

KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

Interim Report for the Period Ended 31 March 2013

Interim Condensed Statements of Financial Position	1
Interim Condensed Consolidated Income Statements	2
Interim Condensed Consolidated Statements of Comprehensive Income	3
Interim Condensed Income Statements	4
Interim Condensed Statements of Comprehensive Income	5
Interim Condensed Statements of Changes in Equity	6
Interim Condensed Statements of Cash Flows	7
Selected Explanatory Notes to the Condensed Financial Statements	8 - 36

KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

INTERIM CONDENSED STATEMENTS OF FINANCIAL POSITION

	Note	Group		Bank	
		31 Mar 2013 RM'000	31 Dec 2012 RM'000	31 Mar 2013 RM'000	31 Dec 2012 RM'000
ASSETS					
Cash and short-term funds		1,254,903	1,400,684	1,253,988	1,370,167
Deposits and placements with banks and other financial institutions	A3	400,506	244,147	400,506	228,838
Securities held-for-trading	A4	19,617	79,493	19,617	79,493
Hedging financial instruments	A7	20,043	21,470	20,043	21,470
Securities available-for-sale	A4	1,238,225	955,830	1,129,152	846,614
Securities held-to-maturity	A4	80,961	81,493	80,961	81,493
Financing, advances and other receivables	A5	5,182,255	5,288,745	5,182,255	5,288,745
Other assets	A6	201,625	481,381	201,238	481,255
Statutory deposits with Bank Negara Malaysia		173,012	191,717	173,012	191,717
Musyarakah capital investment	A8	5,898	5,898	5,898	5,898
Investment in subsidiaries		-	-	30,952	30,952
Property and equipment		36,062	37,352	35,493	36,491
Intangible assets		19,799	21,840	18,877	21,169
Deferred tax assets		280,487	286,641	280,383	286,538
		8,913,393	9,096,691	8,832,375	8,970,840
LIABILITIES					
Deposits from customers	A9	5,313,629	5,370,265	5,306,745	5,377,039
Deposits and placements of banks and other financial institutions	A10	1,466,930	1,324,476	1,404,930	1,204,490
Hedging financial instruments	A7	15,595	16,754	15,595	16,754
Subordinated Murabahah Tawarruq	A12	381,853	374,054	381,853	374,054
Other liabilities	A11	207,997	491,847	207,145	491,004
		7,386,004	7,577,396	7,316,268	7,463,341
SHAREHOLDER'S EQUITY					
Share capital		1,425,272	2,266,125	1,425,272	2,266,125
Reserves		102,117	(746,830)	90,835	(758,626)
		1,527,389	1,519,295	1,516,107	1,507,499
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY					
		8,913,393	9,096,691	8,832,375	8,970,840
COMMITMENTS AND CONTINGENCIES					
	A17	1,749,680	2,120,234	1,749,680	2,120,234
CAPITAL ADEQUACY					
Core capital ratio	A18	16.09%	15.44%	15.51%	15.41%
Risk-weighted capital ratio	A18	20.16%	19.45%	19.62%	18.89%
NET ASSETS PER SHARE (RM)					
		1.07	0.67	1.06	0.67

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

KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENTS

Group	Note	1st Quarter ended 31 Mar		Three-months ended 31 Mar	
		2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Continuing operations					
Operating revenue		108,177	135,862	108,177	135,862
Income derived from investment of depositors' funds and others	A13	83,458	103,944	83,458	103,944
Income derived from investment of shareholder's equity	A14	24,719	31,918	24,719	31,918
Total gross income		108,177	135,862	108,177	135,862
Impairment loss on securities		(142)	171	(142)	171
Impairment write-back on financing	A15	12,108	4,733	12,108	4,733
Total distributable income		120,143	140,766	120,143	140,766
Income attributable to the depositors	A16	(42,222)	(59,696)	(42,222)	(59,696)
Total net income		77,921	81,070	77,921	81,070
Personnel expenses		(26,900)	(25,038)	(26,900)	(25,038)
Other overheads and expenditures		(25,955)	(29,636)	(25,955)	(29,636)
Finance cost		(3,424)	(3,274)	(3,424)	(3,274)
Profit before zakat and taxation		21,642	23,122	21,642	23,122
Taxation		(8,989)	(6,582)	(8,989)	(6,582)
Net profit for the period		12,653	16,540	12,653	16,540
Attributable to:					
Equity holders of the Bank		12,653	16,540	12,653	16,540
Earnings per share attributable to equity holders of the Bank					
- Basic/Diluted (sen)		0.63	0.82	0.63	0.82

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	1st Quarter ended 31 Mar		Three-months ended 31 Mar	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Net profit for the period	12,653	16,540	12,653	16,540
Other comprehensive (loss)/income:				
Securities available-for-sale:				
Net (loss)/gain taken to equity	(6,527)	13,900	(6,527)	13,900
Exchange differences on translation of foreign operations:				
Net gain/(loss) taken to equity	336	(895)	336	(895)
Income tax relating to components of other comprehensive income/(loss)	1,632	(3,475)	1,632	(3,475)
Other comprehensive (loss)/income for the period, net of tax	(4,559)	9,530	(4,559)	9,530
Total comprehensive income for the period	8,094	26,070	8,094	26,070
Total comprehensive income for the period attributable to equity holders of the Bank	8,094	26,070	8,094	26,070

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

KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

INTERIM CONDENSED INCOME STATEMENTS

	Note	1st Quarter ended 31 Mar		Three-months ended 31 Mar	
		2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Bank					
Continuing operations					
Operating revenue		105,839	133,966	105,839	133,966
Income derived from investment of depositors' funds and others	A13	83,028	103,805	83,028	103,805
Income derived from investment of shareholder's equity	A14	22,811	30,161	22,811	30,161
Total gross income		105,839	133,966	105,839	133,966
Impairment loss on securities		(142)	171	(142)	171
Impairment write-back on financing	A15	12,108	4,733	12,108	4,733
Total distributable income		117,805	138,870	117,805	138,870
Income attributable to the depositors	A16	(42,243)	(59,753)	(42,243)	(59,753)
Total net income		75,562	79,117	75,562	79,117
Personnel expenses		(25,675)	(23,822)	(25,675)	(23,822)
Other overheads and expenditures		(24,693)	(28,785)	(24,693)	(28,785)
Finance cost		(3,424)	(3,275)	(3,424)	(3,275)
Profit before zakat and taxation		21,770	23,235	21,770	23,235
Taxation		(8,971)	(6,563)	(8,971)	(6,563)
Net profit for the period		12,799	16,672	12,799	16,672

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

KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

INTERIM CONDENSED STATEMENTS OF COMPREHENSIVE INCOME

	1st Quarter ended 31 Mar		Three-months ended 31 Mar	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Bank				
Net profit for the period	12,799	16,672	12,799	16,672
Other comprehensive (loss)/income:				
Securities available-for-sale:				
Net (loss)/gain taken to equity	(5,590)	13,289	(5,590)	13,289
Income tax relating to components of other comprehensive income/(loss)	1,399	(3,323)	1,399	(3,323)
Other comprehensive (loss)/income for the period, net of tax	(4,191)	9,966	(4,191)	9,966
Total comprehensive income for the period	8,608	26,638	8,608	26,638

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

KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

INTERIM CONDENSED STATEMENTS OF CHANGES IN EQUITY

	Non-distributable			Distributable	Total Equity RM'000	
	Share Capital RM'000	Statutory Reserve RM'000	Translation Reserve RM'000	Retained Earnings/ (Accumulated Losses) RM'000		
Group						
At 1 Jan 2013	2,266,125	66,697	(7,112)	2,574	(808,989)	1,519,295
Effect of capital reduction	(840,853)	-	-	-	840,853	-
Total comprehensive income/(loss)	-	-	336	(4,895)	12,653	8,094
At 31 Mar 2013	1,425,272	66,697	(6,776)	(2,321)	44,517	1,527,389
At 1 Jan 2012						
- As previously stated	2,266,125	34,952	(6,061)	(3,307)	(821,168)	1,470,541
- Effect of adopting FRS 139	-	-	-	-	(16,570)	(16,570)
At 1 January 2012, as restated	2,266,125	34,952	(6,061)	(3,307)	(837,738)	1,453,971
Total comprehensive (loss)/income	-	-	(895)	10,425	16,540	26,070
At 31 Mar 2012	2,266,125	34,952	(6,956)	7,118	(821,198)	1,480,041
Bank						
At 1 Jan 2013	2,266,125	66,697	-	355	(825,678)	1,507,499
Effect of capital reduction	(840,853)	-	-	-	840,853	-
Total comprehensive (loss)/income	-	-	-	(4,191)	12,799	8,608
At 31 Mar 2013	1,425,272	66,697	-	(3,836)	27,974	1,516,107
At 1 Jan 2012						
- As previously stated	2,266,125	34,952	-	(4,105)	(840,853)	1,456,119
- Effect of adopting FRS 139	-	-	-	-	(16,570)	(16,570)
At 1 January 2012, as restated	2,266,125	34,952	-	(4,106)	(857,423)	1,439,549
Total comprehensive income	-	-	-	9,966	16,672	26,638
At 31 Mar 2012	2,266,125	34,952	-	5,860	(840,751)	1,466,187

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

KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

INTERIM CONDENSED STATEMENTS OF CASH FLOWS

	Group		Bank	
	31 Mar 2013 RM'000	31 Mar 2012 RM'000	31 Mar 2013 RM'000	31 Mar 2012 RM'000
Profit before zakat and taxation	21,642	23,122	21,770	23,235
Adjustments for non-cash items	(2,908)	(49,359)	(2,743)	(55,786)
Operating profit/(loss) before changes in working capital	18,734	(26,237)	19,027	(32,551)
<u>Changes in the working capital</u>				
Net changes in operating assets	268,483	(61,880)	246,878	(65,898)
Net changes in operating liabilities	(198,038)	1,345,841	(153,717)	1,324,801
Zakat and taxation paid	-	(13)	-	-
Net cash used in operating activities	70,445	1,283,948	93,161	1,258,903
Net cash used in investing activities	(228,184)	(599,521)	(228,367)	(615,686)
	(228,184)	(599,521)	(228,367)	(615,686)
Net change in cash and cash equivalents	(139,005)	658,190	(116,179)	610,666
Cash and cash equivalents at beginning of the period	1,400,684	1,973,012	1,370,167	2,076,287
Exchange differences on translation of opening balances	(6,776)	(7,020)	-	-
Cash and cash equivalents at end of the period	1,254,903	2,624,182	1,253,988	2,686,953

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

KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

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

A1 Performance Review

The Group and the Bank recorded a profit before zakat and taxation of RM21.6 million and RM21.8 million respectively for the period ended 31 March 2013.

A2 Prospects for 2013

Initiating the implementation of the Bank's Strategic Business Plan, the Bank commenced its transformation agenda in second quarter of 2012 and continues to propel the implementation of the business plan in 2013 with a number of initiatives that will be implemented for the next two years until 2015. The Bank expects to achieve the same objective in 2013 by continuing to focus on four strategic thrusts namely balance sheet realignment, building internal capability, business growth and cost optimisation.

For 2013, the Bank will further build and strengthen its internal capability by introducing new business lines, enhancing existing IT infrastructure, core processes and human resource practices. The enhancement of existing IT infrastructure will be done through initiatives that are in line with the Bank's new IT Strategic Plan to support the business. The key initiatives include upgrading the core banking system through enhancement or implementing new system. The Bank expects to benefit from the implementation of new credit process which will be implemented in the first quarter of 2013. Human Resource Transformation Plan is set to continue to strengthen the human resource of the Bank.

With these focused initiatives the Bank believes the customers will be better served and further heightened the competitiveness of the Bank.

A3 Deposits and Placements with Banks and Other Financial Institutions

	Group		Bank	
	31 Mar 2013 RM'000	31 Dec 2012 RM'000	31 Mar 2013 RM'000	31 Dec 2012 RM'000
Licensed Islamic banks	250,191	65,365	250,191	50,056
Other financial institutions	150,315	178,782	150,315	178,782
	400,506	244,147	400,506	228,838

KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

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

A4 Securities

i) Securities Held-For-Trading

	Group		Bank	
	31 Mar 2013 RM'000	31 Dec 2012 RM'000	31 Mar 2013 RM'000	31 Dec 2012 RM'000
At fair value				
Unquoted Islamic private debt securities/sukuk	19,617	79,493	19,617	79,493

ii) Securities Available-For-Sale

	Group		Bank	
	31 Mar 2013 RM'000	31 Dec 2012 RM'000	31 Mar 2013 RM'000	31 Dec 2012 RM'000
At fair value				
Unquoted securities				
- Islamic private debt securities/sukuks	424,705	425,320	408,642	365,264
- Malaysian Government sukuk	658,720	435,181	601,546	422,143
- Unquoted property funds	35,836	36,122	-	-
	1,119,261	896,623	1,010,188	787,407
At cost				
Unquoted shares in Malaysia	118,964	59,207	118,964	59,207
	1,238,225	955,830	1,129,152	846,614

iii) Securities Held-To-Maturity

	Group		Bank	
	31 Mar 2013 RM'000	31 Dec 2012 RM'000	31 Mar 2013 RM'000	31 Dec 2012 RM'000
At amortised cost				
Unquoted Islamic private debt securities/sukuk	80,961	81,493	80,961	81,493

KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

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

A5 Financing, Advances and Other Receivables

i) At amortised cost

	Group and Bank	
	31 Mar 2013 RM'000	31 Dec 2012 RM'000
Term financing		
- House financing	50,205	52,221
- Personal financing	1,336,834	1,205,805
- Leasing financing	159,302	105,228
- Syndicated financing	320,826	320,841
- Hire purchase receivables	142,179	125,107
- Other term financing	3,837,927	4,155,913
Staff financing	8,745	9,054
	5,856,018	5,974,169
Less: Impairment allowances on financing		
- Collective assessment	(142,300)	(138,600)
- Individual assessment	(531,463)	(546,824)
Net financing, advances and other receivables	5,182,255	5,288,745

ii) By contract

	Group and Bank	
	31 Mar 2013 RM'000	31 Dec 2012 RM'000
Ijarah Muntahia Bittamlik (lease ended with ownership)	1,704,657	1,696,868
Murabahah (cost-plus)	3,703,425	3,804,411
Mudharabah (profit sharing)	80,632	80,814
Qard (benevolent financing)	598	899
Musarakah (profit and loss sharing)	361,715	385,158
Istisna'	4,991	6,019
	5,856,018	5,974,169

KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

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

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

iii) By type of customer

Domestic business enterprises	
- Small medium enterprises	
- Others	
Individuals	
Other domestic entities	
Foreign entities	
Domestic non-bank financial institutions	

Group and Bank	
31 Mar 2013 RM'000	31 Dec 2012 RM'000
742,989	767,997
2,802,193	3,002,869
1,842,703	1,679,217
115,395	121,897
275,905	294,242
76,833	107,947
5,856,018	5,974,169

(iv) By residual contractual maturity

Maturity within one year	
More than one year to three years	
More than three years to five years	
More than five years	

Group and Bank	
31 Mar 2013 RM'000	31 Dec 2012 RM'000
3,432,899	3,679,744
162,628	231,391
125,440	93,142
2,135,051	1,969,892
5,856,018	5,974,169

(v) By geographical distribution

Malaysia	
Middle East	
Other countries	

Group and Bank	
31 Mar 2013 RM'000	31 Dec 2012 RM'000
5,728,666	5,832,956
17,909	19,287
109,443	121,926
5,856,018	5,974,169

vi) By profit rate sensitivity

Fixed rate	
- House financing	
- Hire purchase receivables	
- Syndicated financing	
- Term financing	
Variable rate	
- House financing	
- Term financing	

Group and Bank	
31 Mar 2013 RM'000	31 Dec 2012 RM'000
12,737	12,547
101,328	84,466
320,826	320,841
3,151,052	3,527,758
297,214	282,899
1,972,861	1,745,658
5,856,018	5,974,169

KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

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

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

vii) By sector

	Group and Bank	
	31 Mar 2013 RM'000	31 Dec 2012 RM'000
Construction	197,912	211,000
Electricity, gas and water	126,593	126,300
Finance, insurance and business services	260,199	263,398
Household	1,861,049	1,698,953
Manufacturing	924,534	959,776
Mining and quarrying	302,839	308,149
Agriculture, hunting, forestry & fishing	67,850	69,674
Real Estate	997,797	1,237,321
Transports, storage and communication	256,238	260,489
Wholesale & retail trade and restaurants & hotels	390,829	358,710
Others	470,178	480,399
	5,856,018	5,974,169

viii) By economic purpose

	Group and Bank	
	31 Mar 2013 RM'000	31 Dec 2012 RM'000
Purchase of securities	154,854	180,234
Purchase of transport vehicles	297,826	287,156
Purchase of landed properties		
- residential	410,668	398,497
- non-residential	320,397	318,278
Purchase of fixed assets	471,865	474,134
Working capital	1,937,260	2,176,891
Construction	472,160	469,266
Personal use	1,329,685	1,198,725
Other purposes	461,303	470,988
	5,856,018	5,974,169

KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

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

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

ix) Movements in impaired financing, advances and other receivables

At 1 Jan
 Impaired during the period/year
 - Impaired during the period/year
 - Reclassified to performing during the year
 - Amount recovered
 - Amount written off
 Closing balance
 Net impaired financing, advances and other receivables

Ratio of net impaired financing, advances and other receivables to gross financing, advances and other receivables less individual impairment

Group and Bank	
31 Mar 2013 RM'000	31 Dec 2012 RM'000
933,554	1,493,648
(24,720)	(560,094)
10,142	241,451
(520)	(34,483)
(34,342)	(213,608)
-	(553,454)
908,834	933,554
908,834	933,554
7.09%	7.13%

(x) Movements in impairment and allowance on financing

Collective impairment

At 1 Jan
 Allowance charged/(reversed) during the year
 Closing balance 31 December

As % of total gross financing, advances and other receivables less individual impairment

Group and Bank	
31 Mar 2013 RM'000	31 Dec 2012 RM'000
138,600	140,866
3,700	(2,266)
142,300	138,600
2.67%	2.55%

KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

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

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

(x) Movements in impairment and allowance on financing (cont'd.)

	Group and Bank	
	31 Mar 2013 RM'000	31 Dec 2012 RM'000
Individual impairment		
At 1 Jan	546,824	1,089,878
Allowance (reversed)/charged during the year	(15,361)	3,554
- Allowance made	4,909	134,599
- Allowance written-back	(20,270)	(131,045)
Amount written off	-	(546,608)
Closing balance 31 December	531,463	546,824

(xi) Impaired financing by sector

	Group and Bank	
	31 Mar 2013 RM'000	31 Dec 2012 RM'000
Agriculture, hunting, forestry and fishing	38,146	39,764
Construction	31,076	31,525
Electricity, gas and water	18,352	18,646
Finance, insurance and business services	37,625	38,576
Household	13,412	12,445
Manufacturing	290,729	306,950
Mining and quarrying	118,054	119,246
Real Estate	66,663	69,919
Transport, storage and communication	56,381	56,719
Wholesale & retail trade and restaurants & hotels	129,501	129,471
Others	108,895	110,293
	908,834	933,554

KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

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

A6 Other Assets

	Group		Bank	
	31 Mar 2013 RM'000	31 Dec 2012 RM'000	31 Mar 2013 RM'000	31 Dec 2012 RM'000
Deposits and prepayments	16,132	17,672	16,031	17,391
Amount due from holding company	299	294	299	294
Amount due from subsidiaries	-	-	5	425
Amount due from other related parties	1,615	1,617	1,615	1,615
Fee receivable	2,619	2,575	2,619	2,575
Sundry debtors	2,021	12,408	1,699	12,127
Commodity assets	-	272,499	-	272,499
Tax recoverable	4,047	5,005	4,078	5,018
Gold depository	174,860	169,279	174,860	169,279
Murabahah trading automobile	32	32	32	32
	201,625	481,381	201,238	481,255

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

A7 Hedging Financial Instruments

	Notional Amount RM'000	Fair Value	
		Assets RM'000	Liabilities RM'000
Group and Bank			
At 31 Mar 2013			
Ijarah rental swap related contracts	273,601	20,043	15,595
Total	273,601	20,043	15,595
At 31 Dec 2012			
Ijarah rental swap related contracts	278,339	21,470	16,754
Total	278,339	21,470	16,754

A8 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.

KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

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

A9 Deposits from Customers

(i) By type of deposit

	Group		Bank	
	31 Mar 2013 RM'000	31 Dec 2012 RM'000	31 Mar 2013 RM'000	31 Dec 2012 RM'000
Non Mudharabah				
- Demand deposits	468,381	633,640	461,497	640,414
- Gold deposits	164,299	165,051	164,299	165,051
- Wakalah deposits	649,137	834,589	649,137	834,589
Mudharabah				
- Savings deposits	58,743	47,267	58,743	47,267
- General investment deposits	219,019	234,199	219,019	234,199
- Negotiable Instrument Deposit	823,206	717,284	823,206	717,284
Murabahah	2,930,844	2,738,235	2,930,844	2,738,235
	5,313,629	5,370,265	5,306,745	5,377,039

(ii) By type of customer

	Group		Bank	
	31 Mar 2013 RM'000	31 Dec 2012 RM'000	31 Mar 2013 RM'000	31 Dec 2012 RM'000
Business enterprises	2,110,391	2,000,432	2,084,122	1,995,175
Individuals	1,067,902	830,156	1,067,902	830,156
Subsidiaries	-	-	19,385	12,117
Government and statutory bodies	1,202,274	1,549,745	1,202,274	1,549,745
Other enterprises	933,062	989,932	933,062	989,846
	5,313,629	5,370,265	5,306,745	5,377,039

(iii) By contractual maturity

	Group		Bank	
	31 Mar 2013 RM'000	31 Dec 2012 RM'000	31 Mar 2013 RM'000	31 Dec 2012 RM'000
Due within six months	4,044,037	4,105,097	4,037,154	4,111,871
More than six months to one year	838,684	1,172,362	838,684	1,172,362
More than one year to three years	430,908	92,806	430,907	92,806
	5,313,629	5,370,265	5,306,745	5,377,039

KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

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

A10 Deposits and Placements of Banks and Other Financial Institutions

	Group		Bank	
	31 Mar 2013 RM'000	31 Dec 2012 RM'000	31 Mar 2013 RM'000	31 Dec 2012 RM'000
<u>Murabahah</u>				
Licensed Islamic banks	123,857	76,452	123,857	76,452
Other financial institutions	344,530	527,874	346,068	535,485
<u>Wakalah</u>				
Licensed banks	-	30,609	-	-
Licensed Islamic banks	146,943	104,277	109,247	30,109
Licensed investment banks	-	30,590	-	30,590
Other financial institutions	851,600	554,674	825,758	531,854
	1,466,930	1,324,476	1,404,930	1,204,490

A11 Other Liabilities

	Group		Bank	
	31 Mar 2013 RM'000	31 Dec 2012 RM'000	31 Mar 2013 RM'000	31 Dec 2012 RM'000
Sundry creditors	196,298	193,453	196,216	193,408
Amount due to agent from the purchase of commodity assets	19	272,014	19	272,014
Accrued restoration cost	3,070	3,496	2,884	3,313
Provision for tax	-	13	-	-
Other provisions and accruals	8,610	22,871	8,026	22,269
	207,997	491,847	207,145	491,004

The amount due to holding company is unsecured, profit-free and has no fixed terms of repayment.

A12 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 and profit amount of USD123,427,246 or equivalent RM381,853,041 (2012: USD122,319,817 or equivalent RM374,054,000) is unsecured with a tenure of five years and forms part of the Bank's Tier-2 capital. The Murabahah profit is determined with reference to London Interbank Offer Rate ("LIBOR").

KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

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

A13 Income derived from Investment of Depositors' Funds and Others

Group

Income derived from investment of:

- General investment deposits
- Other deposits

Bank

Income derived from investment of:

- General investment deposits
- Other deposits

1st Quarter ended 31 Mar		Three-months ended 31 Mar	
2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
1,880	3,151	1,880	3,151
81,578	100,793	81,578	100,793
83,458	103,944	83,458	103,944
1,869	3,145	1,869	3,145
81,159	100,660	81,159	100,660
83,028	103,805	83,028	103,805

(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

- Realised

Gain on Ijarah rental swap obligation

1st Quarter ended 31 Mar		Three-months ended 31 Mar	
2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
1,403	2,113	1,403	2,113
65	83	65	83
10	17	10	17
171	316	171	316
20	9	20	9
175	491	175	491
1,844	3,029	1,844	3,029
(24)	(41)	(24)	(41)
1,820	2,988	1,820	2,988
12	12	12	12
6	68	6	68
36	74	36	74
6	9	6	9
1,880	3,151	1,880	3,151

KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

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

A13 Income derived from Investment of Depositors' Funds and Others (cont'd.)

(i) Income derived from investment of general investment deposits

	1st Quarter ended 31 Mar		Three-months ended 31 Mar	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Bank				
Finance income from financing, advances and other receivables	1,405	2,115	1,405	2,115
Finance income from impaired financing	65	83	65	83
Securities				
- Held-for-trading	10	17	10	17
- Available-for-sale	159	301	159	301
- Held-to-maturity	20	9	20	9
Money at call and deposits with financial institutions	175	498	175	498
	1,834	3,023	1,834	3,023
Amortisation of premium less accretion of discounts	(24)	(41)	(24)	(41)
Total finance income and hibah	1,810	2,982	1,810	2,982
Gain arising from sale of securities				
- Held-for-trading	11	12	11	12
- Available-for-sale	6	68	6	68
Foreign exchange gain				
- Realised	36	75	36	75
Gain on Ijarah rental swap obligation	6	8	6	8
	1,869	3,145	1,869	3,145

KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

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

A13 Income derived from Investment of Depositors' Funds and Others (cont'd.)

(ii) Income derived from investment of other deposits

<u>Group</u>	1st Quarter ended 31 Mar		Three-months ended 31 Mar	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Finance income from financing, advances and other receivables	61,745	67,471	61,745	67,471
Finance income from impaired financing	2,104	2,646	2,104	2,646
Securities				
- Held-for-trading	425	544	425	544
- Available-for-sale	6,904	10,187	6,904	10,187
- Held-to-maturity	837	290	837	290
Money at call and deposits with financial institutions	7,576	15,712	7,576	15,712
	79,591	96,850	79,591	96,850
Amortisation of premium less accretion of discounts	(864)	(1,346)	(864)	(1,346)
Total finance income and hibah	78,727	95,504	78,727	95,504
Gain arising from sale of securities				
- Held-for-trading	703	362	703	362
- Available-for-sale	268	2,265	268	2,265
Foreign exchange gain				
- Realised	1,629	2,379	1,629	2,379
Gain on Ijarah rental swap obligation	251	283	251	283
	81,578	100,793	81,578	100,793

KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

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

A13 Income derived from Investment of Depositors' Funds and Others (cont'd.)

(ii) Income derived from investment of other deposits

	1st Quarter ended 31 Mar		Three-months ended 31 Mar	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Bank				
Finance income from financing, advances and other receivables	61,838	67,557	61,838	67,557
Finance income from impaired financing	2,107	2,649	2,107	2,649
Securities				
- Held-for-trading	426	545	426	545
- Available-for-sale	6,401	9,706	6,401	9,706
- Held-to-maturity	838	289	838	289
Money at call and deposits with financial institutions	7,559	15,945	7,559	15,945
	79,169	96,691	79,169	96,691
Amortisation of premium less accretion of discounts	(865)	(1,347)	(865)	(1,347)
Total finance income and hibah	78,304	95,344	78,304	95,344
Gain arising from sale of securities				
- Held-for-trading	704	382	704	382
- Available-for-sale	268	2,268	268	2,268
Foreign exchange gain				
- Realised	1,631	2,382	1,631	2,382
Gain on Ijarah rental swap obligation	252	284	252	284
	81,159	100,660	81,159	100,660

KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

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

A14 Income derived from Investment of Shareholder's Equity

<u>Group</u>	1st Quarter ended 31 Mar		Three-months ended 31 Mar	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Finance income from financing, advances and other receivables	14,186	11,471	14,186	11,471
Finance income from impaired financing	485	450	485	450
Securities				
- Held-for-trading	98	92	98	92
- Available-for-sale	1,587	1,722	1,587	1,722
- Held-to-maturity	192	50	192	50
Money at call and deposits with financial institutions	1,741	2,669	1,741	2,669
	18,289	16,454	18,289	16,454
Amortisation of premium less accretion of discounts	(199)	(225)	(199)	(225)
Total finance income and hibah	18,090	16,229	18,090	16,229
Fee income				
- Commission	990	989	990	989
- Other fee income	3,764	3,269	3,764	3,269
- Fund management fee	780	845	780	845
Gain arising from sale of securities				
- Held-for-trading	161	62	161	62
- Available-for-sale	61	374	61	374
Unrealised (loss)/gain on revaluation of securities held-for-trading and Ijarah rental swap (net)	(314)	28,984	(314)	28,984
Foreign exchange gain/(loss)				
- Realised	388	2,894	388	2,894
- Unrealised	376	(22,095)	376	(22,095)
Gain on Ijarah rental swap obligation	58	48	58	48
Other income	69	21	69	21
Gross dividend from property funds	296	298	296	298
	24,719	31,918	24,719	31,918

KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

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

A14 Income derived from Investment of Shareholder's Equity (cont'd.)

	1st Quarter ended 31 Mar		Three-months ended 31 Mar	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Bank				
Finance income from financing, advances and other receivables	14,092	11,381	14,092	11,381
Finance income from impaired financing	482	446	482	446
Securities				
- Held-for-trading	97	91	97	91
- Available-for-sale	1,460	1,625	1,460	1,625
- Held-to-maturity	191	49	191	49
Money at call and deposits with financial institutions	1,723	2,684	1,723	2,684
	18,045	16,276	18,045	16,276
Amortisation of premium less accretion of discounts	(197)	(224)	(197)	(224)
Total finance income and hibah	17,848	16,052	17,848	16,052
Fee income				
- Commission	991	991	991	991
- Other fee income	3,762	3,268	3,762	3,268
Gain arising from sale of securities				
- Held-for-trading	160	64	160	64
- Available-for-sale	61	371	61	371
Unrealised (loss)/gain on revaluation of securities held-for-trading and ljarah rental swap (net)	(314)	28,984	(314)	28,984
Foreign exchange gain/(loss)				
- Realised	386	2,891	386	2,891
- Unrealised	336	(21,965)	336	(21,965)
Management fee	(476)	(544)	(476)	(544)
Gain on ljarah rental swap obligation	57	49	57	49
	22,811	30,161	22,811	30,161

KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

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

A15 Impairment and Allowance on Financing, Advances and Other Receivables

	1st Quarter ended 31 Mar		Three-months ended 31 Mar	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Group				
Impairment and allowance on financing				
- Collective impairment (net)	3,700	9,865	3,700	9,865
- Individual (write-back)/impairment (net)	(15,361)	(14,598)	(15,361)	(14,598)
<i>Allowance charge during the period</i>	4,909	3,971	4,909	3,971
<i>Allowance written-back during the period</i>	(20,270)	(18,569)	(20,270)	(18,569)
- Bad debt recovered on financing	(447)	-	(447)	-
	(12,108)	(4,733)	(12,108)	(4,733)
Bank				
Impairment and allowance on financing				
- Collective impairment (net)	3,700	9,865	3,700	9,865
- Individual (write-back)/impairment (net)	(15,361)	(14,598)	(15,361)	(14,598)
<i>Allowance charge during the period</i>	4,909	3,971	4,909	3,971
<i>Allowance written-back during the period</i>	(20,270)	(18,569)	(20,270)	(18,569)
- Bad debt recovered on financing	(447)	-	(447)	-
	(12,108)	(4,733)	(12,108)	(4,733)

A16 Income Attributable to the Depositors

	1st Quarter ended 31 Mar		Three-months ended 31 Mar	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Group				
Deposits from customers				
- Mudharabah	1,965	2,272	1,965	2,272
- Murabahah	22,673	23,103	22,673	23,103
- Wakalah	7,037	3,386	7,037	3,386
- Negotiable Instrument Deposit	6,361	5,866	6,361	5,866
Deposits and placements of banks and other financial institutions				
- Murabahah and Wakalah	4,082	25,058	4,082	25,058
Others	104	11	104	11
	42,222	59,696	42,222	59,696
Bank				
Deposits from customers				
- Mudharabah	1,965	2,272	1,965	2,272
- Murabahah	22,673	23,103	22,673	23,103
- Wakalah	7,037	3,386	7,037	3,386
- Negotiable Instrument Deposit	6,361	5,866	6,361	5,866
Deposits and placements of banks and other financial institutions				
- Murabahah	4,103	25,115	4,103	25,115
Others	104	11	104	11
	42,243	59,753	42,243	59,753

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

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

A17 Commitments and Contingencies

- (a) In the normal course of business, the Bank and its subsidiaries make various commitments and incur certain contingent liabilities with legal recourse to their customers. No material losses are anticipated as a result of these transactions.

	As at 31 Mar 2013			As at 31 Dec 2012		
	Principal amount RM'000	Credit equivalent amount** RM'000	Risk weighted amount** RM'000	Principal amount RM'000	Credit equivalent amount** RM'000	Risk weighted amount** RM'000
Group and Bank						
Direct credit substitutes	450,577	450,577	300,152	448,398	448,398	297,589
Transaction related contingencies	110,675	55,338	36,427	130,067	65,032	46,302
Trade related contingencies	7,853	1,571	1,527	28,653	5,731	5,687
Irrevocable commitments to extend credit						
- maturity less than one year	345,327	69,065	63,764	372,828	74,566	70,448
- maturity more than one year	561,647	280,823	300,263	861,949	430,975	416,934
Profit rate related contracts (Ijarah rental swap obligation) *						
- five years and above	273,601	33,556	28,084	278,339	35,216	29,649
	1,749,680	890,930	730,217	2,120,234	1,059,918	866,609

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

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

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

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

A18 Capital Adequacy

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

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

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

	Group		Bank	
	31 Mar 2013	31 Dec 2012	31 Mar 2013	31 Dec 2012
Core capital ratio				
Credit risk	17.45%	16.76%	16.81%	16.72%
Credit, market, operational and large exposure risks	16.09%	15.44%	15.51%	15.41%
Risk-weighted capital ratio				
Credit risk	21.87%	21.12%	21.26%	20.49%
Credit, market, operational and large exposure risks	20.16%	19.45%	19.62%	18.89%

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

	Group		Bank	
	31 Mar 2013 RM'000	31 Dec 2012 RM'000	31 Mar 2013 RM'000	31 Dec 2012 RM'000
<u>Tier I capital</u>				
Paid-up share capital	1,425,272	2,266,125	1,425,272	2,266,125
Statutory reserve	66,697	66,697	66,697	66,697
Other reserves	22,767	(808,989)	11,339	(825,678)
	1,514,736	1,523,833	1,503,308	1,507,144
Less: Investment in subsidiaries	-	-	(46,193)	-
Less: Deferred tax assets (net)	(286,641)	(286,641)	(286,538)	(286,538)
Total Tier I capital	1,228,095	1,237,192	1,170,577	1,220,606
<u>Tier II capital</u>				
Subordinated Murabahah Tawarruq	222,750	183,480	222,750	183,480
Collective impairment on financing	87,968	137,944	87,057	137,944
Total Tier II capital	310,718	321,424	309,807	321,424
Less: Investment in subsidiaries	-	-	-	(46,193)
Capital base	1,538,813	1,558,616	1,480,384	1,495,837

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

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

A19 RATE OF RETURN RISK

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

Group	Non-trading book						Trading book	Total	Effective profit rate
	Up to 1 month	>1 - 3 months	>3 - 12 months	>1 - 5 years	Over 5 years	Non-profit sensitive			
As at 31 Mar 2013	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	%	
ASSETS									
Cash and short-term funds	1,141,155	-	-	-	-	113,748	-	2.39	
Deposits and placements with banks and other financial institutions	-	274,961	125,545	-	-	-	-	2.76	
Securities held-for-trading	-	-	-	16,347	3,270	-	-	3.45	
Securities available-for-sale	-	-	225,609	360,403	487,369	164,844	-	3.10	
Securities held-to-maturity	-	-	-	55,424	25,537	-	-	5.24	
Financing, advances and receivables	2,167,257	985,364	306,691	857,801	865,142	-	-	5.66	
Musarakah capital investment	-	-	-	-	-	5,898	-	-	
Other assets	-	-	-	-	-	730,996	32	-	
TOTAL ASSETS	3,308,412	1,260,325	657,845	1,289,975	1,381,318	1,015,486	32	8,913,393	
LIABILITIES AND SHAREHOLDER'S EQUITY									
Deposits from customers	1,507,727	1,120,915	899,217	1,147,845	-	637,925	-	2.79	
Deposits and placements of banks and other financial institutions	907,614	409,513	149,803	-	-	-	-	1.58	
Subordinated Murabahah Tawarruq	-	186,982	192,027	-	-	2,844	-	3.62	
Other liabilities	-	-	-	-	-	223,592	-	-	
Total Liabilities	2,415,341	1,717,410	1,241,047	1,147,845	-	864,361	-	7,386,004	
Shareholder's equity	-	-	-	-	-	1,527,389	-	1,527,389	
Total Liabilities and Shareholder's Equity	2,415,341	1,717,410	1,241,047	1,147,845	-	2,391,750	-	8,913,393	
On-balance sheet profit sensitivity gap	893,071	(457,086)	(583,202)	142,130	1,381,318	(1,376,264)	32	-	
Off-balance sheet profit sensitivity gap	-	-	-	-	-	-	-	-	
Total profit sensitivity gap	893,071	(457,086)	(583,202)	142,130	1,381,318	(1,376,264)	32	-	

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

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

A19 RATE OF RETURN RISK (Cont'd.)

Group As at 31 Dec 2012	Non-trading book					Trading book	Total	Effective profit rate	
	Up to 1 month	>1 - 3 months	>3 - 12 months	>1 - 5 years	Over 5 years				Non- profit sensitive
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000		
ASSETS									
Cash and short-term funds	1,315,832	-	-	-	-	84,852	-	1,400,684	2.59
Deposits and placements with banks and other financial institutions	-	90,397	153,750	-	-	-	-	244,147	2.18
Securities held-for-trading	-	-	-	-	-	-	79,493	79,493	4.12
Securities available-for-sale	-	10,194	232,758	286,292	321,213	105,373	-	955,830	2.92
Securities held-to-maturity	-	-	-	56,172	25,321	-	-	81,493	5.24
Financing, advances and receivables	1,958,525	1,465,717	425,661	44,444	1,300,356	94,042	-	5,288,745	6.38
Musarakah capital investment	-	-	-	-	-	5,898	-	5,898	-
Other assets	-	-	-	-	-	1,040,369	32	1,040,401	-
TOTAL ASSETS	3,274,357	1,566,308	812,169	386,908	1,646,890	1,330,534	79,525	9,096,691	
LIABILITIES AND SHAREHOLDER'S EQUITY									
Deposits from customers	1,855,075	911,558	1,699,156	99,012	-	805,464	-	5,370,265	2.62
Deposits and placements of banks and other financial institutions	799,099	469,699	55,678	-	-	-	-	1,324,476	2.43
Subordinated Murabahah Tawarruq	-	374,054	-	-	-	-	-	374,054	3.62
Other liabilities	-	-	-	-	-	508,601	-	508,601	-
Total Liabilities	2,654,174	1,755,311	1,754,834	99,012	-	1,314,065	-	7,577,396	
Shareholder's equity	-	-	-	-	-	1,519,295	-	1,519,295	
Total Liabilities and Shareholder's Equity	2,654,174	1,755,311	1,754,834	99,012	-	2,833,360	-	9,096,691	
On-balance sheet profit sensitivity gap	620,183	(189,003)	(942,665)	287,896	1,646,890	(1,502,826)	79,525	-	
Off-balance sheet profit sensitivity gap	-	-	-	-	-	-	-	-	
Total profit sensitivity gap	620,183	(189,003)	(942,665)	287,896	1,646,890	(1,502,826)	79,525	-	

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

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

A19 RATE OF RETURN RISK (Cont'd.)

Bank As at 31 Mar 2013	Non-trading book					Non-profit sensitive RM'000	Trading book RM'000	Total RM'000	Effective profit rate %
	Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 12 months RM'000	>1 - 5 years RM'000	Over 5 years RM'000				
ASSETS									
Cash and short-term funds	1,141,155	-	-	-	-	112,833	-	1,253,988	2.39
Deposits and placements with banks and other financial institutions	-	274,961	125,545	-	-	-	-	400,506	2.76
Securities held-for-trading	-	-	-	16,347	3,270	-	-	19,617	3.45
Securities available-for-sale	-	-	225,609	319,168	455,367	129,008	-	1,129,152	3.06
Securities held-to-maturity	-	-	-	55,424	25,537	-	-	80,961	5.24
Financing, advances and receivables	2,167,257	985,364	306,691	857,801	865,142	-	-	5,182,255	5.66
Musarakah capital investment	-	-	-	-	-	5,898	-	5,898	-
Other assets	-	-	-	-	-	759,966	32	759,998	-
TOTAL ASSETS	3,308,412	1,260,325	657,845	1,248,740	1,349,316	1,007,705	32	8,832,375	
LIABILITIES AND SHAREHOLDER'S EQUITY									
Deposits from customers	1,507,727	1,120,915	899,217	1,147,845	-	631,041	-	5,306,745	2.91
Deposits and placements of banks and other financial institutions	869,214	385,912	149,804	-	-	-	-	1,404,930	1.61
Subordinated Murabahah Tawarruq	-	186,982	192,027	-	-	2,844	-	381,853	3.62
Other liabilities	-	-	-	-	-	222,740	-	222,740	-
Total Liabilities	2,376,941	1,693,809	1,241,048	1,147,845	-	856,625	-	7,316,268	
Shareholder's equity	-	-	-	-	-	1,516,107	-	1,516,107	
Total Liabilities and Shareholder's Equity	2,376,941	1,693,809	1,241,048	1,147,845	-	2,372,732	-	8,832,375	
On-balance sheet profit sensitivity gap	931,471	(433,484)	(583,203)	100,895	1,349,316	(1,365,027)	32	-	
Off-balance sheet profit sensitivity gap	-	-	-	-	-	-	-	-	
Total profit sensitivity gap	931,471	(433,484)	(583,203)	100,895	1,349,316	(1,365,027)	32	-	

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

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

A19 RATE OF RETURN RISK (Cont'd.)

Bank As at 31 Dec 2012	Non-trading book					Trading book RM'000	Total RM'000	Effective profit rate %
	Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 12 months RM'000	>1 - 5 years RM'000	Over 5 years RM'000			
ASSETS								
Cash and short-term funds	1,286,130	-	-	-	-	84,037	1,370,167	2.46
Deposits and placements with banks and other financial institutions	-	75,938	152,900	-	-	-	228,838	2.36
Securities held-for-trading	-	-	-	-	-	79,493	79,493	4.12
Securities available-for-sale	-	10,194	217,124	260,690	289,355	69,251	846,614	2.99
Securities held-to-maturity	-	-	-	56,172	25,321	-	81,493	5.24
Financing, advances and receivables	1,958,525	1,465,717	425,661	44,444	1,300,356	94,042	5,288,745	6.38
Musarakah capital investment	-	-	-	-	-	5,898	5,898	-
Other assets	-	-	-	-	-	1,069,560	1,069,592	-
TOTAL ASSETS	3,244,655	1,551,849	795,685	361,306	1,615,032	1,322,788	8,970,840	
LIABILITIES AND SHAREHOLDER'S EQUITY								
Deposits from customers	1,862,036	911,370	1,699,156	99,012	-	805,465	5,377,039	2.61
Deposits and placements of banks and other financial institutions	748,031	400,782	55,677	-	-	-	1,204,490	2.61
Subordinated Murabahah Tawarruq	-	-	-	374,054	-	-	374,054	3.62
Other liabilities	-	-	-	-	-	507,758	507,758	-
Total Liabilities	2,610,067	1,312,152	1,754,833	473,066	-	1,313,223	7,463,341	
Shareholder's equity	-	-	-	-	-	1,507,499	1,507,499	
Total Liabilities and Shareholder's Equity	2,610,067	1,312,152	1,754,833	473,066	-	2,820,722	8,970,840	
On-balance sheet profit sensitivity gap	634,588	239,697	(959,148)	(111,760)	1,615,032	(1,497,934)	-	
Off-balance sheet profit sensitivity gap	-	-	-	-	-	-	-	
Total profit sensitivity gap	634,588	239,697	(959,148)	(111,760)	1,615,032	(1,497,934)	79,525	

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

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

B1 Basis of Preparation of the Financial Statements

The unaudited condensed interim financial statements for the 1st quarter and three months ended 31 March 2013 of the Group and the Bank have been prepared in accordance with MFRS 134 "Interim Financial Reporting" issued by the Malaysian Accounting Standards Board ("MASB"), BNM's Guidelines on Financial Reporting for Islamic Banking Institutions ("BNM/GP8-i") and Shariah principles.

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 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 Bank since the financial year ended 31 December 2012.

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 Significant Accounting Policies

The significant accounting policies and methods of computation applied in the unaudited condensed interim financial statements are consistent with those adopted in the most recent audited annual financial statements for the financial year ended 31 December 2012, and modified for the adoption of the following accounting standards applicable for financial periods beginning on or after 1 January 2013:

MFRS 101 Presentation of Items of Other Comprehensive Income (Amendments to MFRS 101)
Amendments to MFRS 101: Presentation of Financial Statements (Annual Improvements 2009-2011 Cycle)
MFRS 3 Business Combinations (IFRS 3 Business Combinations issued by IASB in March 2004)
MFRS 10 Consolidated Financial Statements
MFRS 11 Joint Arrangements
MFRS 12 Disclosure of interests in Other Entities
MFRS 13 Fair Value Measurement
MFRS 119 Employee Benefits
MFRS 127 Separate Financial Statements
MFRS 128 Investment in Associate and Joint Ventures
MFRS 127 Consolidated and Separate Financial Statements (IAS 27 as revised by IASB in December 2003)
Amendment to IC Interpretation 2 Members' Shares in Co-operative Entities and Similar Instruments
(Annual Improvements 2009-2011 Cycle)
IC Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine
Amendments to MFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities
Amendments to MFRS 1: First-time Adoption of Malaysian Financial Reporting Standards – Government Loans
Amendments to MFRS 116: Property, Plant and Equipment (Annual Improvements 2009-2011 Cycle)
Amendments to MFRS 132: Financial Instruments: Presentation (Annual Improvements 2009-2011 Cycle)
Amendments to MFRS 1: First-time Adoption of Malaysian Financial Reporting Standards –
(Annual Improvements 2009-2011 Cycle)
Amendments to MFRS134: Interim Financial Reporting (Annual Improvements 2009-2011 Cycle)
Amendments to MFRS 10: Consolidated Financial Statements: Transition Guidance
Amendments to MFRS 11: Joint Arrangements: Transition Guidance
Amendments to MFRS 12: Disclosure of Interests in Other Entities: Transition Guidance

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

FRSs, Amendments to FRSs and Interpretations	Effective for financial period beginning on or after
Amendments to MFRS 132: Offsetting Financial Assets and Financial Liabilities	1 January 2014
MFRS 9 Financial Instruments	1 January 2015

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

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

B3 Auditors' Report on Preceding Annual Financial Statements

The auditors' report on the audited financial statements for the financial year ended 31 December 2012 was not qualified.

B4 Seasonal or Cyclical Factors Affecting Operations

The operations of the Group and the Bank were not materially affected by any seasonal or cyclical factors in the three-months ended 31 March 2013.

B5 Unusual Items Due to their Nature, Size or Incidence

There were no items of unusual nature, size or incidence affecting the assets, liabilities, equity, net income or cash flows of the Group and the Bank during the three-months ended 31 March 2013 except for the items disclosed in Note B15.

B6 Changes in Estimates

There were no changes in the estimates of amounts reported in prior financial years that have a material effect to the three-months ended 31 March 2013.

B7 Debt and Equity Securities

There were no issuances, cancellation, repurchases, resales or repayments of debt and equity securities during the three-months ended 31 March 2013.

B8 Dividends Paid

There were no dividends paid during the three-months ended 31 March 2013.

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

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

B9 Segment Information on Operating Revenue, Profit Before Zakat & Taxation and Total Assets

(i) Primary Segment - By Business Segment

Group	Treasury & Capital Markets	Corporate & Investment Banking	Commercial Banking	Others	Elimination	Total
31 Mar 2013	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
External revenue	21,262	39,182	12,453	35,280	-	108,177
Revenue from other segments	22,621	799	1,747	21,702	(46,869)	-
Total Revenue	43,883	39,981	14,200	56,982	(46,869)	108,177
Segment results	814	13,572	20,843	9,875	-	45,104
Unallocated expenses						(23,462)
Profit from operations						21,642
Taxation						(8,989)
Net profit for the year						12,653
Other information						
Segment assets	2,900,429	2,918,823	655,837	2,133,298	(277,742)	8,330,645
Unallocated corporate assets						582,748
Total assets						8,913,393
Segment liabilities	3,705,972	111,698	373,152	2,869,642	(246,790)	6,813,674
Unallocated corporate liabilities						572,330
Total liabilities						7,386,004
Other segment items						
Purchase of property and equipment	-	-	-	1,694	-	1,694
Purchase of intangible assets	-	-	-	347	-	347
Depreciation of property and equipment	-	-	-	2,985	-	2,985
Amortisation of intangible assets	-	-	-	2,388	-	2,388
Other non-cash expense other than depreciation	(142)	257	16,620	(4,769)	-	11,966

(ii) By Geographical Locations

Group	Operating Revenue RM'000	Profit Before Zakat and Taxation RM'000	Total Assets RM'000
31 Mar 2013			
Malaysia	107,440	21,481	8,912,843
Outside Malaysia	737	161	550
	108,177	21,642	8,913,393

The Group has funds management operations in Australia.

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

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

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

(i) Primary Segment - By Business Segment

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

(ii) By Geographical Locations

Group	Operating Revenue RM'000	Profit Before Zakat and Taxation RM'000	Total Assets RM'000
31 Mar 2012			
Malaysia	135,129	23,007	11,457,406
Outside Malaysia	733	115	565
	135,862	23,122	11,457,971

The Group has funds management operations in Australia.

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

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

B10 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 2012.

B11 Subsequent Events

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

B12 Changes In Composition Of The Group

There were no significant changes in the composition of the Group since the last audited financial statements as at 31 December 2012.

B13 Changes In Contingent Liabilities and Contingent Assets

There were no significant changes in the contingent liabilities and contingent assets since the last annual statements of financial position as at 31 December 2012 other than those as disclosed in note A17.

B14 Capital Commitments

The capital commitments not provided for in the interim financial statements as at 31 March 2013 are as follows:

Capital expenditure

Authorised and contracted for:

- renovation
- purchase of IT hardware & software
- purchase of equipment

Group and Bank
RM'000
3,699
3,081
345
7,125

B15 Significant Event

The total paid-up share capital decreased from RM2,266,125,000 to RM1,425,272,000 in March 2013 pursuant to the capital reduction exercise during the quarter. KFHM's share capital of RM2,266,125,000 consisting of RM2,266,125,000 ordinary shares of RM1.00 each has been reduced by the cancellation of RM840,853,000 issued and fully paid up shares of the Bank of RM1.00 each.

KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(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 of Finance

I, Dato' Sri Abdul Hamidy Abdul Hafiz, 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' Sri Abdul Hamidy Abdul Hafiz
Chief Executive Officer