

# KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

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## Interim Report for the Period Ended 30 September 2012

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# KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

## INTERIM CONDENSED STATEMENTS OF FINANCIAL POSITION

|  | Note | Group                              |  |   |
|--|------|------------------------------------|--|---|
|  |      | 30 Sep 2012<br>Unaudited<br>RM'000 | 31 Dec 2011<br>Unaudited<br>RM'000<br>(restated) | 1 Jan 2011<br>Unaudited<br>RM'000<br>(restated) |
| <b>ASSETS</b>  |      |                                    |  |   |
| Cash and short-term funds  |      | 930,699                            | 1,973,012  | 2,651,695                                       |
| Deposits and placements with banks and<br>other financial institutions | A3   | 133,784                            | 734,973  | 275,092   |
| Securities held-for-trading  | A4   | 46,840                             | 90,216   | 110,083   |
| Hedging financial instruments  | A8   | 25,069                             | 43,688   | 80,632  |
| Securities available-for-sale  | A4   | 696,918                            | 1,096,340  | 1,053,506                                       |
| Securities held-to-maturity  | A4   | 60,457                             | 47,125   | 46,266  |
| Financing, advances and other receivables                              | A5   | 5,177,217                          | 5,197,764  | 5,931,615                                       |
| Murabahah trading automobile   | A6   | 32                                 | 32   | 32  |
| Other assets   | A7   | 508,979                            | 411,730  | 385,682   |
| Statutory deposits with Bank Negara Malaysia                           |      | 166,375                            | 180,200  | 44,854  |
| Musarakah capital investment   | A9   | 5,898                              | 5,898  | 5,898   |
| Investment in jointly controlled entities                              |      | -                                  | -  | 932   |
| Property and equipment   |      | 42,465                             | 23,855   | 27,340  |
| Intangible assets  |      | 21,044                             | 23,422   | 27,529  |
| Deferred tax assets  |      | 275,239                            | 293,911  | 125,557   |
|  |      | <b>8,091,016</b>                   | <b>10,122,166</b>                                | <b>10,766,713</b>                               |
| <b>LIABILITIES</b>   |      |                                    |  |   |
| Deposits from customers  | A10  | 3,923,528                          | 4,717,854  | 4,560,037                                       |
| Deposits and placements of banks and<br>other financial institutions   | A11  | 1,787,232                          | 3,134,572  | 3,478,689                                       |
| Hedging financial instruments  | A8   | 21,086                             | 72,655   | 39,789  |
| Murabahah bank financing   |      | -                                  | -  | 23,233  |
| Subordinated Murabahah Tawarruq  | A13  | 370,758                            | 373,589  | 350,797   |
| Other liabilities  | A12  | 478,253                            | 365,785  | 398,002   |
| Provision for zakat and tax  |      | -                                  | 3,740  | 3,740   |
|  |      | <b>6,580,857</b>                   | <b>8,668,195</b>                                 | <b>8,854,287</b>                                |
| <b>SHAREHOLDER'S EQUITY</b>  |      |                                    |  |   |
| Share capital  |      | 2,266,125                          | 2,266,125  | 2,266,125                                       |
| Reserves   |      | (755,966)                          | (812,154)  | (353,699)                                       |
|  |      | <b>1,510,159</b>                   | <b>1,453,971</b>                                 | <b>1,912,426</b>                                |
| <b>TOTAL LIABILITIES AND<br/>SHAREHOLDER'S EQUITY</b>                  |      | <b>8,091,016</b>                   | <b>10,122,166</b>                                | <b>10,766,713</b>                               |
| <b>COMMITMENTS AND CONTINGENCIES</b>                                   |      |                                    |  |   |
|  | A18  | 2,334,762                          | 3,516,405  | 4,052,245                                       |
| <b>CAPITAL ADEQUACY</b>  |      |                                    |  |   |
| Core capital ratio   | A19  | 15.62%                             | 13.82%   | 18.46%  |
| Risk-weighted capital ratio  | A19  | 20.53%                             | 18.47%   | 24.33%  |
| <b>NET ASSETS PER SHARE (RM)</b>                                       |      | <b>0.67</b>                        | <b>0.64</b>                                      | <b>0.84</b>                                     |

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

# KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

## INTERIM CONDENSED STATEMENTS OF FINANCIAL POSITION

|  | Note | Bank                               |  |   |
|--|------|------------------------------------|--|---|
|  |      | 30 Sep 2012<br>Unaudited<br>RM'000 | 31 Dec 2011<br>Unaudited<br>RM'000<br>(restated) | 1 Jan 2011<br>Unaudited<br>RM'000<br>(restated) |
| <b>ASSETS</b>  |      |                                    |  |   |
| Cash and short-term funds  |      | 929,791                            | 2,076,287  | 2,744,436                                       |
| Deposits and placements with banks and<br>other financial institutions | A3   | 133,784                            | 734,973  | 275,092   |
| Securities held-for-trading  | A4   | 46,840                             | 83,776   | 110,083   |
| Hedging financial instruments  | A8   | 25,069                             | 43,688   | 80,632  |
| Securities available-for-sale  | A4   | 572,863                            | 977,255  | 925,933   |
| Securities held-to-maturity  | A4   | 60,457                             | 47,125   | 46,266  |
| Financing, advances and other receivables                              | A5   | 5,177,217                          | 5,197,764  | 5,931,615                                       |
| Murabahah trading automobile   | A6   | 32                                 | 32   | 32  |
| Other assets   | A7   | 508,123                            | 406,948  | 366,450   |
| Statutory deposits with Bank Negara Malaysia                           |      | 166,375                            | 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   |      | 42,282                             | 23,624   | 26,915  |
| Intangible assets  |      | 20,332                             | 23,403   | 27,508  |
| Deferred tax assets  |      | 275,153                            | 293,824  | 125,175   |
|  |      | <b>7,995,168</b>                   | <b>10,125,749</b>                                | <b>10,743,286</b>                               |
| <b>LIABILITIES</b>   |      |                                    |  |   |
| Deposits from customers  | A10  | 3,925,071                          | 4,719,586  | 4,561,610                                       |
| Deposits and placements of banks and<br>other financial institutions   | A11  | 1,709,709                          | 3,152,042  | 3,486,642                                       |
| Hedging financial instruments  | A8   | 21,086                             | 72,655   | 39,789  |
| Murabahah bank financing   |      | -                                  | -  | 23,233  |
| Subordinated Murabahah Tawarruq  | A13  | 370,758                            | 373,589  | 350,797   |
| Other liabilities  | A12  | 473,392                            | 364,588  | 396,933   |
| Provision for zakat and tax  |      | -                                  | 3,740  | 3,740   |
|  |      | <b>6,500,016</b>                   | <b>8,686,200</b>                                 | <b>8,862,744</b>                                |
| <b>SHAREHOLDER'S EQUITY</b>  |      |                                    |  |   |
| Share capital  |      | 2,266,125                          | 2,266,125  | 2,266,125                                       |
| Reserves   |      | (770,973)                          | (826,576)  | (385,583)                                       |
|  |      | <b>1,495,152</b>                   | <b>1,439,549</b>                                 | <b>1,880,542</b>                                |
| <b>TOTAL LIABILITIES AND<br/>SHAREHOLDER'S EQUITY</b>                  |      | <b>7,995,168</b>                   | <b>10,125,749</b>                                | <b>10,743,286</b>                               |
| <b>COMMITMENTS AND CONTINGENCIES</b>                                   | A18  | <b>2,334,762</b>                   | <b>3,516,405</b>                                 | <b>4,052,245</b>                                |
| <b>CAPITAL ADEQUACY</b>  |      |                                    |  |   |
| Core capital ratio   | A19  | 15.58%                             | 13.71%   | 18.36%  |
| Risk-weighted capital ratio  | A19  | 19.94%                             | 17.86%   | 23.59%  |
| <b>NET ASSETS PER SHARE (RM)</b>                                       |      | <b>0.66</b>                        | <b>0.64</b>                                      | <b>0.83</b>                                     |

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

# KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

## INTERIM CONDENSED CONSOLIDATED INCOME STATEMENTS

| Group  | Note | 3rd Quarter ended<br>30 Sep |   | Nine-months ended<br>30 Sep |   |
|--|------|-----------------------------|---|-----------------------------|---|
|  |      | 2012<br>Unaudited<br>RM'000 | 2011<br>Unaudited<br>RM'000<br>(restated) | 2012<br>Unaudited<br>RM'000 | 2011<br>Unaudited<br>RM'000<br>(restated) |
| <b>Continuing operations</b>   |      |                             |   |                             |   |
| Operating revenue  |      | 114,243                     | 123,060                                   | 365,142                     | 336,361                                   |
| Income derived from investment of depositors' funds<br>and others    | A14  | 88,883                      | 84,068                                    | 288,057                     | 245,148                                   |
| Income derived from investment of shareholder's equity               | A15  | 25,360                      | 38,992                                    | 77,085                      | 91,213                                    |
| Total gross income   |      | 114,243                     | 123,060                                   | 365,142                     | 336,361                                   |
| Impairment loss on securities  |      | (479)                       | (856)                                     | (1,694)                     | (2,395)                                   |
| Impairment write-back on financing                                   | A16  | 7,573                       | 58,309                                    | 15,702                      | 39,314                                    |
| Total distributable income   |      | 121,337                     | 180,513                                   | 379,150                     | 373,280                                   |
| Income attributable to the depositors                                | A17  | (39,781)                    | (53,936)                                  | (149,435)                   | (150,613)                                 |
| Total net income   |      | 81,556                      | 126,577                                   | 229,715                     | 222,667                                   |
| Personnel expenses   |      | (25,775)                    | (24,306)                                  | (75,254)                    | (68,800)                                  |
| Other overheads and expenditures                                     |      | (26,924)                    | (19,236)                                  | (76,829)                    | (58,806)                                  |
| Finance cost   |      | (3,467)                     | (3,238)                                   | (10,133)                    | (9,557)                                   |
| Profit before zakat and taxation                                     |      | 25,390                      | 79,797                                    | 67,499                      | 85,504                                    |
| Taxation   |      | (7,380)                     | (18,976)                                  | (19,612)                    | (22,641)                                  |
| Net profit for the period  |      | 18,010                      | 60,821                                    | 47,887                      | 62,863                                    |
| Attributable to:   |      |                             |   |                             |   |
| Equity holders of the Bank   |      | 18,010                      | 60,821                                    | 47,887                      | 62,863                                    |
| Earnings/(Loss) per share attributable to equity holders of the Bank |      |                             |   |                             |   |
| - Basic/Diluted (sen)  |      | 0.79                        | 2.68                                      | 2.11                        | 2.77                                      |

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

# KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

## INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

**Group**

Net profit for the period

Other comprehensive income/(loss):

Securities available-for-sale:

    Net gain taken to equity

Exchange differences on translation of foreign operations:

    Net loss taken to equity

Income tax relating to components of other comprehensive income

Other comprehensive income for the period, net of tax

Total comprehensive income for the period

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

|  | 3rd Quarter ended<br>30 Sep |   | Nine-months ended<br>30 Sep |   |
|--|-----------------------------|---|-----------------------------|---|
|  | 2012<br>Unaudited<br>RM'000 | 2011<br>Unaudited<br>RM'000<br>(restated) | 2012<br>Unaudited<br>RM'000 | 2011<br>Unaudited<br>RM'000<br>(restated) |
|  | <b>18,010</b>               | 60,821                                    | <b>47,887</b>               | 62,863                                    |
|  |                             |   |                             |   |
|  | <b>18,700</b>               | (1,504)                                   | <b>12,368</b>               | 17,230                                    |
|  |                             |   |                             |   |
|  | <b>(2,068)</b>              | 2,595                                     | <b>(975)</b>                | 1,584                                     |
|  |                             |   |                             |   |
|  | <b>(1,509)</b>              | 376                                       | <b>(3,092)</b>              | (4,308)                                   |
|  |                             |   |                             |   |
|  | <b>15,123</b>               | 1,467                                     | <b>8,301</b>                | 14,506                                    |
|  |                             |   |                             |   |
|  | <b>33,133</b>               | 62,288                                    | <b>56,188</b>               | 77,369                                    |
|  |                             |   |                             |   |
|  | <b>33,133</b>               | 62,288                                    | <b>56,188</b>               | 77,369                                    |

*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 | 3rd Quarter ended<br>30 Sep |   | Nine-months ended<br>30 Sep |   |
|---|------|-----------------------------|---|-----------------------------|---|
|   |      | 2012<br>Unaudited<br>RM'000 | 2011<br>Unaudited<br>RM'000<br>(restated) | 2012<br>Unaudited<br>RM'000 | 2011<br>Unaudited<br>RM'000<br>(restated) |
| <b>Bank</b>   |      |                             |   |                             |   |
| <b>Continuing operations</b>                                      |      |                             |   |                             |   |
| Operating revenue   |      | 112,174                     | 117,562                                   | 359,180                     | 328,117                                   |
| Income derived from investment of depositors' funds<br>and others | A14  | 83,274                      | 85,378                                    | 281,897                     | 246,508                                   |
| Income derived from investment of shareholder's equity            | A15  | 28,900                      | 32,184                                    | 77,283                      | 81,609                                    |
| Total gross income  |      | 112,174                     | 117,562                                   | 359,180                     | 328,117                                   |
| Impairment loss on securities                                     |      | (479)                       | (746)                                     | (1,694)                     | (1,862)                                   |
| Impairment write-back on financing                                | A16  | 7,573                       | 58,309                                    | 15,702                      | 39,314                                    |
| Total distributable income  |      | 119,268                     | 175,125                                   | 373,188                     | 365,569                                   |
| Income attributable to the depositors                             | A17  | (39,693)                    | (53,982)                                  | (149,368)                   | (150,761)                                 |
| Total net income  |      | 79,575                      | 121,143                                   | 223,820                     | 214,808                                   |
| Personnel expenses  |      | (24,897)                    | (22,630)                                  | (72,658)                    | (63,159)                                  |
| Other overheads and expenditures                                  |      | (25,737)                    | (18,076)                                  | (73,704)                    | (56,031)                                  |
| Finance cost  |      | (3,466)                     | (3,238)                                   | (10,134)                    | (9,557)                                   |
| Profit before zakat and taxation                                  |      | 25,475                      | 77,199                                    | 67,324                      | 86,061                                    |
| Taxation  |      | (7,362)                     | (18,972)                                  | (19,557)                    | (22,587)                                  |
| Net profit for the period   |      | 18,113                      | 58,227                                    | 47,767                      | 63,474                                    |

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

# KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

## INTERIM CONDENSED STATEMENTS OF COMPREHENSIVE INCOME

### Bank

Net profit for the period

Other comprehensive income/(loss):

Securities available-for-sale:

Net gain taken to equity

Income tax relating to components of other comprehensive income

Other comprehensive income for the period, net of tax

Total comprehensive income for the period

| 3rd Quarter ended<br>30 Sep |   | Nine-months ended<br>30 Sep |   |
|-----------------------------|---|-----------------------------|---|
| 2012<br>Unaudited<br>RM'000 | 2011<br>Unaudited<br>RM'000<br>(restated) | 2012<br>Unaudited<br>RM'000 | 2011<br>Unaudited<br>RM'000<br>(restated) |
| 18,113                      | 58,227                                    | 47,767                      | 63,474                                    |
| 3,699                       | (1,879)                                   | 10,447                      | 17,106                                    |
| (924)                       | 470                                       | (2,611)                     | (4,276)                                   |
| 2,775                       | (1,409)                                   | 7,836                       | 12,830                                    |
| 20,888                      | 56,818                                    | 55,603                      | 76,304                                    |

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

# KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

## INTERIM CONDENSED STATEMENTS OF CHANGES IN EQUITY

|                                   | Non-distributable          |                                |                                  | Distributable                                  | Total<br>Equity<br>RM'000 |                                 |
|-----------------------------------|----------------------------|--------------------------------|----------------------------------|--|---------------------------|---------------------------------|
|                                   | Share<br>Capital<br>RM'000 | Statutory<br>Reserve<br>RM'000 | Translation<br>Reserve<br>RM'000 | Securities<br>Available-<br>for-sale<br>RM'000 |                           | Accumulated<br>Losses<br>RM'000 |
| <b>Group</b>                      |                            |                                |                                  |  |                           |                                 |
| <b>At 1 Jan 2012</b>              | 2,266,125                  | 34,952                         | (6,125)                          | (3,243)  | (837,738)                 | 1,453,971                       |
| Total comprehensive (loss)/income | -                          | -                              | (975)                            | 9,276  | 47,887                    | 56,188                          |
| <b>At 30 Sep 2012</b>             | <b>2,266,125</b>           | <b>34,952</b>                  | <b>(7,100)</b>                   | <b>6,033</b>                                   | <b>(789,851)</b>          | <b>1,510,159</b>                |
| <b>At 1 Jan 2011</b>              | 2,266,125                  | 34,952                         | (7,367)                          | (15,155)                                       | (366,129)                 | 1,912,426                       |
| Total comprehensive income        | -                          | -                              | 1,584                            | 12,922   | 62,863                    | 77,369                          |
| <b>At 30 Sep 2011</b>             | <b>2,266,125</b>           | <b>34,952</b>                  | <b>(5,783)</b>                   | <b>(2,233)</b>                                 | <b>(303,266)</b>          | <b>1,989,795</b>                |
| <b>Bank</b>                       |                            |                                |                                  |  |                           |                                 |
| <b>At 1 Jan 2012</b>              | 2,266,125                  | 34,952                         | -                                | (4,105)  | (857,423)                 | 1,439,549                       |
| Total comprehensive income        | -                          | -                              | -                                | 7,836  | 47,767                    | 55,603                          |
| <b>At 30 Sep 2012</b>             | <b>2,266,125</b>           | <b>34,952</b>                  | <b>-</b>                         | <b>3,731</b>                                   | <b>(809,656)</b>          | <b>1,495,152</b>                |
| <b>At 1 Jan 2011</b>              | 2,266,125                  | 34,952                         | -                                | (15,950)                                       | (404,585)                 | 1,880,542                       |
| Total comprehensive income        | -                          | -                              | -                                | 12,830   | 63,474                    | 76,304                          |
| <b>At 30 Sep 2011</b>             | <b>2,266,125</b>           | <b>34,952</b>                  | <b>-</b>                         | <b>(3,120)</b>                                 | <b>(341,111)</b>          | <b>1,956,846</b>                |

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



# KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

## INTERIM CONDENSED STATEMENTS OF CASH FLOWS

|   | Group                                 |   | Bank                                  |   |
|---|---------------------------------------|---|---------------------------------------|---|
|   | 30 Sep<br>2012<br>Unaudited<br>RM'000 | 30 Sep<br>2011<br>Unaudited<br>RM'000<br>(restated) | 30 Sep<br>2012<br>Unaudited<br>RM'000 | 30 Sep<br>2011<br>Unaudited<br>RM'000<br>(restated) |
| Profit before zakat and taxation                        | 67,499                                | 85,504  | 67,324                                | 86,061  |
| Adjustments for non-cash items                          | (57,124)                              | 76,757  | (64,834)                              | 5,220   |
| Operating profit before changes in working capital      | 10,375                                | 162,261   | 2,490                                 | 91,281  |
| <u>Changes in the working capital</u>                   |                                       |   |                                       |   |
| Net changes in operating assets                         | 567,333                               | (136,123)   | 563,421                               | (75,357)  |
| Net changes in operating liabilities                    | (2,028,312)                           | (121,519)   | (2,127,158)                           | (138,391)   |
| Zakat and taxation paid                                 | (3,779)                               | (113)   | (3,740)                               | (59)  |
| Net cash used in operating activities                   | (1,464,758)                           | (257,755)   | (1,567,477)                           | (213,807)   |
| Net cash generated/ (used in) from investing activities | 419,170                               | (26,533)  | 418,491                               | (22,430)  |
| Net cash used in from financing activities              | -                                     | (23,140)  | -                                     | (23,138)  |
|   | 419,170                               | (49,673)  | 418,491                               | (45,568)  |
| Net change in cash and cash equivalents                 | (1,035,213)                           | (145,167)   | (1,146,496)                           | (168,094)   |
| Cash and cash equivalents at beginning of the period    | 1,973,012                             | 2,649,962   | 2,076,287                             | 2,742,648   |
| Exchange differences on translation of opening balances | (7,100)                               | (5,783)   | -                                     | -   |
| Cash and cash equivalents at end of the period          | 930,699                               | 2,499,012   | 929,791                               | 2,574,554   |

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

# KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

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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 RM67.5 million and RM67.3 million respectively for the period ended 30 September 2012.

### 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 nine 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 Sep 2012<br>RM'000 | 31 Dec 2011<br>RM'000 | 1 Jan 2011<br>RM'000 | 30 Sep 2012<br>RM'000 | 31 Dec 2011<br>RM'000 | 1 Jan 2011<br>RM'000 |
| Licensed Islamic banks       | 80,635                | 267,453               | 78,531               | 80,635                | 267,453               | 78,531               |
| Other financial institutions | 53,149                | 467,520               | 196,561              | 53,149                | 467,520               | 196,561              |
|                              | <b>133,784</b>        | <b>734,973</b>        | <b>275,092</b>       | <b>133,784</b>        | <b>734,973</b>        | <b>275,092</b>       |

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

### A4 Securities

#### i) Securities Held-For-Trading

##### At fair value

Unquoted Islamic private  
debt securities/sukuk

| Group                 |                       |                      | Bank                  |                       |                      |
|-----------------------|-----------------------|----------------------|-----------------------|-----------------------|----------------------|
| 30 Sep 2012<br>RM'000 | 31 Dec 2011<br>RM'000 | 1 Jan 2011<br>RM'000 | 30 Sep 2012<br>RM'000 | 31 Dec 2011<br>RM'000 | 1 Jan 2011<br>RM'000 |
| 46,840                | 90,216                | 110,083              | 46,840                | 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 Sep 2012<br>RM'000 | 31 Dec 2011<br>RM'000 | 1 Jan 2011<br>RM'000 | 30 Sep 2012<br>RM'000 | 31 Dec 2011<br>RM'000 | 1 Jan 2011<br>RM'000 |
| 143,710               | -                     | 121,106              | 143,710               | -                     | 121,106              |
| 253,414               | 880,896               | 749,752              | 218,669               | 850,522               | 721,731              |
| 236,176               | 137,446               | 77,341               | 191,484               | 106,962               | 64,096               |
| 44,618                | 58,227                | 86,307               | -                     | -                     | -                    |
| 677,918               | 1,076,569             | 1,034,506            | 553,863               | 957,484               | 906,933              |

##### At cost

Unquoted shares in  
Malaysia

|         |           |           |         |         |         |
|---------|-----------|-----------|---------|---------|---------|
| 19,000  | 19,771    | 19,000    | 19,000  | 19,771  | 19,000  |
| 696,918 | 1,096,340 | 1,053,506 | 572,863 | 977,255 | 925,933 |

#### iii) Securities Held-To-Maturity

##### At amortised cost

Unquoted Islamic private  
debt securities/sukuk

| Group                 |                       |                      | Bank                  |                       |                      |
|-----------------------|-----------------------|----------------------|-----------------------|-----------------------|----------------------|
| 30 Sep 2012<br>RM'000 | 31 Dec 2011<br>RM'000 | 1 Jan 2011<br>RM'000 | 30 Sep 2012<br>RM'000 | 31 Dec 2011<br>RM'000 | 1 Jan 2011<br>RM'000 |
| 60,457                | 47,125                | 46,266               | 60,457                | 47,125                | 46,266               |

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### A5 Financing, Advances and Other Receivables

i) By type

|   | Group                              |  |   | Bank                               |  |   |
|---|------------------------------------|--|---|------------------------------------|--|---|
|   | 30 Sep 2012<br>Unaudited<br>RM'000 | 31 Dec 2011<br>Unaudited<br>RM'000<br>(restated) | 1 Jan 2011<br>Unaudited<br>RM'000<br>(restated) | 30 Sep 2012<br>Unaudited<br>RM'000 | 31 Dec 2011<br>Unaudited<br>RM'000<br>(restated) | 1 Jan 2011<br>Unaudited<br>RM'000<br>(restated) |
| Term financing                                  |                                    |  |   |                                    |  |   |
| - Murabahah financing                           | 4,536,987                          | 4,876,583  | 4,004,141                                       | 4,536,987                          | 4,876,583  | 4,004,141                                       |
| - Musyarakah financing                          | 308,528                            | 311,819  | 343,546   | 308,528                            | 311,819  | 343,546   |
| - Ijarah asset financing                        | 1,733,161                          | 1,910,347  | 2,046,766                                       | 1,733,161                          | 1,910,347  | 2,046,766                                       |
| - Mudharabah asset financing                    | 81,907                             | 85,770   | 117,887   | 81,907                             | 85,770   | 117,887   |
| - Musyarakah Mutanaqisah financing              | 62,227                             | 81,122   | 106,782   | 62,227                             | 81,122   | 106,782   |
| - Istisna' financing                            | 14,572                             | 20,701   | 34,735  | 14,572                             | 20,701   | 34,735  |
| - Wakalah financing                             | -                                  | 6,768  | -   | -                                  | 6,768  | -   |
| - Qard Hassan financing                         | 860                                | 947  | 32,239  | 860                                | 947  | 32,239  |
| Staff financing                                 | 9,489                              | 10,221   | 14,428  | 9,489                              | 10,221   | 14,428  |
|   | <b>6,747,731</b>                   | 7,304,278  | 6,700,524                                       | <b>6,747,731</b>                   | 7,304,278  | 6,700,524                                       |
| Less : Unearned income                          | <b>(899,729)</b>                   | (875,770)  | (97,252)  | <b>(899,729)</b>                   | (875,770)  | (97,252)  |
| Gross financing, advances and other receivables | <b>5,848,002</b>                   | 6,428,508  | 6,603,272                                       | <b>5,848,002</b>                   | 6,428,508  | 6,603,272                                       |
| Less : Impairment and allowance on financing    |                                    |  |   |                                    |  |   |
| - Collective impairment                         | <b>(155,765)</b>                   | (140,866)  | (259,942)                                       | <b>(155,765)</b>                   | (140,866)  | (259,942)                                       |
| - Individual impairment                         | <b>(515,020)</b>                   | (1,089,878)                                      | (411,715)                                       | <b>(515,020)</b>                   | (1,089,878)                                      | (411,715)                                       |
| Net financing, advances and other receivables   | <b>5,177,217</b>                   | 5,197,764  | 5,931,615                                       | <b>5,177,217</b>                   | 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 Sep 2012<br>RM'000 | 31 Dec 2011<br>RM'000 | 1 Jan 2011<br>RM'000 | 30 Sep 2012<br>RM'000 | 31 Dec 2011<br>RM'000 | 1 Jan 2011<br>RM'000 |
| Ijarah Muntahia Bittamlik<br>(lease ended with ownership) | 1,727,280             | 1,908,174             | 2,055,618            | 1,727,280             | 1,908,174             | 2,055,618            |
| Murabahah (cost-plus)                                     | 3,659,022             | 4,022,022             | 3,927,781            | 3,659,022             | 4,022,022             | 3,927,781            |
| Mudharabah (profit sharing)                               | 81,907                | 85,770                | 117,887              | 81,907                | 85,770                | 117,887              |
| Qard (benevolent financing)                               | 922                   | 1,030                 | 32,530               | 922                   | 1,030                 | 32,530               |
| Musarakah (profit and loss sharing)                       | 371,786               | 394,289               | 451,858              | 371,786               | 394,289               | 451,858              |
| Istisna'  | 7,085                 | 10,455                | 17,598               | 7,085                 | 10,455                | 17,598               |
| Wakalah   | -                     | 6,768                 | -                    | -                     | 6,768                 | -                    |
|   | <b>5,848,002</b>      | <b>6,428,508</b>      | <b>6,603,272</b>     | <b>5,848,002</b>      | <b>6,428,508</b>      | <b>6,603,272</b>     |

#### iii) By type of customer

|  | Group                 |                       |                      | Bank                  |                       |                      |
|--|-----------------------|-----------------------|----------------------|-----------------------|-----------------------|----------------------|
|  | 30 Sep 2012<br>RM'000 | 31 Dec 2011<br>RM'000 | 1 Jan 2011<br>RM'000 | 30 Sep 2012<br>RM'000 | 31 Dec 2011<br>RM'000 | 1 Jan 2011<br>RM'000 |
| Domestic business enterprises            |                       |                       |                      |                       |                       |                      |
| - Small medium enterprises               | 723,935               | 756,610               | 1,135,776            | 723,935               | 756,610               | 1,135,776            |
| - Others                                 | 3,106,083             | 3,274,786             | 3,849,198            | 3,106,083             | 3,274,786             | 3,849,198            |
| Individuals                              | 1,516,476             | 1,324,218             | 204,778              | 1,516,476             | 1,324,218             | 204,778              |
| Other domestic entities                  | 116,322               | 107,058               | 86,446               | 116,322               | 107,058               | 86,446               |
| Foreign entities                         | 322,743               | 856,713               | 1,238,677            | 322,743               | 856,713               | 1,238,677            |
| Government                               | 284                   | -                     | -                    | 284                   | -                     | -                    |
| Domestic non-bank financial institutions | 62,159                | 109,123               | 88,397               | 62,159                | 109,123               | 88,397               |
|  | <b>5,848,002</b>      | <b>6,428,508</b>      | <b>6,603,272</b>     | <b>5,848,002</b>      | <b>6,428,508</b>      | <b>6,603,272</b>     |

#### iv) By profit rate sensitivity

|                             | Group                 |                       |                      | Bank                  |                       |                      |
|-----------------------------|-----------------------|-----------------------|----------------------|-----------------------|-----------------------|----------------------|
|                             | 30 Sep 2012<br>RM'000 | 31 Dec 2011<br>RM'000 | 1 Jan 2011<br>RM'000 | 30 Sep 2012<br>RM'000 | 31 Dec 2011<br>RM'000 | 1 Jan 2011<br>RM'000 |
| Fixed rate                  |                       |                       |                      |                       |                       |                      |
| - House financing           | 13,219                | 27,952                | 99,053               | 13,219                | 27,952                | 99,053               |
| - Hire purchase receivables | 76,145                | 52,878                | 6,902                | 76,145                | 52,878                | 6,902                |
| - Syndicated financing      | 326,361               | 320,522               | 479,286              | 326,361               | 320,522               | 479,286              |
| - Term financing            | 3,331,953             | 2,231,079             | 1,626,858            | 3,331,953             | 2,231,079             | 1,626,858            |
| Variable rate               |                       |                       |                      |                       |                       |                      |
| - House financing           | 265,985               | 201,385               | 128,594              | 265,985               | 201,385               | 128,594              |
| - Term financing            | 1,834,339             | 3,594,692             | 4,262,579            | 1,834,339             | 3,594,692             | 4,262,579            |
|                             | <b>5,848,002</b>      | <b>6,428,508</b>      | <b>6,603,272</b>     | <b>5,848,002</b>      | <b>6,428,508</b>      | <b>6,603,272</b>     |

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

#### v) By sector

|  | Group                 |                       |                      | Bank                  |                       |                      |
|--|-----------------------|-----------------------|----------------------|-----------------------|-----------------------|----------------------|
|  | 30 Sep 2012<br>RM'000 | 31 Dec 2011<br>RM'000 | 1 Jan 2011<br>RM'000 | 30 Sep 2012<br>RM'000 | 31 Dec 2011<br>RM'000 | 1 Jan 2011<br>RM'000 |
| Agriculture, hunting, forestry & fishing         | 75,273                | 122,683               | 203,019              | 75,273                | 122,683               | 203,019              |
| Mining and quarrying                             | 315,571               | 416,667               | 443,073              | 315,571               | 416,667               | 443,073              |
| Manufacturing                                    | 942,729               | 829,907               | 1,063,816            | 942,729               | 829,907               | 1,063,816            |
| Electricity, gas and water                       | 78,398                | 151,341               | 273,136              | 78,398                | 151,341               | 273,136              |
| Construction                                     | 230,319               | 250,153               | 500,568              | 230,319               | 250,153               | 500,568              |
| Real estate                                      | 1,205,645             | 1,412,501             | 1,599,608            | 1,205,645             | 1,412,501             | 1,599,608            |
| Purchase of landed property:                     |                       |                       |                      |                       |                       |                      |
| - Residential                                    | 343,211               | 295,022               | 174,617              | 343,211               | 295,022               | 174,617              |
| Wholesale & retail trade and restaurant & hotels | 358,870               | 558,581               | 575,865              | 358,870               | 558,581               | 575,865              |
| Transport, storage and communication             | 563,396               | 630,003               | 721,796              | 563,396               | 630,003               | 721,796              |
| Finance, insurance and business services         | 334,528               | 473,949               | 696,682              | 334,528               | 473,949               | 696,682              |
| Purchase of securities                           | 50,820                | 48,806                | 46,148               | 50,820                | 48,806                | 46,148               |
| Purchase of transport vehicles                   | 76,211                | 52,878                | 6,902                | 76,211                | 52,878                | 6,902                |
| Consumption credit                               | 1,068,016             | 952,044               | 4,773                | 1,068,016             | 952,044               | 4,773                |
| Others   | 205,015               | 233,973               | 293,269              | 205,015               | 233,973               | 293,269              |
|  | <b>5,848,002</b>      | <b>6,428,508</b>      | <b>6,603,272</b>     | <b>5,848,002</b>      | <b>6,428,508</b>      | <b>6,603,272</b>     |

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

|   | Group                 |                       |                      | Bank                  |                       |                      |
|---|-----------------------|-----------------------|----------------------|-----------------------|-----------------------|----------------------|
|   | 30 Sep 2012<br>RM'000 | 31 Dec 2011<br>RM'000 | 1 Jan 2011<br>RM'000 | 30 Sep 2012<br>RM'000 | 31 Dec 2011<br>RM'000 | 1 Jan 2011<br>RM'000 |
| At 1 Jan  | 1,493,648             | 793,987               | 952,806              | 1,493,648             | 793,987               | 952,806              |
| Impaired during the period/year   | (649,111)             | 699,661               | 527,751              | (649,111)             | 699,661               | 527,751              |
| - Impaired during the period/year   | 111,313               | 1,082,316             | 527,751              | 111,313               | 1,082,316             | 527,751              |
| - Declassified to performing during the period/year   | (26,823)              | (140,414)             | -                    | (26,823)              | (140,414)             | -                    |
| - Amount recovered  | (174,552)             | (131,514)             | -                    | (174,552)             | (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   | <b>844,537</b>        | <b>1,493,648</b>      | <b>793,987</b>       | <b>844,537</b>        | <b>1,493,648</b>      | <b>793,987</b>       |
| Ratio of net impaired financing, advances and other receivables to gross financing, advances and other receivables less individual impairment | <b>6.18%</b>          | 7.56%                 | 6.17%                | <b>6.18%</b>          | 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 Sep 2012<br>Unaudited<br>RM'000 | 31 Dec 2011<br>Unaudited<br>RM'000<br>(restated) | 1 Jan 2011<br>Unaudited<br>RM'000<br>(restated) | 30 Sep 2012<br>Unaudited<br>RM'000 | 31 Dec 2011<br>Unaudited<br>RM'000<br>(restated) | 1 Jan 2011<br>Unaudited<br>RM'000<br>(restated) |
| <b>Collective impairment</b>   |                                    |  |   |                                    |  |   |
| 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/<br>(written-back) during the  |                                    |  |   |                                    |  |   |
| Closing balance  | 14,899                             | (119,076)  | -   | 14,899                             | (119,076)  | -   |
|  | 155,765                            | 140,866  | 259,942   | 155,765                            | 140,866  | 259,942   |
| As % of total gross financing,<br>advances and other receivables<br>less individual impairment | 2.92%                              | 2.64%  | 4.20%   | 2.92%                              | 2.64%  | 4.20%   |
| <b>Individual impairment</b>   |                                    |  |   |                                    |  |   |
| At 1 Jan   | 1,089,878                          | 411,715  | 504,647   | 1,089,878                          | 411,715  | 504,647   |
| Net Impairment (written-back)/<br>made during the period/year                                  | (28,251)                           | 796,263  | 186,244   | (28,251)                           | 796,263  | 186,244   |
| - Allowance made   | 25,441                             | 950,387  | 564,291   | 25,441                             | 950,387  | 564,291   |
| - Allowance written-back   | (53,692)                           | (154,124)  | (378,047)                                       | (53,692)                           | (154,124)  | (378,047)                                       |
| Amount written off   | (546,607)                          | (110,727)  | -   | (546,607)                          | (110,727)  | -   |
| Disposal of financing and<br>advances under SPSIA<br>arrangement (Notes B16)                   | -                                  | -  | (272,328)                                       | -                                  | -  | (272,328)                                       |
| Exchange difference  | -                                  | (7,373)  | (6,848)   | -                                  | (7,373)  | (6,848)   |
| Closing balance  | 515,020                            | 1,089,878  | 411,715   | 515,020                            | 1,089,878  | 411,715   |

#### viii) Impaired financing by sector

|   | Group                 |                       |                      | Bank                  |                       |                      |
|---|-----------------------|-----------------------|----------------------|-----------------------|-----------------------|----------------------|
|   | 30 Sep 2012<br>RM'000 | 31 Dec 2011<br>RM'000 | 1 Jan 2011<br>RM'000 | 30 Sep 2012<br>RM'000 | 31 Dec 2011<br>RM'000 | 1 Jan 2011<br>RM'000 |
| Agriculture, hunting, forestry &<br>fishing         | 44,968                | 94,885                | 78,094               | 44,968                | 94,885                | 78,094               |
| Mining and quarrying                                | 120,722               | 123,153               | 137,424              | 120,722               | 123,153               | 137,424              |
| Construction  | 27,305                | 15,947                | 57,835               | 27,305                | 15,947                | 57,835               |
| Electricity, gas and water                          | 18,373                | 84,271                | -                    | 18,373                | 84,271                | -                    |
| Manufacturing                                       | 326,877               | 435,188               | 55,436               | 326,877               | 435,188               | 55,436               |
| Real estate   | 69,468                | 316,439               | 170,249              | 69,468                | 316,439               | 170,249              |
| Wholesale & retail trade and<br>restaurant & hotels | 129,530               | 134,892               | 9,326                | 129,530               | 134,892               | 9,326                |
| Transport, storage and<br>communication             | 56,584                | 174,350               | 175,430              | 56,584                | 174,350               | 175,430              |
| Finance, insurance and<br>business services         | 34,541                | 110,381               | 76,663               | 34,541                | 110,381               | 76,663               |
| Others  | 16,169                | 4,142                 | 33,530               | 16,169                | 4,142                 | 33,530               |
|   | 844,537               | 1,493,648             | 793,987              | 844,537               | 1,493,648             | 793,987              |

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### A6 Murabahah Trading Automobile

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

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

### A7 Other Assets

|                                       | Group                 |                       |                      | Bank                  |                       |                      |
|---------------------------------------|-----------------------|-----------------------|----------------------|-----------------------|-----------------------|----------------------|
|                                       | 30 Sep 2012<br>RM'000 | 31 Dec 2011<br>RM'000 | 1 Jan 2011<br>RM'000 | 30 Sep 2012<br>RM'000 | 31 Dec 2011<br>RM'000 | 1 Jan 2011<br>RM'000 |
| Deposits and prepayments              | 26,724                | 27,084                | 7,298                | 26,224                | 26,696                | 6,594                |
| Amount due from holding company       | 294                   | 288                   | 674                  | 294                   | 288                   | 674                  |
| Amount due from subsidiaries          | -                     |                       | -                    | 6                     | 17                    | 9,628                |
| Amount due from other related parties | 1,615                 | 1,615                 | 1,620                | 1,615                 | 1,615                 | 1,620                |
| Fee receivable                        | 2,615                 | 270                   | -                    | 2,615                 | 270                   | -                    |
| Sundry debtors                        | 825                   | 4,665                 | 35,034               | 435                   | 240                   | 6,846                |
| Commodity assets                      | 265,108               | 195,604               | 260,003              | 265,108               | 195,604               | 260,003              |
| Tax recoverable                       | 34,779                | 34,794                | 52,564               | 34,807                | 34,807                | 52,596               |
| Gold depository                       | 177,019               | 147,410               | 28,489               | 177,019               | 147,411               | 28,489               |
|                                       | <b>508,979</b>        | <b>411,730</b>        | <b>385,682</b>       | <b>508,123</b>        | <b>406,948</b>        | <b>366,450</b>       |

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

### A8 Hedging Financial Instruments

|  | Notional<br>Amount<br>RM'000 | Fair Value       |                       |
|--|------------------------------|------------------|-----------------------|
|  |                              | Assets<br>RM'000 | Liabilities<br>RM'000 |
| <b>Group and Bank</b>                      |                              |                  |                       |
| <b>At 30 Sep 2012</b>                      |                              |                  |                       |
| Forward foreign exchange related contracts | 312,955                      | 2,045            | 3,089                 |
| Ijarah rental swap related contracts       | 286,209                      | 23,024           | 17,997                |
| Total                                      | <b>599,164</b>               | <b>25,069</b>    | <b>21,086</b>         |
| <b>At 31 Dec 2011</b>                      |                              |                  |                       |
| Forward foreign exchange related contracts | 917,884                      | 719              | 34,338                |
| Ijarah rental swap related contracts       | 618,888                      | 42,969           | 38,317                |
| Total                                      | <b>1,536,772</b>             | <b>43,688</b>    | <b>72,655</b>         |
| <b>At 1 Jan 2011</b>                       |                              |                  |                       |
| Forward foreign exchange related contracts | 1,128,680                    | 38,760           | 5,023                 |
| Ijarah rental swap related contracts       | 690,229                      | 41,872           | 34,766                |
| Total                                      | <b>1,818,909</b>             | <b>80,632</b>    | <b>39,789</b>         |



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### A9 Musyarakah Capital Investment

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

### A10 Deposits from Customers

#### (i) By type of deposit

|                                 | Group                 |                       |                      | Bank                  |                       |                      |
|---------------------------------|-----------------------|-----------------------|----------------------|-----------------------|-----------------------|----------------------|
|                                 | 30 Sep 2012<br>RM'000 | 31 Dec 2011<br>RM'000 | 1 Jan 2011<br>RM'000 | 30 Sep 2012<br>RM'000 | 31 Dec 2011<br>RM'000 | 1 Jan 2011<br>RM'000 |
| Non Mudharabah                  |                       |                       |                      |                       |                       |                      |
| - Demand deposits               | 513,498               | 465,933               | 374,023              | 515,040               | 467,665               | 375,596              |
| - Gold deposits                 | 174,374               | 149,578               | 29,493               | 174,375               | 149,578               | 29,493               |
| - Wakalah deposits              | 216,330               | 531,609               | 11,870               | 216,330               | 531,609               | 11,870               |
| Mudharabah                      |                       |                       |                      |                       |                       |                      |
| - Savings deposits              | 48,438                | 37,368                | 27,178               | 48,438                | 37,368                | 27,178               |
| - General investment deposits   | 279,112               | 277,602               | 343,191              | 279,112               | 277,602               | 343,191              |
| - Negotiable Instrument Deposit | 623,865               | 601,716               | -                    | 623,865               | 601,716               | -                    |
| Murabahah                       | 2,067,911             | 2,654,048             | 3,774,282            | 2,067,911             | 2,654,048             | 3,774,282            |
|                                 | <b>3,923,528</b>      | <b>4,717,854</b>      | <b>4,560,037</b>     | <b>3,925,071</b>      | <b>4,719,586</b>      | <b>4,561,610</b>     |

#### (ii) By type of customer

|                                 | Group                 |                       |                      | Bank                  |                       |                      |
|---------------------------------|-----------------------|-----------------------|----------------------|-----------------------|-----------------------|----------------------|
|                                 | 30 Sep 2012<br>RM'000 | 31 Dec 2011<br>RM'000 | 1 Jan 2011<br>RM'000 | 30 Sep 2012<br>RM'000 | 31 Dec 2011<br>RM'000 | 1 Jan 2011<br>RM'000 |
| Business enterprises            | 1,951,334             | 2,367,190             | 2,290,527            | 1,944,455             | 2,365,171             | 2,290,222            |
| Individuals                     | 652,479               | 210,708               | 175,805              | 652,479               | 210,708               | 175,805              |
| Subsidiaries                    | -                     | -                     | -                    | 8,422                 | 3,749                 | 1,878                |
| Government and statutory bodies | 896,073               | 1,344,183             | 1,399,716            | 896,073               | 1,344,183             | 1,399,716            |
| Other enterprises               | 423,642               | 795,773               | 693,989              | 423,642               | 795,775               | 693,989              |
|                                 | <b>3,923,528</b>      | <b>4,717,854</b>      | <b>4,560,037</b>     | <b>3,925,071</b>      | <b>4,719,586</b>      | <b>4,561,610</b>     |

### A11 Deposits and Placements of Banks and Other Financial Institutions

|                              | Group                 |                       |                      | Bank                  |                       |                      |
|------------------------------|-----------------------|-----------------------|----------------------|-----------------------|-----------------------|----------------------|
|                              | 30 Sep 2012<br>RM'000 | 31 Dec 2011<br>RM'000 | 1 Jan 2011<br>RM'000 | 30 Sep 2012<br>RM'000 | 31 Dec 2011<br>RM'000 | 1 Jan 2011<br>RM'000 |
| <u>Murabahah</u>             |                       |                       |                      |                       |                       |                      |
| Licensed Islamic banks       | 510,696               | 404,534               | 263,740              | 446,250               | 404,277               | 263,740              |
| Bank Negara Malaysia         | -                     | 339,083               | 246,951              | -                     | 339,084               | 246,951              |
| Licensed investment banks    | -                     | -                     | 30,765               | -                     | -                     | 30,765               |
| Other financial institutions | 745,539               | 1,453,162             | 2,937,233            | 731,503               | 1,470,888             | 2,945,186            |
| <u>Wakalah</u>               |                       |                       |                      |                       |                       |                      |
| Licensed banks               | 30,632                | -                     | -                    | -                     | -                     | -                    |
| Licensed Islamic banks       | 45,950                | -                     | -                    | 30,627                | -                     | -                    |
| Other financial institutions | 454,415               | 937,793               | -                    | 501,329               | 937,793               | -                    |
|                              | <b>1,787,232</b>      | <b>3,134,572</b>      | <b>3,478,689</b>     | <b>1,709,709</b>      | <b>3,152,042</b>      | <b>3,486,642</b>     |

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### A12 Other Liabilities

|  | Group                 |                       |                      | Bank                  |                       |                      |
|--|-----------------------|-----------------------|----------------------|-----------------------|-----------------------|----------------------|
|  | 30 Sep 2012<br>RM'000 | 31 Dec 2011<br>RM'000 | 1 Jan 2011<br>RM'000 | 30 Sep 2012<br>RM'000 | 31 Dec 2011<br>RM'000 | 1 Jan 2011<br>RM'000 |
| Sundry creditors   | 176,166               | 138,672               | 105,536              | 172,268               | 138,663               | 105,534              |
| Project clearing account                                     | 1,560                 | 1,595                 | 4,605                | 1,560                 | 1,595                 | 4,605                |
| Amount due to agent from the<br>purchase of commodity assets | 265,126               | 195,037               | 256,700              | 265,126               | 195,037               | 256,700              |
| Accrued restoration cost                                     | 3,811                 | 3,808                 | 3,266                | 3,698                 | 3,698                 | 3,200                |
| Other provisions and accruals                                | 31,590                | 26,673                | 27,895               | 30,740                | 25,595                | 26,894               |
|  | <b>478,253</b>        | <b>365,785</b>        | <b>398,002</b>       | <b>473,392</b>        | <b>364,588</b>        | <b>396,933</b>       |

### 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 RM305,900,000 (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

#### Group

Income derived from investment of:

- General investment deposits
- Other deposits

#### Bank

Income derived from investment of:

- General investment deposits
- Other deposits

| 3rd Quarter ended<br>30 Sep |                | Nine-months ended<br>30 Sep |                |
|-----------------------------|----------------|-----------------------------|----------------|
| 2012<br>RM'000              | 2011<br>RM'000 | 2012<br>RM'000              | 2011<br>RM'000 |
|                             |                |                             |                |
| 3,116                       | 3,427          | 9,537                       | 10,326         |
| 85,767                      | 80,641         | 278,520                     | 234,822        |
| <b>88,883</b>               | <b>84,068</b>  | <b>288,057</b>              | <b>245,148</b> |
|                             |                |                             |                |
| 4,009                       | 3,412          | 10,410                      | 10,309         |
| 79,265                      | 81,966         | 271,487                     | 236,199        |
| <b>83,274</b>               | <b>85,378</b>  | <b>281,897</b>              | <b>246,508</b> |

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

#### Group

Finance income from financing, advances and other receivables

Finance income from impaired financing

Securities

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

Money at call and deposits with financial institutions

Amortisation of premium less accretion of discounts

Total finance income and hibah

Gain arising from sale of securities

- Held-for-trading
- Available-for-sale

Foreign exchange gain

Gain on Ijarah rental swap obligation

| 3rd Quarter ended<br>30 Sep |                | Nine-months ended<br>30 Sep |                |
|-----------------------------|----------------|-----------------------------|----------------|
| 2012<br>RM'000              | 2011<br>RM'000 | 2012<br>RM'000              | 2011<br>RM'000 |
| 2,357                       | 2,111          | 6,711                       | 6,808          |
| 115                         | 142            | 250                         | 454            |
| 28                          | (9)            | 67                          | 54             |
| 204                         | 217            | 866                         | 615            |
| 12                          | 12             | 28                          | 38             |
| 132                         | 758            | 925                         | 1,834          |
| <b>2,848</b>                | <b>3,231</b>   | <b>8,847</b>                | <b>9,803</b>   |
| (29)                        | (6)            | (120)                       | (22)           |
| <b>2,819</b>                | <b>3,225</b>   | <b>8,727</b>                | <b>9,781</b>   |
| 45                          | 10             | 66                          | 43             |
| 168                         | -              | 482                         | -              |
| 74                          | 181            | 233                         | 427            |
| 10                          | 11             | 29                          | 75             |
| <b>3,116</b>                | <b>3,427</b>   | <b>9,537</b>                | <b>10,326</b>  |

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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

|   | 3rd Quarter ended<br>30 Sep |                | Nine-months ended<br>30 Sep |                |
|---|-----------------------------|----------------|-----------------------------|----------------|
|   | 2012<br>RM'000              | 2011<br>RM'000 | 2012<br>RM'000              | 2011<br>RM'000 |
| <b>Bank</b>   |                             |                |                             |                |
| Finance income from financing, advances and other receivables | 3,061                       | 2,087          | 7,421                       | 6,798          |
| Finance income from impaired financing                        | 149                         | 140            | 285                         | 453            |
| Securities  |                             |                |                             |                |
| - Held-for-trading  | 23                          | 19             | 56                          | 71             |
| - Available-for-sale  | 239                         | 200            | 868                         | 573            |
| - Held-to-maturity  | 17                          | 13             | 32                          | 38             |
| Money at call and deposits with financial institutions        | 169                         | 756            | 973                         | 1,853          |
|   | <b>3,658</b>                | 3,215          | <b>9,635</b>                | 9,786          |
| Amortisation of premium less accretion of discounts           | (37)                        | (5)            | (128)                       | (22)           |
| Total finance income and hibah                                | <b>3,621</b>                | 3,210          | <b>9,507</b>                | 9,764          |
| Gain arising from sale of securities                          |                             |                |                             |                |
| - Held-for-trading  | 57                          | 10             | 79                          | 42             |
| - Available-for-sale  | 221                         | -              | 536                         | -              |
| Foreign exchange gain   | 98                          | 181            | 256                         | 428            |
| Gain on Ijarah rental swap obligation                         | 12                          | 11             | 32                          | 75             |
|   | <b>4,009</b>                | 3,412          | <b>10,410</b>               | 10,309         |

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

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

| <b>Group</b>  | <b>3rd Quarter ended<br/>30 Sep</b> |                        | <b>Nine-months ended<br/>30 Sep</b> |                        |
|---|-------------------------------------|------------------------|-------------------------------------|------------------------|
|   | <b>2012<br/>RM'000</b>              | <b>2011<br/>RM'000</b> | <b>2012<br/>RM'000</b>              | <b>2011<br/>RM'000</b> |
| Finance income from financing, advances and other receivables | 64,871                              | 49,686                 | 195,390                             | 154,435                |
| Finance income from impaired financing                        | 3,158                               | 3,323                  | 7,278                               | 10,341                 |
| Securities  |                                     |                        |                                     |                        |
| - Held-for-trading  | 782                                 | (226)                  | 1,941                               | 1,187                  |
| - Available-for-sale  | 5,638                               | 5,105                  | 25,525                              | 13,998                 |
| - Held-to-maturity  | 333                                 | 293                    | 799                                 | 867                    |
| Money at call and deposits with financial institutions        | 3,654                               | 17,811                 | 27,842                              | 42,175                 |
|   | <b>78,436</b>                       | 75,992                 | <b>258,775</b>                      | 223,003                |
| Amortisation of premium less accretion of discounts           | <b>(797)</b>                        | (150)                  | <b>(3,557)</b>                      | (517)                  |
| Total finance income and hibah                                | <b>77,639</b>                       | 75,842                 | <b>255,218</b>                      | 222,486                |
| Gain arising from sale of securities                          |                                     |                        |                                     |                        |
| - Held-for-trading  | 1,211                               | 222                    | 1,876                               | 968                    |
| - Available-for-sale  | 4,605                               | -                      | 13,782                              | -                      |
| Foreign exchange gain   | 2,035                               | 4,304                  | 6,804                               | 9,736                  |
| Gain on Ijarah rental swap obligation                         | 277                                 | 273                    | 840                                 | 1,632                  |
|   | <b>85,767</b>                       | 80,641                 | <b>278,520</b>                      | 234,822                |

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

(ii) Income derived from investment of other deposits

|   | 3rd Quarter ended<br>30 Sep |                | Nine-months ended<br>30 Sep |                |
|---|-----------------------------|----------------|-----------------------------|----------------|
|   | 2012<br>RM'000              | 2011<br>RM'000 | 2012<br>RM'000              | 2011<br>RM'000 |
| <b>Bank</b>   |                             |                |                             |                |
| Finance income from financing, advances and other receivables | 60,502                      | 50,172         | 191,216                     | 155,241        |
| Finance income from impaired financing                        | 2,946                       | 3,358          | 7,071                       | 10,397         |
| Securities  |                             |                |                             |                |
| - Held-for-trading  | 456                         | 442            | 1,469                       | 1,634          |
| - Available-for-sale  | 4,812                       | 4,814          | 23,731                      | 13,151         |
| - Held-to-maturity  | 305                         | 296            | 772                         | 871            |
| Money at call and deposits with financial institutions        | 3,436                       | 18,195         | 27,969                      | 43,024         |
|   | <b>72,457</b>               | <b>77,277</b>  | <b>252,228</b>              | <b>224,318</b> |
| Amortisation of premium less accretion of discounts           | (749)                       | (152)          | (3,513)                     | (520)          |
| Total finance income and hibah                                | <b>71,708</b>               | <b>77,125</b>  | <b>248,715</b>              | <b>223,798</b> |
| Gain arising from sale of securities                          |                             |                |                             |                |
| - Held-for-trading  | 1,132                       | 226            | 1,817                       | 974            |
| - Available-for-sale  | 4,271                       | -              | 13,463                      | -              |
| Foreign exchange gain   | 1,895                       | 4,340          | 6,670                       | 9,788          |
| Gain on Ijarah rental swap obligation                         | 259                         | 275            | 822                         | 1,639          |
|   | <b>79,265</b>               | <b>81,966</b>  | <b>271,487</b>              | <b>236,199</b> |

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### A15 Income derived from Investment of Shareholder's Equity

| <b>Group</b>   | <b>3rd Quarter ended<br/>30 Sep</b> |                        | <b>Nine-months ended<br/>30 Sep</b> |                        |
|--|-------------------------------------|------------------------|-------------------------------------|------------------------|
|  | <b>2012<br/>RM'000</b>              | <b>2011<br/>RM'000</b> | <b>2012<br/>RM'000</b>              | <b>2011<br/>RM'000</b> |
| Finance income from financing, advances and other receivables                                      | <b>12,854</b>                       | 13,611                 | <b>36,335</b>                       | 42,790                 |
| Finance income from impaired financing   | <b>626</b>                          | 913                    | <b>1,353</b>                        | 2,875                  |
| Securities   |                                     |                        |                                     |                        |
| - Held-for-trading   | <b>155</b>                          | (60)                   | <b>366</b>                          | 334                    |
| - Available-for-sale   | <b>1,117</b>                        | 1,399                  | <b>4,686</b>                        | 3,874                  |
| - Held-to-maturity   | <b>66</b>                           | 80                     | <b>149</b>                          | 240                    |
| Money at call and deposits with financial institutions   | <b>724</b>                          | 4,885                  | <b>4,967</b>                        | 11,627                 |
|  | <b>15,542</b>                       | 20,828                 | <b>47,856</b>                       | 61,740                 |
| Amortisation of premium less accretion of discounts  | <b>(158)</b>                        | (41)                   | <b>(653)</b>                        | (141)                  |
| Total finance income and hibah   | <b>15,384</b>                       | 20,787                 | <b>47,203</b>                       | 61,599                 |
| Fee income   |                                     |                        |                                     |                        |
| - Commission   | <b>581</b>                          | 1,281                  | <b>2,057</b>                        | 2,498                  |
| - Other fee income   | <b>3,149</b>                        | 1,380                  | <b>10,180</b>                       | 5,218                  |
| - Fund management fee  | <b>865</b>                          | 4,027                  | <b>2,581</b>                        | 6,087                  |
| Gain arising from sale of securities   |                                     |                        |                                     |                        |
| - Held-for-trading   | <b>240</b>                          | 63                     | <b>359</b>                          | 272                    |
| - Available-for-sale   | <b>912</b>                          | -                      | <b>2,635</b>                        | -                      |
| Unrealised gain/ (loss) on revaluation of securities held-for-trading and Ijarah rental swap (net) | <b>883</b>                          | (123)                  | <b>386</b>                          | (2,205)                |
| Foreign exchange gain  | <b>2,928</b>                        | 11,194                 | <b>10,482</b>                       | 16,333                 |
| Loss on disposal of property, plant and equipment  | -                                   | (14)                   | -                                   | (14)                   |
| Gain on Ijarah rental swap obligation  | <b>55</b>                           | 75                     | <b>156</b>                          | 464                    |
| Other income   | <b>72</b>                           | -                      | <b>163</b>                          | -                      |
| Gross dividend from property funds   | <b>291</b>                          | 322                    | <b>883</b>                          | 961                    |
|  | <b>25,360</b>                       | 38,992                 | <b>77,085</b>                       | 91,213                 |

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

|  | 3rd Quarter ended<br>30 Sep |                | Nine-months ended<br>30 Sep |                |
|--|-----------------------------|----------------|-----------------------------|----------------|
|  | 2012<br>RM'000              | 2011<br>RM'000 | 2012<br>RM'000              | 2011<br>RM'000 |
| <b>Bank</b>  |                             |                |                             |                |
| Finance income from financing, advances and other receivables                                      | 16,517                      | 13,149         | 39,800                      | 41,995         |
| Finance income from impaired financing   | 804                         | 880            | 1,525                       | 2,820          |
| Securities   |                             |                |                             |                |
| - Held-for-trading   | 122                         | 115            | 301                         | 442            |
| - Available-for-sale   | 1,294                       | 1,262          | 4,654                       | 3,548          |
| - Held-to-maturity   | 89                          | 78             | 170                         | 236            |
| Money at call and deposits with financial institutions   | 916                         | 4,769          | 5,178                       | 11,543         |
|  | <b>19,742</b>               | 20,253         | <b>51,628</b>               | 60,584         |
| Amortisation of premium less accretion of discounts  | (198)                       | (40)           | (689)                       | (138)          |
| Total finance income and hibah   | <b>19,544</b>               | 20,213         | <b>50,939</b>               | 60,446         |
| Fee income   |                             |                |                             |                |
| - Commission   | 582                         | 1,282          | 2,061                       | 2,500          |
| - Other fee income   | 3,148                       | 1,378          | 10,176                      | 5,210          |
| Gain arising from sale of securities   |                             |                |                             |                |
| - Held-for-trading   | 306                         | 59             | 427                         | 266            |
| - Available-for-sale   | 1,192                       | -              | 2,901                       | -              |
| Unrealised gain/ (loss) on revaluation of securities held-for-trading and Ijarah rental swap (net) | 1,248                       | (995)          | 933                         | (2,778)        |
| Foreign exchange gain  | 3,066                       | 10,722         | 10,572                      | 15,664         |
| Management fee   | (257)                       | (546)          | (897)                       | (156)          |
| Gain on Ijarah rental swap obligation  | 71                          | 71             | 171                         | 457            |
|  | <b>28,900</b>               | 32,184         | <b>77,283</b>               | 81,609         |



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### A16 Impairment and Allowance on Financing, Advances and Other Receivables

|   | 3rd Quarter ended<br>30 Sep |   | Nine-months ended<br>30 Sep |   |
|---|-----------------------------|---|-----------------------------|---|
|   | 2012<br>Unaudited<br>RM'000 | 2011<br>Unaudited<br>RM'000<br>(restated) | 2012<br>Unaudited<br>RM'000 | 2011<br>Unaudited<br>RM'000<br>(restated) |
| <b>Group</b>                                    |                             |   |                             |   |
| Impairment and allowance on financing           |                             |   |                             |   |
| - Collective impairment (net)                   | 2,521                       | (64,277)                                  | 14,899                      | (84,998)                                  |
| - Individual (write-back)/impairment (net)      | (7,744)                     | 6,234                                     | (28,251)                    | 45,950                                    |
| <i>Allowance charge during the period</i>       | 5,277                       | 6,234                                     | 25,441                      | 171,456                                   |
| <i>Allowance written-back during the period</i> | (13,021)                    | -   | (53,692)                    | (125,506)                                 |
| - Bad debt recovered on financing               | (2,350)                     | (266)                                     | (2,350)                     | (266)                                     |
|   | <b>(7,573)</b>              | <b>(58,309)</b>                           | <b>(15,702)</b>             | <b>(39,314)</b>                           |
| <b>Bank</b>                                     |                             |   |                             |   |
| Impairment and allowance on financing           |                             |   |                             |   |
| - Collective impairment (net)                   | 2,521                       | (64,277)                                  | 14,899                      | (84,998)                                  |
| - Individual impairment (net)                   | (7,744)                     | 6,234                                     | (28,251)                    | 45,950                                    |
| <i>Allowance charge during the period</i>       | 5,277                       | 6,234                                     | 25,441                      | 171,456                                   |
| <i>Allowance written-back during the period</i> | (13,021)                    | -   | (53,692)                    | (125,506)                                 |
| - Bad debt recovered on financing               | (2,350)                     | (266)                                     | (2,350)                     | (266)                                     |
|   | <b>(7,573)</b>              | <b>(58,309)</b>                           | <b>(15,702)</b>             | <b>(39,314)</b>                           |

### A17 Income Attributable to the Depositors

|   | 3rd Quarter ended<br>30 Sep |                | Nine-months ended<br>30 Sep |                |
|---|-----------------------------|----------------|-----------------------------|----------------|
|   | 2012<br>RM'000              | 2011<br>RM'000 | 2012<br>RM'000              | 2011<br>RM'000 |
| <b>Group</b>  |                             |                |                             |                |
| Deposits from customers   |                             |                |                             |                |
| - Mudharabah  | 2,455                       | 2,693          | 6,949                       | 7,649          |
| - Murabahah   | 16,419                      | 29,533         | 57,251                      | 84,364         |
| - Wakalah   | 1,998                       | -              | 6,969                       | -              |
| - Negotiable Instrument Deposit                                   | 5,805                       | -              | 17,368                      | -              |
| Deposits and placements of banks and other financial institutions |                             |                |                             |                |
| - Murabahah and Wakalah   | 13,019                      | 21,710         | 60,788                      | 58,600         |
| Others  | 85                          | -              | 110                         | -              |
|   | <b>39,781</b>               | <b>53,936</b>  | <b>149,435</b>              | <b>150,613</b> |
| <b>Bank</b>   |                             |                |                             |                |
| Deposits from customers   |                             |                |                             |                |
| - Mudharabah  | 2,454                       | 2,693          | 6,949                       | 7,649          |
| - Murabahah   | 16,419                      | 29,427         | 57,251                      | 84,364         |
| - Wakalah   | 1,998                       | -              | 6,969                       | -              |
| - Negotiable Instrument Deposit                                   | 5,805                       | -              | 17,368                      | -              |
| Deposits and placements of banks and other financial institutions |                             |                |                             |                |
| - Murabahah   | 12,932                      | 21,862         | 60,721                      | 58,748         |
| Others  | 85                          | -              | 110                         | -              |
|   | <b>39,693</b>               | <b>53,982</b>  | <b>149,368</b>              | <b>150,761</b> |

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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 Sep 2012          |                                      |                                  | As at 31 Dec 2011          |                                      |                                  |
|---|----------------------------|--------------------------------------|----------------------------------|----------------------------|--------------------------------------|----------------------------------|
|   | Principal amount<br>RM'000 | Credit equivalent amount**<br>RM'000 | Risk weighted amount**<br>RM'000 | Principal amount<br>RM'000 | Credit equivalent amount**<br>RM'000 | Risk weighted amount**<br>RM'000 |
| <b>Group and Bank</b>   |                            |                                      |                                  |                            |                                      |                                  |
| Direct credit substitutes                                       | 437,870                    | 437,870                              | 287,098                          | 637,113                    | 637,113                              | 411,526                          |
| Transaction related contingencies                               | 116,635                    | 58,317                               | 37,429                           | 108,859                    | 54,429                               | 38,877                           |
| Trade related contingencies                                     | 39,158                     | 7,832                                | 7,687                            | 28,683                     | 5,737                                | 4,990                            |
| Irrevocable commitments to extend credit                        |                            |                                      |                                  |                            |                                      |                                  |
| - maturity less than one year                                   | 367,734                    | 73,547                               | 70,375                           | 395,901                    | 79,180                               | 77,513                           |
| - maturity more than one year                                   | 774,201                    | 387,100                              | 372,616                          | 809,077                    | 404,538                              | 437,906                          |
| Foreign exchange related contracts *                            |                            |                                      |                                  |                            |                                      |                                  |
| - less than one year  | 312,955                    | 6,711                                | 2,664                            | 917,884                    | 11,668                               | 6,218                            |
| - one year to five years  | -                          | -                                    | -                                | 197,286                    | 14,610                               | 8,833                            |
| - five years and above  | -                          | -                                    | -                                | 101,772                    | 11,032                               | 3,714                            |
| Profit rate related contracts (ljarah rental swap obligation) * |                            |                                      |                                  |                            |                                      |                                  |
| - five years and above  | 286,209                    | 37,178                               | 31,453                           | 319,830                    | 43,331                               | 35,655                           |
|   | <b>2,334,762</b>           | <b>1,008,555</b>                     | <b>809,322</b>                   | <b>3,516,405</b>           | <b>1,261,638</b>                     | <b>1,025,232</b>                 |

\* The foreign exchange related contracts and ljarah 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 Capital Adequacy

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

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

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

|  | Group          |                              | Bank           |                              |
|--|----------------|------------------------------|----------------|------------------------------|
|  | 30 Sep<br>2012 | 31 Dec<br>2011<br>(restated) | 30 Sep<br>2012 | 31 Dec<br>2011<br>(restated) |
| <b>Core capital ratio</b>                            |                |                              |                |                              |
| Credit risk  | 16.98%         | 14.91%                       | 16.93%         | 14.77%                       |
| Credit, market, operational and large exposure risks | 15.62%         | 13.82%                       | 15.58%         | 13.71%                       |
| <b>Risk-weighted capital ratio</b>                   |                |                              |                |                              |
| Credit risk  | 22.33%         | 19.93%                       | 21.66%         | 19.24%                       |
| Credit, market, operational and large exposure risks | 20.53%         | 18.47%                       | 19.94%         | 17.86%                       |

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

|                                    | Group                    |  | Bank                     |  |
|------------------------------------|--------------------------|--|--------------------------|--|
|                                    | 30 Sep<br>2012<br>RM'000 | 31 Dec<br>2011<br>(restated)<br>RM'000 | 30 Sep<br>2012<br>RM'000 | 31 Dec<br>2011<br>(restated)<br>RM'000 |
| <b><u>Tier I capital</u></b>       |                          |  |                          |  |
| Paid-up share capital              | 2,266,125                | 2,266,125                              | 2,266,125                | 2,266,125                              |
| Statutory reserve                  | 34,952                   | 34,952                                 | 34,952                   | 34,952                                 |
| Other reserves                     | (839,054)                | (837,738)                              | (857,422)                | (857,423)                              |
|                                    | 1,462,023                | 1,463,339                              | 1,443,655                | 1,443,654                              |
| Less: Deferred tax assets (net)    | (293,911)                | (293,911)                              | (293,824)                | (293,824)                              |
| <b>Total Tier I capital</b>        | 1,168,112                | 1,169,428                              | 1,149,831                | 1,149,830                              |
| <b><u>Tier II capital</u></b>      |                          |  |                          |  |
| Subordinated Murabahah Tawarruq    | 214,130                  | 253,440                                | 214,130                  | 253,440                                |
| Collective impairment on financing | 153,458                  | 140,378                                | 153,458                  | 140,378                                |
| <b>Total Tier II capital</b>       | 367,588                  | 393,818                                | 367,588                  | 393,818                                |
| Less: Investment in subsidiaries   | -                        | -                                      | (46,193)                 | (46,193)                               |
| <b>Capital base</b>                | 1,535,700                | 1,563,246                              | 1,471,226                | 1,497,455                              |

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**A20 RATE OF RETURN RISK**

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

| Group<br>As at 30 Sep 2012   | Non-trading book |                  |                   |                  |                 |                             | Trading<br>book | Total            | Effective<br>profit<br>rate |
|--|------------------|------------------|-------------------|------------------|-----------------|-----------------------------|-----------------|------------------|-----------------------------|
|  | Up to<br>1 month | >1 - 3<br>months | >3 - 12<br>months | >1 - 5<br>years  | Over 5<br>years | Non-<br>profit<br>sensitive |                 |                  |                             |
|  | RM'000           | RM'000           | RM'000            | RM'000           | RM'000          | RM'000                      |                 |                  |                             |
| <b>ASSETS</b>  |                  |                  |                   |                  |                 |                             |                 |                  |                             |
| Cash and short-term funds  | 754,034          | -                | -                 | -                | -               | 176,665                     | -               | 930,699          | 1.49                        |
| Deposits and placements with<br>banks and other financial institutions | -                | 103,127          | 30,657            | -                | -               | -                           | -               | 133,784          | 2.12                        |
| Securities held-for-trading  | -                | -                | -                 | -                | -               | -                           | 46,840          | 46,840           | 2.79                        |
| Securities available-for-sale  | 9,789            | 3,258            | 179,224           | 399,835          | 76,129          | 28,683                      | -               | 696,918          | 2.98                        |
| Securities held-to-maturity  | -                | -                | -                 | 60,457           | -               | -                           | -               | 60,457           | 5.21                        |
| Financing, advances and receivables                                    | 2,321,666        | 999,261          | 362,484           | 1,408,580        | -               | 85,226                      | -               | 5,177,217        | 6.26                        |
| Murabahah trading automobiles  | -                | -                | -                 | -                | -               | -                           | 32              | 32               | -                           |
| Musarakah capital investment   | -                | -                | -                 | -                | -               | 5,898                       | -               | 5,898            | -                           |
| Other assets   | -                | -                | -                 | -                | -               | 1,039,171                   | -               | 1,039,171        | -                           |
| <b>TOTAL ASSETS</b>  | <b>3,085,489</b> | <b>1,105,646</b> | <b>572,365</b>    | <b>1,868,872</b> | <b>76,129</b>   | <b>1,335,643</b>            | <b>46,872</b>   | <b>8,091,016</b> |                             |
| <b>LIABILITIES AND SHAREHOLDER'S EQUITY</b>                            |                  |                  |                   |                  |                 |                             |                 |                  |                             |
| Deposits from customers  | 1,182,816        | 1,224,152        | 761,100           | 73,040           | -               | 682,420                     | -               | 3,923,528        | 2.74                        |
| Deposits and placements of<br>banks and other financial institutions   | 1,057,848        | 480,823          | 248,561           | -                | -               | -                           | -               | 1,787,232        | 2.34                        |
| Subordinated Murabahah Tawarruq  | -                | -                | 370,758           | -                | -               | -                           | -               | 370,758          | 3.62                        |
| Other liabilities  | -                | -                | -                 | -                | -               | 499,339                     | -               | 499,339          | -                           |
| <b>Total Liabilities</b>   | <b>2,240,664</b> | <b>1,704,975</b> | <b>1,380,419</b>  | <b>73,040</b>    | <b>-</b>        | <b>1,181,759</b>            | <b>-</b>        | <b>6,580,857</b> |                             |
| Shareholder's equity   | -                | -                | -                 | -                | -               | 1,510,159                   | -               | 1,510,159        |                             |
| <b>Total Liabilities and Shareholder's Equity</b>                      | <b>2,240,664</b> | <b>1,704,975</b> | <b>1,380,419</b>  | <b>73,040</b>    | <b>-</b>        | <b>2,691,918</b>            | <b>-</b>        | <b>8,091,016</b> |                             |
| On-balance sheet profit sensitivity gap                                | 844,825          | (599,329)        | (808,054)         | 1,795,832        | 76,129          | (1,356,275)                 | 46,872          | -                |                             |
| Off-balance sheet profit sensitivity gap                               | -                | -                | -                 | -                | -               | -                           | -               | -                |                             |
| <b>Total profit sensitivity gap</b>                                    | <b>844,825</b>   | <b>(599,329)</b> | <b>(808,054)</b>  | <b>1,795,832</b> | <b>76,129</b>   | <b>(1,356,275)</b>          | <b>46,872</b>   | <b>-</b>         |                             |

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**A20 RATE OF RETURN RISK (Cont'd.)**

| Group   | Non-trading book |                  |                    |                  |                  |                      | Trading book  | Total             | Effective profit rate |
|---|------------------|------------------|--------------------|------------------|------------------|----------------------|---------------|-------------------|-----------------------|
|   | Up to 1 month    | >1 - 3 months    | >3 - 12 months     | >1 - 5 years     | Over 5 years     | Non-profit sensitive |               |                   |                       |
| As at 31 Dec 2011   | RM'000           | RM'000           | RM'000             | RM'000           | RM'000           | RM'000               | RM'000        | RM'000            | %                     |
| <b>ASSETS</b>   |                  |                  |                    |                  |                  |                      |               |                   |                       |
| Cash and short-term funds   | 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           | -                     |
| <b>TOTAL ASSETS</b>   | <b>3,716,877</b> | <b>2,451,479</b> | <b>447,525</b>     | <b>1,109,500</b> | <b>1,118,663</b> | <b>1,187,874</b>     | <b>90,248</b> | <b>10,122,166</b> |                       |
| <b>LIABILITIES AND SHAREHOLDER'S EQUITY</b>                         |                  |                  |                    |                  |                  |                      |               |                   |                       |
| 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           | -                     |
| <b>Total Liabilities</b>  | <b>3,866,191</b> | <b>2,150,991</b> | <b>1,591,007</b>   | <b>4,512</b>     | <b>-</b>         | <b>1,055,494</b>     | <b>-</b>      | <b>8,668,195</b>  |                       |
| Shareholder's equity  | -                | -                | -                  | -                | -                | 1,453,971            | -             | 1,453,971         |                       |
| <b>Total Liabilities and Shareholder's Equity</b>                   | <b>3,866,191</b> | <b>2,150,991</b> | <b>1,591,007</b>   | <b>4,512</b>     | <b>-</b>         | <b>2,509,465</b>     | <b>-</b>      | <b>10,122,166</b> |                       |
| 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                            | -                | -                | -                  | -                | -                | -                    | -             | -                 |                       |
| <b>Total profit sensitivity gap</b>                                 | <b>(149,314)</b> | <b>300,488</b>   | <b>(1,143,482)</b> | <b>1,104,988</b> | <b>1,118,663</b> | <b>(1,321,591)</b>   | <b>90,248</b> | <b>-</b>          |                       |

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**A20 RATE OF RETURN RISK (Cont'd.)**

| Bank  | Non-trading book |                  |                  |                  |              | Trading book       | Total            | Effective profit rate |
|---|------------------|------------------|------------------|------------------|--------------|--------------------|------------------|-----------------------|
|   | Up to 1 month    | >1 - 3 months    | >3 - 12 months   | >1 - 5 years     | Over 5 years |                    |                  |                       |
| As at 30 Sep 2012   | RM'000           | RM'000           | RM'000           | RM'000           | RM'000       | RM'000             | RM'000           |                       |
| <b>ASSETS</b>   |                  |                  |                  |                  |              |                    |                  |                       |
| Cash and short-term funds   | 754,020          | -                | -                | -                | -            | 175,771            | 929,791          | 1.49                  |
| Deposits and placements with banks and other financial institutions | -                | 103,127          | 30,657           | -                | -            | -                  | 133,784          | 2.12                  |
| Securities held-for-trading   | -                | -                | -                | -                | -            | 46,840             | 46,840           | 2.79                  |
| Securities available-for-sale                                       | 9,789            | 3,258            | 179,224          | 351,909          | -            | 28,683             | 572,863          | 2.98                  |
| Securities held-to-maturity   | -                | -                | -                | 60,457           | -            | -                  | 60,457           | 5.21                  |
| Financing, advances and receivables                                 | 2,321,666        | 999,261          | 362,484          | 1,408,580        | -            | 85,226             | 5,177,217        | 6.26                  |
| Murabahah trading automobiles                                       | -                | -                | -                | -                | -            | 32                 | 32               | -                     |
| Musarakah capital investment  | -                | -                | -                | -                | -            | 5,898              | 5,898            | -                     |
| Other assets  | -                | -                | -                | -                | -            | 1,068,286          | 1,068,286        | -                     |
| <b>TOTAL ASSETS</b>   | <b>3,085,475</b> | <b>1,105,646</b> | <b>572,365</b>   | <b>1,820,946</b> | <b>-</b>     | <b>1,363,864</b>   | <b>7,995,168</b> |                       |
| <b>LIABILITIES AND SHAREHOLDER'S EQUITY</b>                         |                  |                  |                  |                  |              |                    |                  |                       |
| Deposits from customers   | 1,178,855        | 1,223,700        | 760,063          | 73,039           | -            | 689,414            | 3,925,071        | 2.74                  |
| Deposits and placements of banks and other financial institutions   | 978,835          | 481,275          | 249,599          | -                | -            | -                  | 1,709,709        | 2.34                  |
| Subordinated Murabahah Tawarruq                                     | -                | -                | 370,758          | -                | -            | -                  | 370,758          | 3.62                  |
| Other liabilities   | -                | -                | -                | -                | -            | 494,478            | 494,478          | -                     |
| <b>Total Liabilities</b>  | <b>2,157,690</b> | <b>1,704,975</b> | <b>1,380,420</b> | <b>73,039</b>    | <b>-</b>     | <b>1,183,892</b>   | <b>6,500,016</b> |                       |
| Shareholder's equity  | -                | -                | -                | -                | -            | 1,495,152          | 1,495,152        |                       |
| <b>Total Liabilities and Shareholder's Equity</b>                   | <b>2,157,690</b> | <b>1,704,975</b> | <b>1,380,420</b> | <b>73,039</b>    | <b>-</b>     | <b>2,679,044</b>   | <b>7,995,168</b> |                       |
| On-balance sheet profit sensitivity gap                             | 927,785          | (599,329)        | (808,055)        | 1,747,907        | -            | (1,315,180)        | 46,872           | -                     |
| Off-balance sheet profit sensitivity gap                            | -                | -                | -                | -                | -            | -                  | -                | -                     |
| <b>Total profit sensitivity gap</b>                                 | <b>927,785</b>   | <b>(599,329)</b> | <b>(808,055)</b> | <b>1,747,907</b> | <b>-</b>     | <b>(1,315,180)</b> | <b>46,872</b>    | <b>-</b>              |

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**A20 RATE OF RETURN RISK (Cont'd.)**

| Bank<br>As at 31 Dec 2011   | Non-trading book        |                         |                          |                        |                        | Non-profit sensitive<br>RM'000 | Trading book<br>RM'000 | Total<br>RM'000   | Effective profit rate<br>% |
|---|-------------------------|-------------------------|--------------------------|------------------------|------------------------|--------------------------------|------------------------|-------------------|----------------------------|
|   | Up to 1 month<br>RM'000 | >1 - 3 months<br>RM'000 | >3 - 12 months<br>RM'000 | >1 - 5 years<br>RM'000 | Over 5 years<br>RM'000 |                                |                        |                   |                            |
| <b>ASSETS</b>   |                         |                         |                          |                        |                        |                                |                        |                   |                            |
| 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         | -                          |
| <b>TOTAL ASSETS</b>   | <b>4,036,427</b>        | <b>2,292,847</b>        | <b>598,638</b>           | <b>853,262</b>         | <b>1,102,469</b>       | <b>1,158,298</b>               | <b>83,808</b>          | <b>10,125,749</b> |                            |
| <b>LIABILITIES AND SHAREHOLDER'S EQUITY</b>                         |                         |                         |                          |                        |                        |                                |                        |                   |                            |
| 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                       |
| Other liabilities   | -                       | -                       | -                        | -                      | -                      | 440,983                        | -                      | 440,983           | -                          |
| <b>Total Liabilities</b>  | <b>3,883,660</b>        | <b>2,150,991</b>        | <b>1,591,007</b>         | <b>4,512</b>           | <b>-</b>               | <b>1,056,030</b>               | <b>-</b>               | <b>8,686,200</b>  |                            |
| Shareholder's equity  | -                       | -                       | -                        | -                      | -                      | 1,439,549                      | -                      | 1,439,549         |                            |
| <b>Total Liabilities and Shareholder's Equity</b>                   | <b>3,883,660</b>        | <b>2,150,991</b>        | <b>1,591,007</b>         | <b>4,512</b>           | <b>-</b>               | <b>2,495,579</b>               | <b>-</b>               | <b>10,125,749</b> |                            |
| 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                            | -                       | -                       | -                        | -                      | -                      | -                              | -                      | -                 |                            |
| <b>Total profit sensitivity gap</b>                                 | <b>152,767</b>          | <b>141,856</b>          | <b>(992,369)</b>         | <b>848,750</b>         | <b>1,102,469</b>       | <b>(1,337,281)</b>             | <b>83,808</b>          | <b>-</b>          |                            |

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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 September 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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**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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**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:

|  | <b>Group and Bank</b>  |                        |
|--|------------------------|------------------------|
|  | <b>2012<br/>RM'000</b> | <b>2011<br/>RM'000</b> |
| Effect of adopting new policy on collective impairment |                        |                        |
| - Impairment assessment                                | (22,093)               | (141,169)              |
| - Deferred tax assets                                  | 5,523                  | -                      |
|  | <b>(16,570)</b>        | <b>(141,169)</b>       |

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.

| <u>Statements of financial position</u>   | <b>As at<br/>1 January 2011<br/>(as previously<br/>stated)</b> | <b>Effect of adopting<br/>new policy on<br/>collective<br/>impairment</b> | <b>As at<br/>1 January 2011<br/>(as restated)</b> |
|---|--|---|---|
|   | <b>RM'000</b>  | <b>RM'000</b>   | <b>RM'000</b>                                     |
| <b>Group</b>                              |  |   |   |
| 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   |
| <b>Bank</b>                               |  |   |   |
| 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   |
|   |  |   |   |
| <u>Statements of financial position</u>   | <b>As at<br/>1 January 2012<br/>(as previously<br/>stated)</b> | <b>Effect of adopting<br/>new policy on<br/>collective<br/>impairment</b> | <b>As at<br/>1 January 2012<br/>(as restated)</b> |
|   | <b>RM'000</b>  | <b>RM'000</b>   | <b>RM'000</b>                                     |
| <b>Group</b>                              |  |   |   |
| 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   |
| <b>Bank</b>                               |  |   |   |
| 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 at at 1 January 2011 and at 31 December 2011 were consistent with those made for the same dates in accordance with FRS. The estimates used by the Group to present these amounts in accordance with MFRS reflect conditions at 1 January 2011, the date of transition to MFRS and as of 31 December 2011.

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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>   | <b>FRS as at<br/>1 Jan 2011<br/>RM'000</b> | <b>Adjustments<br/>RM'000</b> | <b>MFRS as at<br/>1 Jan 2011<br/>RM'000</b> | <b>FRS as at<br/>30 Sep 2011<br/>RM'000</b> | <b>Adjustments<br/>RM'000</b> | <b>MFRS as at<br/>30 Sep 2011<br/>RM'000</b> | <b>FRS as at<br/>31 Dec 2011<br/>RM'000</b> | <b>Adjustments<br/>RM'000</b> | <b>MFRS as at<br/>31 Dec 2011<br/>RM'000</b> |
|--|--|-------------------------------|---|---|-------------------------------|--|---|-------------------------------|--|
| <b>ASSETS</b>  |  |                               |   |   |                               |  |   |                               |  |
| Cash and short-term funds  | 2,651,695                                  | -                             | 2,651,695                                   | 2,499,012                                   | -                             | 2,499,012                                    | 1,973,012                                   | -                             | 1,973,012                                    |
| Deposits and placements with banks and<br>other financial institutions | 275,092                                    | -                             | 275,092                                     | 914,774                                     | -                             | 914,774                                      | 734,973                                     | -                             | 734,973                                      |
| Securities held-for-trading  | 110,083                                    | -                             | 110,083                                     | 106,717                                     | -                             | 106,717                                      | 90,216                                      | -                             | 90,216                                       |
| Hedging financial instruments  | 80,632                                     | -                             | 80,632                                      | 44,732                                      | -                             | 44,732                                       | 43,688                                      | -                             | 43,688                                       |
| Securities available-for-sale  | 1,053,506                                  | -                             | 1,053,506                                   | 1,091,430                                   | -                             | 1,091,430                                    | 1,096,340                                   | -                             | 1,096,340                                    |
| Securities held-to-maturity  | 46,266                                     | -                             | 46,266                                      | 47,120                                      | -                             | 47,120                                       | 47,125                                      | -                             | 47,125                                       |
| Financing, advances and other receivables                              | 6,072,784                                  | (141,169)                     | 5,931,615                                   | 5,442,187                                   | (71,239)                      | 5,370,948                                    | 5,219,857                                   | (22,093)                      | 5,197,764                                    |
| Murahahah trading automobile   | 32   | -                             | 32  | 32  | -                             | 32   | 32  | -                             | 32   |
| Other assets   | 385,682                                    | -                             | 385,682                                     | 391,962                                     | -                             | 391,962                                      | 411,730                                     | -                             | 411,730                                      |
| Statutory deposits with<br>Bank Negara Malaysia                        | 44,854                                     | -                             | 44,854                                      | 150,000                                     | -                             | 150,000                                      | 180,200                                     | -                             | 180,200                                      |
| Musarakah capital investment   | 5,898                                      | -                             | 5,898                                       | 5,898                                       | -                             | 5,898  | 5,898                                       | -                             | 5,898  |
| Investment in subsidiaries   | 932  | -                             | 932   | 126   | -                             | 126  | -   | -                             | -  |
| Property and equipment   | 27,340                                     | -                             | 27,340                                      | 29,097                                      | -                             | 29,097                                       | 23,855                                      | -                             | 23,855                                       |
| Intangible assets  | 27,529                                     | -                             | 27,529                                      | 22,811                                      | -                             | 22,811                                       | 23,422                                      | -                             | 23,422                                       |
| Deferred tax assets  | 125,557                                    | -                             | 125,557                                     | 117,708                                     | (17,483)                      | 100,225                                      | 288,388                                     | 5,523                         | 293,911                                      |
|  | <b>10,907,882</b>                          | <b>(141,169)</b>              | <b>10,766,713</b>                           | <b>10,863,606</b>                           | <b>(88,722)</b>               | <b>10,774,884</b>                            | <b>10,138,736</b>                           | <b>(16,570)</b>               | <b>10,122,166</b>                            |

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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>   | <b>FRS as at<br/>1 Jan 2011<br/>RM'000</b> | <b>Adjustments<br/>RM'000</b> | <b>MFRS as at<br/>1 Jan 2011<br/>RM'000</b> | <b>FRS as at<br/>30 Sep 2011<br/>RM'000</b> | <b>Adjustments<br/>RM'000</b> | <b>MFRS as at<br/>30 Sep 2011<br/>RM'000</b> | <b>FRS as at<br/>31 Dec 2011<br/>RM'000</b> | <b>Adjustments<br/>RM'000</b> | <b>MFRS as at<br/>31 Dec 2011<br/>RM'000</b> |
|--|--|-------------------------------|---|---|-------------------------------|--|---|-------------------------------|--|
| <b>LIABILITIES</b>   |  |                               |   |   |                               |  |   |                               |  |
| Deposits from customers  | 4,560,037                                  | -                             | 4,560,037                                   | 4,457,232                                   | -                             | 4,457,232                                    | 4,717,854                                   | -                             | 4,717,854                                    |
| Deposits and placements of banks and<br>other financial institutions | 3,478,689                                  | -                             | 3,478,689                                   | 3,525,960                                   | -                             | 3,525,960                                    | 3,134,572                                   | -                             | 3,134,572                                    |
| Hedging financial instruments  | 39,789                                     | -                             | 39,789                                      | 78,031                                      | -                             | 78,031                                       | 72,655                                      | -                             | 72,655                                       |
| Murabahah bank financing   | 23,233                                     | -                             | 23,233                                      | -   | -                             | -  | -   | -                             | -  |
| Subordinated Murabahah Tawarruq                                      | 350,797                                    | -                             | 350,797                                     | 369,765                                     | -                             | 369,765                                      | 373,589                                     | -                             | 373,589                                      |
| Other liabilities  | 398,002                                    | -                             | 398,002                                     | 350,361                                     | -                             | 350,361                                      | 365,785                                     | -                             | 365,785                                      |
| Provision for zakat  | 3,740                                      | -                             | 3,740                                       | 3,740                                       | -                             | 3,740  | 3,740                                       | -                             | 3,740  |
|  | <b>8,854,287</b>                           | -                             | <b>8,854,287</b>                            | <b>8,785,089</b>                            | -                             | <b>8,785,089</b>                             | <b>8,668,195</b>                            | -                             | <b>8,668,195</b>                             |
| <b>SHAREHOLDER'S EQUITY</b>  |  |                               |   |   |                               |  |   |                               |  |
| Share capital  | 2,266,125                                  | -                             | 2,266,125                                   | 2,266,125                                   | -                             | 2,266,125                                    | 2,266,125                                   | -                             | 2,266,125                                    |
| Reserves   | (212,530)                                  | (141,169)                     | (353,699)                                   | (187,608)                                   | (88,722)                      | (276,330)                                    | (795,584)                                   | (16,570)                      | (812,154)                                    |
|  | <b>2,053,595</b>                           | <b>(141,169)</b>              | <b>1,912,426</b>                            | <b>2,078,517</b>                            | <b>(88,722)</b>               | <b>1,989,795</b>                             | <b>1,470,541</b>                            | <b>(16,570)</b>               | <b>1,453,971</b>                             |
| <b>TOTAL LIABILITIES AND<br/>SHAREHOLDER'S EQUITY</b>                | <b>10,907,882</b>                          | <b>(141,169)</b>              | <b>10,766,713</b>                           | <b>10,863,606</b>                           | <b>(88,722)</b>               | <b>10,774,884</b>                            | <b>10,138,736</b>                           | <b>(16,570)</b>               | <b>10,122,166</b>                            |

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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.):

|  | FRS as at<br>1 Jan 2011<br>RM'000 | Adjustments<br>RM'000 | MFRS as at<br>1 Jan 2011<br>RM'000 | FRS as at<br>30 Sep 2011<br>RM'000 | Adjustments<br>RM'000 | MFRS as at<br>30 Sep 2011<br>RM'000 | FRS as at<br>31 Dec 2011<br>RM'000 | Adjustments<br>RM'000 | MFRS as at<br>31 Dec 2011<br>RM'000 |
|--|-----------------------------------|-----------------------|------------------------------------|------------------------------------|-----------------------|-------------------------------------|------------------------------------|-----------------------|-------------------------------------|
| <b>Bank</b>  |                                   |                       |                                    |                                    |                       |                                     |                                    |                       |                                     |
| <b>ASSETS</b>  |                                   |                       |                                    |                                    |                       |                                     |                                    |                       |                                     |
| Cash and short-term funds  | 2,744,436                         | -                     | 2,744,436                          | 2,574,554                          | -                     | 2,574,554                           | 2,076,287                          | -                     | 2,076,287                           |
| Deposits and placements with banks and<br>other financial institutions | 275,092                           | -                     | 275,092                            | 914,774                            | -                     | 914,774                             | 734,973                            | -                     | 734,973                             |
| Securities held-for-trading  | 110,083                           | -                     | 110,083                            | 106,717                            | -                     | 106,717                             | 83,776                             | -                     | 83,776                              |
| Hedging financial instruments  | 80,632                            | -                     | 80,632                             | 44,732                             | -                     | 44,732                              | 43,688                             | -                     | 43,688                              |
| Securities available-for-sale  | 925,933                           | -                     | 925,933                            | 958,830                            | -                     | 958,830                             | 977,255                            | -                     | 977,255                             |
| Securities held-to-maturity  | 46,266                            | -                     | 46,266                             | 47,120                             | -                     | 47,120                              | 47,125                             | -                     | 47,125                              |
| Financing, advances and other receivables                              | 6,072,784                         | (141,169)             | 5,931,615                          | 5,442,187                          | (71,239)              | 5,370,948                           | 5,219,857                          | (22,093)              | 5,197,764                           |
| Murabahah trading automobile   | 32                                | -                     | 32                                 | 32                                 | -                     | 32                                  | 32                                 | -                     | 32                                  |
| Other assets   | 366,450                           | -                     | 366,450                            | 372,219                            | -                     | 372,219                             | 406,948                            | -                     | 406,948                             |
| Statutory deposits with  |                                   |                       |                                    |                                    |                       |                                     |                                    |                       |                                     |
| Bank Negara Malaysia   | 44,854                            | -                     | 44,854                             | 150,000                            | -                     | 150,000                             | 180,200                            | -                     | 180,200                             |
| Musyarakah capital investment  | 5,898                             | -                     | 5,898                              | 5,898                              | -                     | 5,898                               | 5,898                              | -                     | 5,898                               |
| Investment in subsidiaries   | 32,397                            | -                     | 32,397                             | 32,193                             | -                     | 32,193                              | 30,952                             | -                     | 30,952                              |
| Property and equipment   | 26,915                            | -                     | 26,915                             | 28,796                             | -                     | 28,796                              | 23,624                             | -                     | 23,624                              |
| Intangible assets  | 27,508                            | -                     | 27,508                             | 22,793                             | -                     | 22,793                              | 23,403                             | -                     | 23,403                              |
| Deferred tax assets  | 125,175                           | -                     | 125,175                            | 117,265                            | (17,483)              | 99,782                              | 288,301                            | 5,523                 | 293,824                             |
|  | <b>10,884,455</b>                 | <b>(141,169)</b>      | <b>10,743,286</b>                  | <b>10,818,110</b>                  | <b>(88,722)</b>       | <b>10,729,388</b>                   | <b>10,142,319</b>                  | <b>(16,570)</b>       | <b>10,125,749</b>                   |

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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>Bank</u>  | FRS as at<br>1 Jan 2011<br>RM'000 | Adjustments<br>RM'000 | MFRS as at<br>1 Jan 2011<br>RM'000 | FRS as at<br>30 Sep 2011<br>RM'000 | Adjustments<br>RM'000 | MFRS as at<br>30 Sep 2011<br>RM'000 | FRS as at<br>31 Dec 2011<br>RM'000 | Adjustments<br>RM'000 | MFRS as at<br>31 Dec 2011<br>RM'000 |
|--|-----------------------------------|-----------------------|------------------------------------|------------------------------------|-----------------------|-------------------------------------|------------------------------------|-----------------------|-------------------------------------|
| <b>LIABILITIES</b>   |                                   |                       |                                    |                                    |                       |                                     |                                    |                       |                                     |
| Deposits from customers  | 4,561,610                         | -                     | 4,561,610                          | 4,457,557                          | -                     | 4,457,557                           | 4,719,586                          | -                     | 4,719,586                           |
| Deposits and placements of banks and<br>other financial institutions | 3,486,642                         | -                     | 3,486,642                          | 3,514,223                          | -                     | 3,514,223                           | 3,152,042                          | -                     | 3,152,042                           |
| Hedging financial instruments  | 39,789                            | -                     | 39,789                             | 78,031                             | -                     | 78,031                              | 72,655                             | -                     | 72,655                              |
| Murabahah bank financing   | 23,233                            | -                     | 23,233                             | -                                  | -                     | -                                   | -                                  | -                     | -                                   |
| Subordinated Murabahah Tawarruq                                      | 350,797                           | -                     | 350,797                            | 369,766                            | -                     | 369,766                             | 373,589                            | -                     | 373,589                             |
| Other liabilities  | 396,933                           | -                     | 396,933                            | 349,225                            | -                     | 349,225                             | 364,588                            | -                     | 364,588                             |
| Provision for zakat  | 3,740                             | -                     | 3,740                              | 3,740                              | -                     | 3,740                               | 3,740                              | -                     | 3,740                               |
|  | <b>8,862,744</b>                  | <b>-</b>              | <b>8,862,744</b>                   | <b>8,772,542</b>                   | <b>-</b>              | <b>8,772,542</b>                    | <b>8,686,200</b>                   | <b>-</b>              | <b>8,686,200</b>                    |
| <b>SHAREHOLDER'S EQUITY</b>  |                                   |                       |                                    |                                    |                       |                                     |                                    |                       |                                     |
| Share capital  | 2,266,125                         | -                     | 2,266,125                          | 2,266,125                          | -                     | 2,266,125                           | 2,266,125                          | -                     | 2,266,125                           |
| Reserves   | (244,414)                         | (141,169)             | (385,583)                          | (220,557)                          | (88,722)              | (309,279)                           | (810,006)                          | (16,570)              | (826,576)                           |
|  | <b>2,021,711</b>                  | <b>(141,169)</b>      | <b>1,880,542</b>                   | <b>2,045,568</b>                   | <b>(88,722)</b>       | <b>1,956,846</b>                    | <b>1,456,119</b>                   | <b>(16,570)</b>       | <b>1,439,549</b>                    |
| <b>TOTAL LIABILITIES AND<br/>SHAREHOLDER'S EQUITY</b>                | <b>10,884,455</b>                 | <b>(141,169)</b>      | <b>10,743,286</b>                  | <b>10,818,110</b>                  | <b>(88,722)</b>       | <b>10,729,388</b>                   | <b>10,142,319</b>                  | <b>(16,570)</b>       | <b>10,125,749</b>                   |

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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 (cont'd.)

#### (e) Reconciliation of total comprehensive income for the period ended 30 September 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<br>30 Sep 2011<br>RM'000 | Adjustments<br>RM'000 | MFRS as at<br>30 Sep 2011<br>RM'000 | FRS as at<br>31 Dec 2011<br>RM'000 | Adjustments<br>RM'000 | MFRS as at<br>31 Dec 2011<br>RM'000 |
|--|------------------------------------|-----------------------|-------------------------------------|------------------------------------|-----------------------|-------------------------------------|
| <b>Continuing operations</b>   |                                    |                       |                                     |                                    |                       |                                     |
| Operating revenue  | 336,361                            | -                     | 336,361                             | 459,788                            | -                     | 459,788                             |
| Income derived from investment of depositors' funds and others                                       | 245,148                            | -                     | 245,148                             | 342,673                            | -                     | 342,673                             |
| Income derived from investment of shareholder's equity   | 91,213                             | -                     | 91,213                              | 117,115                            | -                     | 117,115                             |
| Total gross income   | 336,361                            | -                     | 336,361                             | 459,788                            | -                     | 459,788                             |
| Impairment loss and allowance on investments   | (2,395)                            | -                     | (2,395)                             | (20,000)                           | -                     | (20,000)                            |
| Impairment loss on financing   | (30,616)                           | 69,930                | 39,314                              | (795,997)                          | 119,076               | (676,921)                           |
| Total distributable income   | 303,350                            | 69,930                | 373,280                             | (356,209)                          | 119,076               | (237,133)                           |
| Income attributable to the depositors  | (150,613)                          | -                     | (150,613)                           | (208,486)                          | -                     | (208,486)                           |
| Total net income   | 152,737                            | 69,930                | 222,667                             | (564,695)                          | 119,076               | (445,619)                           |
| Personnel expenses   | (68,800)                           | -                     | (68,800)                            | (94,843)                           | -                     | (94,843)                            |
| Other overheads and expenditures   | (58,806)                           | -                     | (58,806)                            | (91,032)                           | -                     | (91,032)                            |
| Finance cost   | (9,557)                            | -                     | (9,557)                             | (12,949)                           | -                     | (12,949)                            |
| <b>Profit/(Loss) before zakat and taxation</b>   | 15,574                             | 69,930                | 85,504                              | (763,519)                          | 119,076               | (644,443)                           |
| Taxation   | (5,158)                            | (17,483)              | (22,641)                            | 167,311                            | 5,523                 | 172,834                             |
| <b>Net profit/(loss) for the period</b>  | 10,416                             | 52,447                | 62,863                              | (596,208)                          | 124,599               | (471,609)                           |
| <b>Other comprehensive income/(loss):</b>  |                                    |                       |                                     |                                    |                       |                                     |
| Net gain taken to equity on securities available-for-sale  | 17,230                             | -                     | 17,230                              | 18,391                             | -                     | 18,391                              |
| Exchange differences on translation of foreign operations  | 1,584                              | -                     | 1,584                               | 1,242                              | -                     | 1,242                               |
| Income tax relating to components of other comprehensive income                                      | (4,308)                            | -                     | (4,308)                             | (6,479)                            | -                     | (6,479)                             |
| <b>Other comprehensive income for the period, net of tax</b>   | 14,506                             | -                     | 14,506                              | 13,154                             | -                     | 13,154                              |
| Total comprehensive income/(loss) for the period   | 24,922                             | 52,447                | 77,369                              | (583,054)                          | 124,599               | (458,455)                           |
| <b>Total comprehensive income/(loss) for the period attributable to equity holders of the parent</b> | <b>24,922</b>                      | <b>52,447</b>         | <b>77,369</b>                       | <b>(583,054)</b>                   | <b>124,599</b>        | <b>(458,455)</b>                    |

**KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD**  
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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 (cont'd.)**

**(e) Reconciliation of total comprehensive income for the period ended 30 September 2011 and for the year ended for the year ended 31 December 2011 (cont'd.)**

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

| <u>Bank</u>  | FRS as at<br>30 Sep 2011<br>RM'000 | Adjustments<br>RM'000 | MFRS as at<br>30 Sep 2011<br>RM'000 | FRS as at<br>31 Dec 2011<br>RM'000 | Adjustments<br>RM'000 | MFRS as at<br>31 Dec 2011<br>RM'000 |
|--|------------------------------------|-----------------------|-------------------------------------|------------------------------------|-----------------------|-------------------------------------|
| <b>Continuing operations</b>   |                                    |                       |                                     |                                    |                       |                                     |
| Operating revenue  | 328,117                            | -                     | 328,117                             | 450,331                            | -                     | 450,331                             |
| Income derived from investment of depositors' funds and others   | 246,508                            | -                     | 246,508                             | 343,833                            | -                     | 343,833                             |
| Income derived from investment of shareholder's equity   | 81,609                             | -                     | 81,609                              | 106,498                            | -                     | 106,498                             |
| Total gross income   | 328,117                            | -                     | 328,117                             | 450,331                            | -                     | 450,331                             |
| Impairment loss and allowance on investments   | (1,862)                            | -                     | (1,862)                             | (2,833)                            | -                     | (2,833)                             |
| Impairment loss on financing   | (30,616)                           | 69,930                | 39,314                              | (795,997)                          | 119,076               | (676,921)                           |
| Total distributable income   | 295,639                            | 69,930                | 365,569                             | (348,499)                          | 119,076               | (229,423)                           |
| Income attributable to the depositors  | (150,761)                          | -                     | (150,761)                           | (208,686)                          | -                     | (208,686)                           |
| Total net income   | 144,878                            | 69,930                | 214,808                             | (557,185)                          | 119,076               | (438,109)                           |
| Personnel expenses   | (63,159)                           | -                     | (63,159)                            | (87,892)                           | -                     | (87,892)                            |
| Other overheads and expenditures   | (56,031)                           | -                     | (56,031)                            | (87,145)                           | -                     | (87,145)                            |
| Finance cost   | (9,557)                            | -                     | (9,557)                             | (12,949)                           | -                     | (12,949)                            |
| <b>Profit/(Loss) before zakat and taxation</b>   | 16,131                             | 69,930                | 86,061                              | (745,171)                          | 119,076               | (626,095)                           |
| Taxation   | (5,104)                            | (17,483)              | (22,587)                            | 167,735                            | 5,523                 | 173,258                             |
| <b>Net profit/(loss) for the period</b>  | 11,027                             | 52,447                | 63,474                              | (577,436)                          | 124,599               | (452,837)                           |
| <b>Other comprehensive income/(loss):</b>  |                                    |                       |                                     |                                    |                       |                                     |
| Net gain taken to equity on securities available-for-sale  | 17,106                             | -                     | 17,106                              | 18,386                             | -                     | 18,386                              |
| Income tax relating to components of other comprehensive income  | (4,276)                            | -                     | (4,276)                             | (6,542)                            | -                     | (6,542)                             |
| Other comprehensive income for the period, net of tax  | 12,830                             | -                     | 12,830                              | 11,844                             | -                     | 11,844                              |
| <b>Total comprehensive income/(loss) for the period</b>  | 23,857                             | 52,447                | 76,304                              | (565,592)                          | 124,599               | (440,993)                           |
| <b>Total comprehensive income/(loss) for the period<br/>attributable to equity holders of the parent</b> | <b>23,857</b>                      | <b>52,447</b>         | <b>76,304</b>                       | <b>(565,592)</b>                   | <b>124,599</b>        | <b>(440,993)</b>                    |



**KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD**  
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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 nine-months ended 30 September 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 nine-months ended 30 September 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 nine-months ended 30 September 2012.

**B8 Debt and Equity Securities**

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

**B9 Dividends Paid**

There were no dividends paid during the nine-months ended 30 September 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<br>30 Sep 2012                           | Treasury &<br>Capital<br>Markets<br>RM'000 | Corporate &<br>Investment<br>Banking<br>RM'000 | Commercial<br>Banking<br>RM'000 | Others<br>RM'000 | Elimination<br>RM'000 | Total<br>RM'000  |
|--|--|--|---------------------------------|------------------|-----------------------|------------------|
| External revenue                               | 91,860                                     | 118,940  | 60,693                          | 93,649           | -                     | 365,142          |
| Revenue from other segments                    | 108,755                                    | 2,422  | 4,706                           | 44,545           | (160,428)             | -                |
| <b>Total Revenue</b>                           | <b>200,615</b>                             | <b>121,362</b>                                 | <b>65,399</b>                   | <b>138,194</b>   | <b>(160,428)</b>      | <b>365,142</b>   |
| Segment results                                | 18,245                                     | 42,933   | 39,790                          | 37,558           | -                     | 138,526          |
| Unallocated expenses                           |  |  |                                 |                  |                       | (71,027)         |
| <b>Profit from operations</b>                  |  |  |                                 |                  |                       | <b>67,499</b>    |
| Taxation                                       |  |  |                                 |                  |                       | (19,612)         |
| <b>Net profit for the year</b>                 |  |  |                                 |                  |                       | <b>47,887</b>    |
| <b>Other information</b>                       |  |  |                                 |                  |                       |                  |
| Segment assets                                 | 1,952,248                                  | 2,850,973                                      | 800,932                         | 2,072,526        | (126,385)             | 7,550,294        |
| Unallocated corporate assets                   |  |  |                                 |                  |                       | 540,722          |
| <b>Total assets</b>                            |  |  |                                 |                  |                       | <b>8,091,016</b> |
| Segment liabilities                            | 3,376,626                                  | 124,012  | 195,637                         | 2,414,314        | (95,433)              | 6,015,156        |
| Unallocated corporate liabilities              |  |  |                                 |                  |                       | 565,701          |
| <b>Total liabilities</b>                       |  |  |                                 |                  |                       | <b>6,580,857</b> |
| <b>Other segment items</b>                     |  |  |                                 |                  |                       |                  |
| Purchase of property and equipment             | -  | -  | -                               | 27,820           | -                     | 27,820           |
| Purchase of intangible assets                  | -  | -  | -                               | 4,006            | -                     | 4,006            |
| Depreciation of property and equipment         | -  | -  | -                               | 9,210            | -                     | 9,210            |
| Amortisation of intangible assets              | -  | -  | -                               | 6,382            | -                     | 6,382            |
| Other non-cash expense other than depreciation | (1,694)                                    | 11,615   | 21,864                          | (2,878)          | -                     | 28,907           |

(ii) **By Geographical Locations**

| Group<br>30 Sep 2012 | Operating<br>Revenue<br>RM'000 | Profit/(Loss)<br>Before Zakat<br>and Taxation<br>RM'000 | Total<br>Assets<br>RM'000 |
|----------------------|--------------------------------|---|---------------------------|
| Malaysia             | 363,330                        | 67,571  | 8,089,926                 |
| Outside Malaysia     | 1,812                          | (72)  | 1,090                     |
|                      | <b>365,142</b>                 | <b>67,499</b>   | <b>8,091,016</b>          |

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<br>30 Sep 2011                           | Treasury &<br>Capital<br>Markets<br>RM'000 | Corporate &<br>Investment<br>Banking<br>RM'000 | Commercial<br>Banking<br>RM'000 | Others<br>RM'000 | Elimination<br>RM'000 | Total<br>RM'000   |
|--|--|--|---------------------------------|------------------|-----------------------|-------------------|
| External revenue                               | 91,239                                     | 100,900  | 103,474                         | 40,748           | -                     | 336,361           |
| Revenue from other segments                    | 118,950                                    | 2,636  | 5,432                           | 33,786           | (160,804)             | -                 |
| <b>Total Revenue</b>                           | <b>210,189</b>                             | <b>103,536</b>                                 | <b>108,906</b>                  | <b>74,534</b>    | <b>(160,804)</b>      | <b>336,361</b>    |
| Segment results                                | 1,271                                      | 20,262   | 4,056                           | 124,098          | -                     | 149,687           |
| Unallocated expenses                           |  |  |                                 |                  |                       | (64,183)          |
| <b>Profit from operations</b>                  |  |  |                                 |                  |                       | <b>85,504</b>     |
| Taxation                                       |  |  |                                 |                  |                       | (22,641)          |
| <b>Net profit for the year</b>                 |  |  |                                 |                  |                       | <b>62,863</b>     |
| <b>Other information</b>                       |  |  |                                 |                  |                       |                   |
| Segment assets                                 | 4,615,438                                  | 3,352,313                                      | 1,475,990                       | 1,128,114        | (134,699)             | 10,437,156        |
| Unallocated corporate assets                   |  |  |                                 |                  |                       | 337,728           |
| <b>Total assets</b>                            |  |  |                                 |                  |                       | <b>10,774,884</b> |
| Segment liabilities                            | 6,294,775                                  | 83,007   | 198,706                         | 1,790,890        | (102,506)             | 8,264,872         |
| Unallocated corporate liabilities              |  |  |                                 |                  |                       | 520,217           |
| <b>Total liabilities</b>                       |  |  |                                 |                  |                       | <b>8,785,089</b>  |
| <b>Other segment items</b>                     |  |  |                                 |                  |                       |                   |
| Purchase of property and equipment             | -  | -  | -                               | 9,103            | -                     | 9,103             |
| Purchase of intangible assets                  | -  | -  | -                               | 1,417            | -                     | 1,417             |
| Depreciation of property and equipment         | -  | -  | -                               | 7,346            | -                     | 7,346             |
| Amortisation of intangible assets              | -  | -  | -                               | 6,135            | -                     | 6,135             |
| Other non-cash expense other than depreciation | (1,638)                                    | (7,351)  | (38,645)                        | (445)            | -                     | (48,079)          |

**(ii) By Geographical Locations**

| Group<br>30 Sep 2011 | Operating<br>Revenue<br>RM'000 | Profit/(Loss)<br>Before Zakat<br>and Taxation<br>RM'000 | Total<br>Assets<br>RM'000 |
|----------------------|--------------------------------|---|---------------------------|
| Malaysia             | 335,597                        | 86,643  | 10,773,566                |
| Outside Malaysia     | 764                            | (1,139)   | 1,318                     |
|                      | <b>336,361</b>                 | <b>85,504</b>   | <b>10,774,884</b>         |

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 September 2012 are as follows:

Capital expenditure

Authorised and contracted for:

- renovation
- purchase of equipment

Authorised and not contracted for:

- purchase of equipment

| Group<br>RM'000 | Bank<br>RM'000 |
|-----------------|----------------|
| 5,124           | 5,124          |
| 2,328           | 2,299          |
| <b>7,452</b>    | <b>7,423</b>   |
| 612             | 612            |

**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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(672174-T)

(Incorporated in Malaysia)

## 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