to be re-priced immediately when the market profit rate changes.

Exposures to profit rate risk

30 Jun 2012

Group

<i>RM million</i>	1-3 months	4-6 months	7-12 months	Over 12 months	Non-sensitive	Total
Rate sensitive assets	5,936	320	196	2,334	696	9,482
Rate sensitive liabilities	4,872	1,075	512	43	1,490	7,992
Monthly mismatch	1,043	(755)	(315)	2,291	(774)	
Cumulative mismatch	1,043	287	(28)	2,263	1,490	
Bank						
Rate sensitive assets	5,936	270	197	2,334	705	9,442
Rate sensitive liabilities	4,872	1,075	512	42	1,467	7,968
Monthly mismatch	1,091	(805)	(315)	2,291	(789)	
Cumulative mismatch	1,091	287	(28)	2,263	1,474	

The above analysis is performed on a monthly basis and subsequently, reported to ALCO for review and deliberation.

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A21. FINANCIAL RISK MANAGEMENT (Cont'd.)

(f) PROFIT RATE RISK (Cont'd.)

The following table summarises the Bank's exposures to profit rate risk as at 31 December 2011. The assets and liabilities at carrying amount are categorised by the earlier of the next contractual repricing dates and maturity dates. All retail deposits (liabilities) are assumed to be re-priced immediately when the market profit rate changes.

Exposures to profit rate risk

31 Dec 2011

Group

<i>RM million</i>	1-3 months	4-6 months	7-12 months	Over 12 months	Non-sensitive	Total
Rate sensitive assets	6,226	404	42	2,046	1,405	10,122
Rate sensitive liabilities	5,815	560	836	5	1,452	8,668
Monthly mismatch	411	(157)	(794)	2,042	(204)	
Cumulative mismatch	380	1,296	(339)	1,502	1,454	
Bank						
Rate sensitive assets	6,326	549	102	1,777	1,372	10,126
Rate sensitive liabilities	5,833	560	836	5	1,452	8,686
Monthly mismatch	493	(12)	(733)	1,772	(238)	
Cumulative mismatch	538	1,832	1,390	1,520	1,440	

The above analysis is performed on a monthly basis and subsequently, reported to ALCO for review and deliberation.

The following table indicates the sensitivity of the net revenue and the economic value of equity on over the rate of return upward and downward rate shocks.

Profit rate risk simulation sensitivity analysis (%)

30 Jun 2012

Group

	Movement in market profit rate (%)					
	(2.00)	(1.00)	(0.50)	0.50	1.00	2.00
Change in Net Revenue	(0.05)	(0.02)	(0.01)	0.01	0.03	0.05
Change in Economic Value of Equity	0.24	0.11	0.05	(0.05)	(0.10)	(0.18)
Bank						
Change in Net Revenue	(0.05)	(0.02)	(0.01)	0.01	0.03	0.05
Change in Economic Value of Equity	0.24	0.11	0.05	(0.05)	(0.10)	(0.18)

31 Dec 2011

Group

	Movement in market profit rate (%)					
	(2.00)	(1.00)	(0.50)	0.50	1.00	2.00
Change in Net Revenue	0.85	0.46	0.26	(0.28)	(0.56)	(1.13)
Change in Economic Value of Equity	14.84	6.89	3.32	(3.10)	(6.00)	(11.25)
Bank						
Change in Net Revenue	0.93	0.50	0.28	(0.30)	(0.61)	(1.21)
Change in Economic Value of Equity	14.10	6.53	3.15	(2.93)	(5.66)	(10.58)

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A21. FINANCIAL RISK MANAGEMENT (Cont'd.)

(g) Credit Risk Disclosures for portfolios under the Standardised Approach

For the calculation of credit risk-weighted assets under the Standardised Approach for Capital Adequacy Framework for Islamic Bank (CAFIB) issued by BNM, external credit assessments (or external ratings) on the obligor (the issuer) or specific securities issued by the issuer (the issue) form as a basis for the determination of risk weights for exposures to sovereigns, central banks, public sector entities, banking institutions, corporates as well as certain other specific portfolios in the banking book. The Bank captures all available external ratings of obligor or issues and adheres to the conditions stipulated in the BNM CAFIB to choose the applicable rating assessment for exposures with single or multiple external ratings. The Bank then assigns the appropriate risk weight to the banking book exposure that is equivalent to the standard risk-weights in CAFIB for issue-specific rating. The Bank also applies the principles stipulated in CAFIB to determine the applicable risk weights to the exposures that do not have issue-specific rating.

(i) Names of External Credit Assessment Institution ("ECAIs") used are :

Standard & Poor's Rating Services ("S&P")
Moody's Investor's Service ("Moody's")
Fitch Ratings ("Fitch")
Rating Agency Malaysia ("RAM")
Malaysian Rating Corporation Berhad ("MARC")

(ii) Types of exposures for which each ECAI is used :

Exposures to Sovereign and Central Banks
Exposures to Non-Federal Government Public Sector Entities ("PSEs")
Exposures to Multilateral Banks ("MDB"s)
Exposures to Banking Institutions and Corporates

(iii) The breakdown of all rated and unrated exposures in each major risk category for the current financial period are as follows:

30 Jun 2012

Exposure class	Rating of Corporates by approved ECAIs					
	Moodys	Aaa to Aa3	A1 to A3	Baa1 to Ba3	B+ to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	RAM	AAA to AA3	A to A3	BBB to BB	B to D	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	Rating & Investment Inc	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
On and Off-Balance Sheet Exposures		RM '000	RM '000	RM '000	RM '000	RM '000
Credit exposures (using corporate risk-weights)						
Group						
Public sector entities (applicable for entities risk-weighted based on their external ratings as corporates)		-	-	-	-	69,927
Corporates		66,798	16,925	23,216	-	4,683,541
		66,798	16,925	23,216	-	4,753,468
Bank						
Public sector entities (applicable for entities risk-weighted based on their external ratings as corporates)		-	-	-	-	69,927
Corporates		66,798	16,925	23,216	-	4,701,374
		66,798	16,925	23,216	-	4,771,301

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A21. FINANCIAL RISK MANAGEMENT (Cont'd.)

(g) Credit Risk Disclosures for portfolios under the Standardised Approach (Cont'd.)
30 Jun 2012

Exposure class	Rating of Sovereigns and Central Banks by approved ECAIs						
	Moody's	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to B3	Caa1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	Rating & Investment Inc	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to C	Unrated
On and Off-Balance Sheet Exposures		RM '000	RM '000	RM '000	RM '000	RM '000	RM '000
Group Sovereigns/Central Banks		-	712,077	-	-	-	178,999
Bank Sovereigns/Central Banks		-	710,601	-	-	-	178,999

Exposure class	Rating of Banking Institutions by approved ECAIs						
	Moody's	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to B3	Caa1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	RAM	AAA to AA3	A to A3	BBB1 to BBB3	BB1 to B3	C1 to D	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	C+ to D	Unrated
On and Off-Balance Sheet Exposures		RM '000	RM '000	RM '000	RM '000	RM '000	RM '000
Group Banks, MDBs and FDIs		255,322	9,952	76,425	-	-	1,443,563
Bank Banks, MDBs and FDIs		255,322	9,952	76,425	-	-	1,485,891

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A21. FINANCIAL RISK MANAGEMENT (Cont'd.)

(g) Credit Risk Disclosures for portfolios under the Standardised Approach

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

31 Dec 2011

Exposure class	Rating of Corporates by approved ECAs					
	Moody's	Aaa to Aa3	A1 to A3	Baa1 to Ba3	B+ to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	RAM	AAA to AA3	A to A3	BBB to BB	B to D	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	Rating & Investment Inc	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
		RM '000	RM '000	RM '000	RM '000	RM '000
On and Off-Balance Sheet Exposures						
Credit exposures (using corporate risk-weights)						
Group						
Public sector entities (applicable for entities risk-weighted based on their external ratings as corporates)		-	-	-	-	112,778
Corporates		56,374	15,268	-	-	5,412,692
		56,374	15,268	-	-	5,525,470
Bank						
Public sector entities (applicable for entities risk-weighted based on their external ratings as corporates)		-	-	-	-	112,778
Corporates		56,374	15,268	-	-	5,414,279
		56,374	15,268	-	-	5,527,057

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A21. FINANCIAL RISK MANAGEMENT (Cont'd.)

(g) Credit Risk Disclosures for portfolios under the Standardised Approach (Cont'd.)

31 Dec 2011

Exposure class	Rating of Sovereigns and Central Banks by approved ECAls						
	Moody's	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to B3	Caa1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	Rating & Investment Inc	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to C	Unrated
On and Off-Balance Sheet Exposures		RM '000	RM '000	RM '000	RM '000	RM '000	RM '000
Group Sovereigns/Central Banks		-	102,757	-	-	-	1,232,542
Bank Sovereigns/Central Banks		-	89,495	-	-	-	1,232,542

Exposure class	Rating of Banking Institutions by approved ECAls						
	Moody's	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to B3	Caa1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	RAM	AAA to AA3	A to A3	BBB1 to BBB3	BB1 to B3	C1 to D	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	C+ to D	Unrated
On and Off-Balance Sheet Exposures		RM '000	RM '000	RM '000	RM '000	RM '000	RM '000
Group Banks, MDBs and FDIs		-	94,744	163,660	-	-	1,992,951
Bank Banks, MDBs and FDIs		-	94,744	157,074	-	-	2,067,574

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A21. FINANCIAL RISK MANAGEMENT (Cont'd.)

(h) Credit Risk Mitigation ("CRM") Disclosures under the Standardised Approach

The Bank's exposures covered by eligible guarantee and collateral under CAFIB are as follows:-

30 Jun 2012

Group	Exposures before CRM	Exposures Covered by Guarantees	Exposures Covered by Eligible Financial Collateral	Exposures Covered by Other Eligible Collateral
	RM'000	RM'000	RM'000	RM'000
(i) Credit Risk				
(a) On-Balance Sheet Exposures				
Sovereigns/Central Banks	891,077	-	-	-
Public Sector Entities	68,656	68,656	-	-
Banks, Development Financial Institutions & MDBs	1,731,643	-	-	-
Corporates	3,220,096	-	50,663	-
Regulatory Retail	1,366,799	-	-	-
Residential Mortgages	116,158	-	-	-
Higher Risk Assets	257,631	-	-	-
Other Assets	749,742	-	-	-
Defaulted Exposures	805,527	-	3,509	-
Total On Balance Sheet Exposures	9,207,329	68,656	54,172	-
(b) Off-Balance Sheet Exposures				
OTC Derivatives	66,314	-	-	-
Off-balance sheet exposures other than OTC derivatives	999,752	300,000	3,782	-
Defaulted Exposures	-	-	-	-
Total Off-Balance Sheet Exposures	1,066,066	300,000	3,782	-
Total On and Off-Balance Sheet Exposures	10,273,395	368,656	57,954	-

Note The exposures in this table have the same definition as the various categories of exposures under the CAFIB guideline issued by Bank Negara Malaysia.

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A21. FINANCIAL RISK MANAGEMENT (Cont'd.)

(h) Credit Risk Mitigation ("CRM") Disclosures under the Standardised Approach (Cont'd.)

31 Dec 2011

Group	Exposures before CRM	Exposures Covered by Guarantees	Exposures Covered by Eligible Financial Collateral	Exposures Covered by Other Eligible Collateral
	RM'000	RM'000	RM'000	RM'000
(i) Credit Risk				
(a) On-Balance Sheet Exposures				
Sovereigns/Central Banks	1,335,299	-	-	-
Public Sector Entities	110,204	110,204	-	-
Banks, Development Financial Institutions & MDBs	2,185,042	-	-	-
Corporates	3,497,139	91,293	62,521	-
Higher Risk Assets	261,827	-	-	-
Other Assets	557,205	-	-	-
Defaulted Exposures	997,832	-	42,966	-
Total On-Balance Sheet Exposures	9,896,090	201,497	105,537	-
(b) Off-Balance Sheet Exposures				
OTC Derivatives	79,818	-	-	-
Off-balance sheet exposures other than OTC derivatives	1,175,981	450,000	6,475	-
Defaulted Exposures	5,840	-	500	-
Total Off Balance Sheet Exposures	1,261,639	450,000	6,975	-
Total On and Off-Balance Sheet Exposures	11,157,729	651,497	112,512	-

Note The exposures in this table have the same definition as the various categories of exposures under the CAFIB guideline issued by Bank Negara Malaysia.

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A21. FINANCIAL RISK MANAGEMENT (Cont'd.)

(h) Credit Risk Mitigation ("CRM") Disclosures under the Standardised Approach (Cont'd.)

30 Jun 2012

Bank	Exposures before CRM	Exposures Covered by Guarantees	Exposures Covered by Eligible Financial Collateral	Exposures Covered by Other Eligible Collateral
	RM'000	RM'000	RM'000	RM'000
(i) Credit Risk				
(a) On-Balance Sheet Exposures				
Sovereigns/Central Banks	889,601	-	-	-
Public Sector Entities	68,656	68,656	-	-
Banks, Development Financial Institutions & MDBs	1,773,971	-	-	-
Corporates	3,237,929	-	50,663	-
Regulatory Retail	1,366,799	-	-	-
Residential Mortgages	116,158	-	-	-
Higher Risk Assets	257,631	-	-	-
Other Assets	620,537	-	-	-
Defaulted Exposures	805,527	-	3,509	-
Total On-Balance Sheet Exposures	9,136,809	68,656	54,172	-
(b) Off-Balance Sheet Exposures				
OTC Derivatives	66,314	-	-	-
Off-balance sheet exposures other than OTC derivatives	999,752	300,000	3,782	-
Defaulted Exposures	-	-	-	-
Total Off Balance Sheet Exposures	1,066,066	300,000	3,782	-
Total On and Off-Balance Sheet Exposures	10,202,875	368,656	57,954	-

Note The exposures in this table have the same definition as the various categories of exposures under the CAFIB guideline issued by Bank Negara Malaysia.

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A21. FINANCIAL RISK MANAGEMENT (Cont'd.)

(h) Credit Risk Mitigation ("CRM") Disclosures under the Standardised Approach (Cont'd.)

31 Dec 2011

Bank	Exposures before CRM	Exposures Covered by Guarantees	Exposures Covered by Eligible Financial Collateral	Exposures Covered by Other Eligible Collateral
	RM'000	RM'000	RM'000	RM'000
(i) Credit Risk				
(a) On-Balance Sheet Exposures				
Sovereigns/Central Banks	1,322,037	-	-	-
Public Sector Entities	110,204	110,204	-	-
Banks, Development Financial Institutions & MDBs	2,253,080	-	-	-
Corporates	3,498,726	91,293	62,521	-
Higher Risk Assets	261,795	-	-	-
Other Assets	480,031	-	-	-
Defaulted Exposures	997,832	-	42,966	-
Total On-Balance Sheet Exposures	9,875,247	201,497	105,537	-
(b) Off-Balance Sheet Exposures				
OTC Derivatives	79,818	-	-	-
Off-balance sheet exposures other than OTC derivatives	1,175,981	450,000	6,474.93	-
Defaulted Exposures	5,840	-	500.00	-
Total Off Balance Sheet Exposures	1,261,639	450,000	6,975	-
Total On and Off-Balance Sheet Exposures	11,136,886	651,497	112,512	-

Note The exposures in this table have the same definition as the various categories of exposures under the CAFIB guideline issued by Bank Negara Malaysia.

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A21. OFF BALANCE SHEET EXPOSURES AND COUNTERPARTY CREDIT RISK

Off-balance Sheet exposures and Counterparty Credit Risk (CCR) as at 30 June 2012, are as follows:

Group and Bank 30 Jun 2012

Direct Credit Substitutes	
Transaction related contingent Items	
Short Term Self Liquidating trade related contingencies	
Foreign exchange related contracts	
One year or less	
Over one year to five years	
Over five years	
Interest/Profit rate related contracts	
Over five years	
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	

Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount RM'000	Risk Weighted Assets RM'000
449,330		449,330	298,743
114,722		57,361	39,115
42,091		8,418	7,851
277,520	25	4,180	1,682
198,462	8,240	10,353	6,286
102,899	7,913	9,560	4,958
305,217	23,907	42,220	34,895
786,097		393,049	378,143
457,974		91,595	87,913
2,734,312	40,085	1,066,066	859,586

Group and Bank 31 Dec 2011

Direct Credit Substitutes	
Transaction related contingent Items	
Short Term Self Liquidating trade related contingencies	
Foreign exchange related contracts	
One year or less	
Over one year to five years	
Over five years	
Profit rate related contracts	
Over five years	
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	

Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount RM'000	Risk Weighted Assets RM'000
637,113		637,113	411,525
108,859		54,430	38,878
28,683		5,737	4,990
917,884	719	11,669	6,218
197,286	8,199	14,611	8,833
101,773	7,723	11,031	3,713
319,829	24,141	43,331	35,655
809,077		404,538	437,907
395,901		79,180	77,513
3,516,405	40,782	1,261,638	1,025,232

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A21 FINANCIAL RISK MANAGEMENT (Cont'd.)

(j) Equities (Disclosure for banking book positions)

30 Jun 2012
Group and Bank

Equity

(i) Privately Held

(a) Subsidiaries

Kuwait Finance House (Labuan) Berhad
KFH Nominees (Tempatan) Sdn. Bhd.
KFH Asset Management Sdn. Bhd.
Kuwait Finance House (Australia) Pty Ltd

(b) Associate

IntraRED Sdn Bhd

(c) Musyarakah Capital Investment

Amount	Unrealised Gain/(Loss)	Risk-Weighted Assets
RM'000	RM'000	RM'000
46,193	(14,000)	Capital Deduction
10,200	-	Capital Deduction
-	-	Capital Deduction
20,000	-	Capital Deduction
15,993	-	Capital Deduction
19,000	-	28,500
5,898	-	8,847

31 Dec 2011
Group and Bank

Equity

(i) Privately Held

(a) Subsidiaries

Kuwait Finance House (Labuan) Berhad
KFH Nominees (Tempatan) Sdn. Bhd.
KFH Asset Management Sdn. Bhd.
Kuwait Finance House (Australia) Pty Ltd

(b) Associate

IntraRED Sdn Bhd

(c) Musyarakah Capital Investment

Amount	Unrealised Gain/(Loss)	Risk-Weighted Assets
RM'000	RM'000	RM'000
46,193	(14,000)	Capital Deduction
10,200	-	Capital Deduction
-	-	Capital Deduction
20,000	-	Capital Deduction
15,993	-	Capital Deduction
19,000	-	28,500
5,898	-	8,847

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**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 30 June 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.

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**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.

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("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:

	Group and Bank	
	2012 RM'000	2011 RM'000
Effect of adopting new policy on collective impairment		
- Impairment assessment	(22,093)	(141,169)
- Deferred tax assets	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.

	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
Statements of financial position			
Group			
Financing, advances and other receivables	6,072,784	(141,169)	5,931,615
Deferred tax assets	125,557	-	125,557
Shareholder's Equity	2,053,595	(141,169)	1,912,426
Bank			
Financing, advances and other receivables	6,072,784	(141,169)	5,931,615
Deferred tax assets	125,175	-	125,175
Shareholder's Equity	2,021,711	(141,169)	1,880,542
Statements of financial position			
Group			
Financing, advances and other receivables	5,219,857	(22,093)	5,197,764
Deferred tax assets	288,388	5,523	293,911
Shareholder's Equity	1,470,541	(16,570)	1,453,971
Bank			
Financing, advances and other receivables	5,219,857	(22,093)	5,197,764
Deferred tax assets	288,301	5,523	293,824
Shareholder's Equity	1,456,119	(16,570)	1,439,549

(c) Estimates

The estimates as 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.

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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>Adjustments</u>	<u>MFRS as at</u>	<u>FRS as at</u>	<u>Adjustments</u>	<u>MFRS as at</u>	<u>FRS as at</u>	<u>Adjustments</u>	<u>MFRS as at</u>
ASSETS		1 Jan 2011	RM'000	1 Jan 2011	30 Jun 2011	RM'000	30 Jun 2011	31 Dec 2011	RM'000	31 Dec 2011
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cash and short-term funds		2,651,695	-	2,651,695	2,460,440	-	2,460,440	1,973,012	-	1,973,012
Deposits and placements with banks and other financial institutions		275,092	-	275,092	994,220	-	994,220	734,973	-	734,973
Securities held-for-trading		110,083	-	110,083	126,603	-	126,603	90,216	-	90,216
Hedging financial instruments		80,632	-	80,632	56,802	-	56,802	43,688	-	43,688
Securities available-for-sale		1,053,506	-	1,053,506	1,034,229	-	1,034,229	1,096,340	-	1,096,340
Securities held-to-maturity		46,266	-	46,266	45,604	-	45,604	47,125	-	47,125
Financing, advances and other receivables	B3 (b)	6,072,784	(141,169)	5,931,615	5,090,626	(141,387)	4,949,239	5,219,857	(22,093)	5,197,764
Murabahah trading automobile		32	-	32	32	-	32	32	-	32
Other assets		385,682	-	385,682	311,690	-	311,690	411,730	-	411,730
Statutory deposits with										
Bank Negara Malaysia		44,854	-	44,854	112,730	-	112,730	180,200	-	180,200
Musarakah capital investment		5,898	-	5,898	5,898	-	5,898	5,898	-	5,898
Investment in subsidiaries		932	-	932	914	-	914	-	-	-
Property and equipment		27,340	-	27,340	29,313	-	29,313	23,855	-	23,855
Intangible assets		27,529	-	27,529	24,565	-	24,565	23,422	-	23,422
Deferred tax assets	B3 (b)	125,557	-	125,557	118,117	54	118,171	288,388	5,523	293,911
		10,907,882	(141,169)	10,766,713	10,411,783	(141,333)	10,270,450	10,138,736	(16,570)	10,122,166

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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>	<u>Note</u>	<u>FRS as at</u>	<u>Adjustments</u>	<u>MFRS as at</u>	<u>FRS as at</u>	<u>Adjustments</u>	<u>MFRS as at</u>	<u>FRS as at</u>	<u>Adjustments</u>	<u>MFRS as at</u>
LIABILITIES		1 Jan 2011	RM'000	1 Jan 2011	30 Jun 2011	RM'000	30 Jun 2011	31 Dec 2011	RM'000	31 Dec 2011
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Deposits from customers		4,560,037	-	4,560,037	4,394,948	-	4,394,948	4,717,854	-	4,717,854
Deposits and placements of banks and other financial institutions		3,478,689	-	3,478,689	3,261,211	-	3,261,211	3,134,572	-	3,134,572
Hedging financial instruments		39,789	-	39,789	39,579	-	39,579	72,655	-	72,655
Murabahah bank financing		23,233	-	23,233	-	-	-	-	-	-
Subordinated Murabahah Tawarruq		350,797	-	350,797	348,565	-	348,565	373,589	-	373,589
Other liabilities		398,002	-	398,002	294,947	-	294,947	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	8,342,990	-	8,342,990	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)	(197,332)	(141,333)	(338,665)	(795,584)	(16,570)	(812,154)
		2,053,595	(141,169)	1,912,426	2,068,793	(141,333)	1,927,460	1,470,541	(16,570)	1,453,971
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY										
		10,907,882	(141,169)	10,766,713	10,411,783	(141,333)	10,270,450	10,138,736	(16,570)	10,122,166

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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.):

Bank	Note	FRS as at 1 Jan 2011 RM'000	Adjustments RM'000	MFRS as at 1 Jan 2011 RM'000	FRS as at 30 Jun 2011 RM'000	Adjustments RM'000	MFRS as at 30 Jun 2011 RM'000	FRS as at 31 Dec 2011 RM'000	Adjustments RM'000	MFRS as at 31 Dec 2011 RM'000
ASSETS										
Cash and short-term funds		2,744,436	-	2,744,436	2,548,265	-	2,548,265	2,076,287	-	2,076,287
Deposits and placements with banks and other financial institutions		275,092	-	275,092	994,220	-	994,220	734,973	-	734,973
Securities held-for-trading		110,083	-	110,083	126,603	-	126,603	83,776	-	83,776
Hedging financial instruments		80,632	-	80,632	56,802	-	56,802	43,688	-	43,688
Securities available-for-sale		925,933	-	925,933	907,236	-	907,236	977,255	-	977,255
Securities held-to-maturity		46,266	-	46,266	45,604	-	45,604	47,125	-	47,125
Financing, advances and other receivables	B3 (b)	6,072,784	(141,169)	5,931,615	5,090,626	(141,387)	4,949,239	5,219,857	(22,093)	5,197,764
Murabahah trading automobile		32	-	32	32	-	32	32	-	32
Other assets		366,450	-	366,450	295,176	-	295,176	406,948	-	406,948
Statutory deposits with										
Bank Negara Malaysia		44,854	-	44,854	112,730	-	112,730	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	32,193	-	32,193	30,952	-	30,952
Property and equipment		26,915	-	26,915	28,944	-	28,944	23,624	-	23,624
Intangible assets		27,508	-	27,508	24,547	-	24,547	23,403	-	23,403
Deferred tax assets	B3 (b)	125,175	-	125,175	117,655	54	117,709	288,301	5,523	293,824
		10,884,455	(141,169)	10,743,286	10,386,531	(141,333)	10,245,198	10,142,319	(16,570)	10,125,749

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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.):

Bank	Note	FRS as at 1 Jan 2011 RM'000	Adjustments RM'000	MFRS as at 1 Jan 2011 RM'000	FRS as at 30 Jun 2011 RM'000	Adjustments RM'000	MFRS as at 30 Jun 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	4,395,774	-	4,395,774	4,719,586	-	4,719,586
Deposits and placements of banks and other financial institutions		3,486,642	-	3,486,642	3,263,665	-	3,263,665	3,152,042	-	3,152,042
Hedging financial instruments		39,789	-	39,789	39,579	-	39,579	72,655	-	72,655
Murabahah bank financing		23,233	-	23,233	-	-	-	-	-	-
Subordinated Murabahah Tawarruq		350,797	-	350,797	348,565	-	348,565	373,589	-	373,589
Other liabilities		396,933	-	396,933	294,011	-	294,011	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	8,345,334	-	8,345,334	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)	(224,928)	(141,333)	(366,261)	(810,006)	(16,570)	(826,576)
		2,021,711	(141,169)	1,880,542	2,041,197	(141,333)	1,899,864	1,456,119	(16,570)	1,439,549
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY		10,884,455	(141,169)	10,743,286	10,386,531	(141,333)	10,245,198	10,142,319	(16,570)	10,125,749

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

(e) Reconciliation of total comprehensive income for the period ended 30 June 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>	FRS as at 30 Jun 2011 RM'000	Adjustments RM'000	MFRS as at 30 Jun 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	213,300	-	213,300	459,788	-	459,788
Income derived from investment of depositors' funds and others	161,081	-	161,081	342,673	-	342,673
Income derived from investment of shareholder's equity	52,219	-	52,219	117,115	-	117,115
Total gross income	213,300	-	213,300	459,788	-	459,788
Impairment (charge) / write-back on securities	(1,539)	-	(1,539)	(20,000)	-	(20,000)
Impairment loss on financing	(18,996)	(218)	(19,214)	(795,997)	119,076	(676,921)
Total distributable income	192,765	(218)	192,547	(356,209)	119,076	(237,133)
Income attributable to the depositors	(96,677)	-	(96,677)	(208,486)	-	(208,486)
Total net income	96,088	(218)	95,870	(564,695)	119,076	(445,619)
Personnel expenses	(44,493)	-	(44,493)	(94,843)	-	(94,843)
Other overheads and expenditures	(39,570)	-	(39,570)	(91,032)	-	(91,032)
Finance cost	(6,319)	-	(6,319)	(12,949)	-	(12,949)
Profit/(Loss) before zakat and taxation	5,706	(218)	5,488	(763,519)	119,076	(644,443)
Taxation	(3,664)	54	(3,610)	167,311	5,523	172,834
Net profit/(loss) for the period	2,042	(164)	1,878	(596,208)	124,599	(471,609)
Other comprehensive income/(loss):						
Net gain taken to equity on securities available-for-sale	18,735	-	18,735	18,391	-	18,391
Exchange differences on translation of foreign operations	(895)	-	(895)	1,242	-	1,242
Income tax relating to components of other comprehensive income	(4,684)	-	(4,684)	(6,479)	-	(6,479)
Other comprehensive income for the period, net of tax	13,156	-	13,156	13,154	-	13,154
Total comprehensive income/(loss) for the period	15,198	(164)	15,034	(583,054)	124,599	(458,455)
Total comprehensive income/(loss) for the period attributable to equity holders of the parent	15,198	(164)	15,034	(583,054)	124,599	(458,455)

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

(e) Reconciliation of total comprehensive income for the period ended 30 June 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.):

Bank	FRS as at 30 Jun 2011 RM'000	Adjustments RM'000	MFRS as at 30 Jun 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	210,554	-	210,554	450,331	-	450,331
Income derived from investment of depositors' funds and others	161,134	-	161,134	343,833	-	343,833
Income derived from investment of shareholder's equity	49,420	-	49,420	106,498	-	106,498
Total gross income	210,554	-	210,554	450,331	-	450,331
Impairment (charge) / write-back on securities	(1,116)	-	(1,116)	(2,833)	-	(2,833)
Impairment loss on financing	(18,996)	(218)	(19,214)	(795,997)	119,076	(676,921)
Total distributable income	190,442	(218)	190,224	(348,499)	119,076	(229,423)
Income attributable to the depositors	(96,777)	-	(96,777)	(208,686)	-	(208,686)
Total net income	93,665	(218)	93,447	(557,185)	119,076	(438,109)
Personnel expenses	(40,529)	-	(40,529)	(87,892)	-	(87,892)
Other overheads and expenditures	(37,956)	-	(37,956)	(87,145)	-	(87,145)
Finance cost	(6,319)	-	(6,319)	(12,949)	-	(12,949)
Profit/(Loss) before zakat and taxation	8,861	(218)	8,643	(745,171)	119,076	(626,095)
Taxation	(3,614)	54	(3,560)	167,735	5,523	173,258
Net profit/(loss) for the period	5,247	(164)	5,083	(577,436)	124,599	(452,837)
Other comprehensive income/(loss):						
Net gain taken to equity on securities available-for-sale	18,985	-	18,985	18,386	-	18,386
Income tax relating to components of other comprehensive income	(4,746)	-	(4,746)	(6,542)	-	(6,542)
Other comprehensive income for the period, net of tax	14,239	-	14,239	11,844	-	11,844
Total comprehensive income/(loss) for the period	19,486	(164)	19,322	(565,592)	124,599	(440,993)
Total comprehensive income/(loss) for the period attributable to equity holders of the parent	19,486	(164)	19,322	(565,592)	124,599	(440,993)

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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 six-months ended 30 June 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 six-months ended 30 June 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 six-months ended 30 June 2012.

B8 Debt and Equity Securities

There were no issuances, cancellation, repurchases, resales or repayments of debt and equity securities during the six-months ended 30 June 2012.

B9 Dividends Paid

There were no dividends paid during the six-months ended 30 June 2012.

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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
30 Jun 2012	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
External revenue	71,418	76,533	44,524	58,424	-	250,899
Revenue from other segments	83,055	1,654	3,286	29,436	(117,431)	-
Total Revenue	154,473	78,187	47,810	87,860	(117,431)	250,899
Segment results	12,609	27,006	26,504	22,530	-	88,649
Unallocated expenses						(46,540)
Profit from operations						42,109
Taxation						(12,232)
Net profit for the year						29,877
Other information						
Segment assets	3,265,646	2,898,948	817,256	2,031,243	(89,857)	8,923,236
Unallocated corporate assets						558,780
Total assets						9,482,016
Segment liabilities	5,140,866	95,637	197,618	2,103,341	(58,904)	7,478,558
Unallocated corporate liabilities						513,736
Total liabilities						7,992,294
Other segment items						
Purchase of property and equipment	-	-	-	20,798	-	20,798
Purchase of intangible assets	-	-	-	1,959	-	1,959
Depreciation of property and equipment	-	-	-	6,508	-	6,508
Amortisation of intangible assets	-	-	-	4,190	-	4,190
Other non-cash expense other than depreciation	(1,216)	10,204	12,188	(1,885)	-	19,291

(ii) By Geographical Locations

Group	Operating Revenue RM'000	Profit/(Loss) Before Zakat and Taxation RM'000	Total Assets RM'000
30 Jun 2012			
Malaysia	249,786	42,224	9,481,776
Outside Malaysia	1,113	(115)	240
	250,899	42,109	9,482,016

The Group has funds management operations in Australia.

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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
30 Jun 2011	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
External revenue	52,893	64,008	78,512	17,887	-	213,300
Revenue from other segments	76,745	2,111	3,685	20,119	(102,660)	-
Total Revenue	129,638	66,119	82,197	38,006	(102,660)	213,300
Segment results						-
Unallocated expenses	(3,823)	13,571	(1,624)	40,519	-	48,643
Loss from operations						(43,155)
Taxation						5,488
Net loss for the year						(3,610)
						1,878
Other information						
Segment assets	4,786,264	3,092,383	1,566,570	680,088	(143,773)	9,981,532
Unallocated corporate assets						288,918
Total assets						10,270,450
Segment liabilities	6,478,378	33,786	692,451	835,566	(111,580)	7,928,601
Unallocated corporate liabilities						414,389
Total liabilities						8,342,990
Other segment items						
Purchase of property and equipment	-	-	-	2,783	-	2,783
Disposal of intangible assets	-	-	-	(2,287)	-	(2,287)
Depreciation of property and equipment	-	-	-	811	-	811
Amortisation of intangible assets	-	-	-	677	-	677
Other non-cash expense other than depreciation	(892)	(4,462)	(35,496)	241	(224)	(40,833)

(ii) By Geographical Locations

Group	Operating Revenue RM'000	Profit/(Loss) Before Zakat and Taxation RM'000	Total Assets RM'000
30 Jun 2011			
Malaysia	213,299	6,779	10,269,218
Outside Malaysia	1	(1,291)	1,232
	213,300	5,488	10,270,450

The Group has funds management operations in Australia.

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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 30 June 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
6,353	6,353
6,061	5,792
12,414	12,146
547	547

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.

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Certification of Financial Statements

I, Mohd Hazran Abd Hadi, being the officer primarily responsible for the financial management of Kuwait Finance House (Malaysia) Berhad, hereby certify that the financial statements are to the best of my knowledge and belief, correct and prepared in accordance to the Company's accounting and other records and are in conformity with the approved accounting standards in Malaysia.



Mohd Hazran Abd Hadi
Head, Finance & Admin

I, Dato' Jamelah Jamaluddin, being the Chief Executive Officer of Kuwait Finance House (Malaysia) Berhad, hereby certify that the financial statements are to the best of my knowledge and belief, correct and prepared in accordance to requirements stipulated in Bank Negara Malaysia Capital Adequacy Framework for Islamic Bank (CAFIB) - Disclosures Requirements (Pillar 3) guidelines.



Dato' Jamelah Jamaluddin
Chief Executive Officer