

KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

Interim Report for the Half-Year Ended 30 June 2009

Condensed Consolidated Balance Sheets	1
Condensed Consolidated Income Statements	2 - 3
Condensed Consolidated Statements of Changes in Equity	4 - 5
Condensed Consolidated Cash Flow Statements	6
Selected Explanatory Notes to the Condensed Financial Statements	7 - 39

KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

UNAUDITED CONDENSED BALANCE SHEETS AS AT 30 JUNE 2009

	Group		Bank	
	30 June 2009 RM'000	31 Dec 2008 RM'000	30 June 2009 RM'000	31 Dec 2008 RM'000
ASSETS				
Cash and short-term funds	1,220,914	2,077,377	1,281,622	2,140,626
Deposits and placements with banks and other financial institutions	34,308	37,827	34,308	37,827
Securities held-for-trading	10,185	-	10,185	-
Securities available-for-sale	934,265	855,007	834,496	755,639
Securities held-to-maturity	60,738	25,474	60,738	25,474
Financing, advances and other receivables	6,608,157	6,157,218	6,613,509	6,160,260
Murabahah trading automobile	51,208	61,779	51,208	61,779
Other assets	184,158	172,556	173,257	159,804
Statutory deposits with Bank Negara Malaysia	46,700	137,644	46,700	137,644
Musarakah capital investment	5,916	5,916	5,916	5,916
Investment in subsidiaries	-	-	37,563	37,563
Property and equipment	53,873	44,819	52,450	43,340
Intangible assets	11,564	11,865	11,516	11,832
Deferred tax assets (net)	31,454	49,386	31,317	49,386
	9,253,441	9,636,868	9,244,786	9,627,090
LIABILITIES				
Deposits from customers	3,320,610	4,293,347	3,321,606	4,306,094
Deposits and placements of banks and other financial institutions	3,355,973	2,919,008	3,366,132	2,919,008
Other liabilities	340,125	252,450	338,308	251,051
Provision for zakat and tax	2,133	1,115	2,086	1,115
Murabahah bank financing	52,725	25,984	52,725	25,984
Subordinated Murabahah Tawarruq	377,993	365,908	377,993	365,908
	7,449,561	7,857,812	7,458,850	7,869,160
SHAREHOLDER'S EQUITY				
Share capital	1,751,400	1,751,400	1,751,400	1,751,400
Reserves	52,480	27,656	34,536	6,530
	1,803,880	1,779,056	1,785,936	1,757,930
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY	9,253,441	9,636,868	9,244,786	9,627,090
COMMITMENTS AND CONTINGENCIES	5,626,617	5,710,207	5,626,617	5,710,207
CAPITAL ADEQUACY				
Core Capital Ratio	16.09%	17.74%	16.14%	17.73%
Risk-Weighted Capital Ratio	18.56%	20.81%	18.30%	20.47%
NET ASSETS PER SHARE (RM)	1.03	1.02	1.02	1.00

The condensed consolidated balance sheets should be read in conjunction with the audited financial statements for the year ended 31 December 2008 and the accompanying explanatory notes attached to the interim financial statements.

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UNAUDITED CONDENSED INCOME STATEMENTS

	2nd Quarter ended 30 June		Half-year ended 30 June	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Group				
Continuing operations				
Operating revenue	113,718	123,306	254,225	242,917
Income derived from investment of depositors' funds	77,480	95,976	173,435	177,882
Income derived from investment of shareholder's equity	36,238	27,330	80,790	65,035
Total gross income	113,718	123,306	254,225	242,917
Impairment loss on Murabahah trading automobile	(1,409)	(25)	(1,332)	(25)
Allowance and impairment for losses on financing	(38,705)	(21,301)	(69,138)	(40,725)
Total distributable income	73,604	101,980	183,755	202,167
Income attributable to the depositors	(37,211)	(50,561)	(81,090)	(94,694)
Total net income	36,393	51,419	102,665	107,473
Personnel expenses	(28,170)	(28,422)	(56,494)	(51,743)
Other overheads and expenditures	(13,728)	(10,746)	(28,341)	(20,763)
Finance cost	(3,789)	(3,500)	(7,579)	(7,615)
Profit before zakat and taxation	(9,294)	8,751	10,251	27,352
Zakat	(590)	-	(1,180)	-
Tax expense	716	(3,083)	(558)	(8,766)
Net (loss)/profit for the period	(9,168)	5,668	8,513	18,586
Attributable to:				
Equity holders of the parent	(9,168)	5,668	8,513	18,586
Earnings per share attributable to equity holders of the parent				
- Basic/Diluted (sen)	(0.5)	0.8	0.5	2.6

The condensed consolidated income statements should be read in conjunction with the audited financial statements for the year ended 31 December 2008 and the accompanying explanatory notes attached to the interim financial statements.

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UNAUDITED CONDENSED INCOME STATEMENTS

	2nd Quarter ended 30 June		Half-year ended 30 June	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Bank				
Continuing operations				
Operating revenue	110,306	121,165	247,900	240,623
Income derived from investment of depositors' funds	76,989	96,642	172,713	179,257
Income derived from investment of shareholder's equity	33,316	24,523	75,187	61,366
Total gross income	110,305	121,165	247,900	240,623
Impairment loss on Murabahah trading automobile	(1,409)	(25)	(1,332)	(25)
Allowance and impairment for losses on financing	(38,705)	(21,301)	(69,138)	(40,725)
Total distributable income	70,191	99,839	177,430	199,873
Income attributable to the depositors	(37,265)	(50,561)	(81,216)	(94,694)
Total net income	32,926	49,278	96,214	105,179
Personnel expenses	(24,545)	(26,214)	(50,102)	(48,119)
Other overheads and expenditures	(12,021)	(9,538)	(25,165)	(19,012)
Finance cost	(3,789)	(3,500)	(7,579)	(7,615)
Profit before zakat and taxation	(7,429)	10,026	13,368	30,433
Zakat	(590)	-	(1,180)	-
Tax expense	725	(3,078)	(525)	(8,756)
Net (loss)/profit for the period	(7,294)	6,948	11,663	21,677

The condensed consolidated income statements should be read in conjunction with the audited financial statements for the year ended 31 December 2008 and the accompanying explanatory notes attached to the interim financial statements.

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UNAUDITED CONDENSED STATEMENTS OF CHANGES IN EQUITY

Group	Non-distributable			Distributable	Total Equity RM'000	
	Share Capital RM'000	Statutory Reserve RM'000	Exchange Fluctuation Reserve RM'000	Unrealised Gain/(Loss) on Securities Available- for-sale RM'000		Retained Profit RM'000
As at 1 January 2009	1,751,400	34,952	(584)	(63,370)	56,658	1,779,056
Unrealised gain on revaluation of securities available-for-sale	-	-	-	16,343	-	16,343
Foreign currency translation recognised directly in equity	-	-	(32)	-	-	(32)
Net income/(expense) recognised directly in equity	1,751,400	34,952	(616)	(47,027)	56,658	1,795,367
Net profit for the period	-	-	-	-	8,513	8,513
Total recognised net income/(expense) for the period	1,751,400	34,952	(616)	(47,027)	65,171	1,803,880
As at 30 June 2009	1,751,400	34,952	(616)	(47,027)	65,171	1,803,880
As at 1 January 2008	727,000	12,773	(1,679)	(5,388)	22,353	755,059
Unrealised loss on revaluation of securities available-for-sale	-	-	-	(17,182)	-	(17,182)
Foreign currency translation loss recognised directly in equity	-	-	(29)	-	-	(29)
Net income/(expense) recognised directly in equity	727,000	12,773	(1,708)	(22,570)	22,353	737,848
Net profit for the period	-	-	-	-	18,586	18,586
Total recognised net income/(expense) for the period	727,000	12,773	(1,708)	(22,570)	40,939	756,434
As at 30 June 2008	727,000	12,773	(1,708)	(22,570)	40,939	756,434

The condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the year ended 31 December 2008 and the accompanying explanatory notes attached to the interim financial statements.

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UNAUDITED CONDENSED STATEMENTS OF CHANGES IN EQUITY

	Non-distributable			Distributable	Total Equity RM'000	
	Share Capital RM'000	Statutory Reserve RM'000	Exchange Fluctuation Reserve RM'000	Unrealised Gain/(Loss) on Securities Available- for-sale RM'000		Retained Profit RM'000
Bank						
As at 1 January 2009	1,751,400	34,952	-	(63,370)	34,948	1,757,930
Unrealised gain on revaluation of securities available-for-sale	-	-	-	16,343	-	16,343
Net income/(expense) recognised directly in equity	1,751,400	34,952	-	(47,027)	34,948	1,774,273
Net profit for the period	-	-	-	-	11,663	11,663
Total recognised net income/(expense) for the period	1,751,400	34,952	-	(47,027)	46,611	1,785,936
As at 30 June 2009	1,751,400	34,952	-	(47,027)	46,611	1,785,936
At 1 January 2008	727,000	12,773	-	(5,388)	12,770	747,155
Unrealised loss on revaluation of securities available-for-sale	-	-	-	(17,182)	-	(17,182)
Net income/(expense) recognised directly in equity	727,000	12,773	-	(22,570)	12,770	729,973
Net profit for the period	-	-	-	-	21,677	21,677
Total recognised net income/(expense) for the period	727,000	12,773	-	(22,570)	34,447	751,650
As at 30 June 2008	727,000	12,773	-	(22,570)	34,447	751,650

The condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the year ended 31 December 2008 and the accompanying explanatory notes attached to the interim financial statements.

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UNAUDITED CONDENSED CASH FLOW STATEMENTS

	Group		Bank	
	30 June 2009 RM'000	30 June 2008 RM'000	30 June 2009 RM'000	30 June 2008 RM'000
Profit before zakat and taxation	10,251	27,352	13,368	30,433
Adjustments for non-cash items	15,227	35,923	20,522	38,496
Operating profit before changes in working capital	25,478	63,275	33,890	68,929
<u>Changes in the working capital</u>				
Net changes in operating assets	(364,583)	(1,443,123)	(372,084)	(1,446,646)
Net changes in operating liabilities	(417,568)	1,502,388	(419,614)	1,502,558
Zakat and tax expense paid	(10,400)	(6,436)	(10,380)	(6,416)
Net cash generated from operating activities	(792,551)	52,829	(802,078)	49,496
Net cash (used in)/generated from investing activities	(116,099)	221,920	(117,557)	216,502
Net cash generated from financing activities	26,741	3,483	26,741	3,665
	(89,358)	225,403	(90,816)	220,167
Net change in cash and cash equivalents	(856,431)	341,507	(859,004)	338,592
Cash and cash equivalents at beginning of the period	2,077,377	1,667,984	2,140,626	1,747,418
Exchange differences on translation of opening balances	(32)	(29)	-	-
Cash and cash equivalents at end of the period	1,220,914	2,009,462	1,281,622	2,086,010

The condensed consolidated cash flow statements should be read in conjunction with the audited financial statements for the year ended 31 December 2008 and the accompanying explanatory notes attached to the interim financial statements.

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

A1. Performance Review

The Group and the Bank achieved a profit before zakat and taxation of RM10.3 million and RM13.4 million respectively for the half year ended 30 June 2009. The Group registered a growth of RM520.1 million or 8.2% in its gross financing, advances and other receivables to RM6,869.8 million as at 30 June 2009 when compared to RM6,349.7 million as at 31 December 2008.

A2. Prospects for 2009

In 2009, the global economy is expected to decelerate in line with the economic contraction faced by most of the advanced economies, thus resulting in a challenging year for the local economy. The banking industry is also expected to face tougher times as financing growth eases while non-performing financing increases as result of the economic slowdown.

The Group and the Bank will continue to focus on its business growth strategies through new and competitive product offerings, products cross selling as well as exploring new business opportunities within the region and the Middle East, while remaining vigilant on the impact of the global economic crisis to its businesses and profitability.

A3. Deposits and Placements with Banks and Other Financial Institutions

	Group		Bank	
	30 June 2009 RM'000	31 Dec 2008 RM'000	30 June 2009 RM'000	31 Dec 2008 RM'000
Licensed Islamic banks	6,698	6,698	6,698	6,698
Other financial institutions	27,610	31,129	27,610	31,129
	34,308	37,827	34,308	37,827

A4. Securities

(i) Securities held-for-trading

	Group		Bank	
	30 June 2009 RM'000	31 Dec 2008 RM'000	30 June 2009 RM'000	31 Dec 2008 RM'000
<u>At fair value</u> Unquoted Islamic private debt securities/sukuk	10,185	-	10,185	-

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

A4. Securities (cont'd.)

(ii) Securities Available-For-Sale

At fair value

BNM Sukuk Ijarah
Unquoted Islamic private debt securities/sukuk
Unquoted property funds

At cost

Unquoted shares in Malaysia

Group		Bank	
30 June 2009 RM'000	31 Dec 2008 RM'000	30 June 2009 RM'000	31 Dec 2008 RM'000
121,350	101,388	121,350	101,388
712,619	653,731	712,619	653,731
99,770	99,368	-	-
527	520	527	520
934,265	855,007	834,496	755,639

(iii) Securities Held-To-Maturity

At amortised cost

Unquoted Islamic private debt securities/sukuk

Group		Bank	
30 June 2009 RM'000	31 Dec 2008 RM'000	30 June 2009 RM'000	31 Dec 2008 RM'000
60,738	25,474	60,738	25,474

A5. Financing, Advances and Other Receivables

(i) By type

Term financing

- Other term financing

- Murabahah financing
- Musyarakah financing
- Ijarah asset financing
- Mudharabah asset financing
- Musyarakah Mutanaqisah financing
- Istisna' financing
- Qard Hassan financing

Staff financing

Less : Unearned income

Gross financing, advances and receivables

Less : Allowance and impairment for bad and doubtful financing

- General allowance
- Specific allowance
- Non-performing financing
- Performing but impaired financing

Net financing, advances and others receivables

Group		Bank	
30 June 2009 RM'000	31 Dec 2008 RM'000	30 June 2009 RM'000	31 Dec 2008 RM'000
4,301,005	4,139,058	4,301,005	4,139,058
346,256	333,830	346,256	333,830
2,003,766	1,776,611	2,003,766	1,776,611
109,193	95,712	109,193	95,712
178,511	111,584	178,511	111,584
61,199	48,405	61,199	48,405
1,347	-	6,700	3,042
11,751	11,288	11,751	11,288
7,013,029	6,516,488	7,018,381	6,519,530
(143,190)	(166,726)	(143,190)	(166,726)
6,869,838	6,349,762	6,875,190	6,352,804
(101,047)	(102,962)	(101,047)	(102,962)
(160,634)	(38,428)	(160,634)	(38,428)
-	(51,154)	-	(51,154)
6,608,157	6,157,218	6,613,509	6,160,260

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

(ii) By contract

	Group		Bank	
	30 June 2009 RM'000	31 Dec 2008 RM'000	30 June 2009 RM'000	31 Dec 2008 RM'000
Ijarah Muntahia Bittamlik (lease ended with ownership)	2,006,422	1,778,129	2,006,422	1,778,129
Murabahah (cost-plus)	4,196,086	4,011,825	4,196,086	4,011,825
Mudharabah (profit sharing)	109,193	95,712	109,193	95,712
Musyarakah (profit and loss sharing)	526,232	446,978	526,232	446,978
Qard (benevolent loan)	1,774	115	7,126	3,157
Istisna'	30,130	17,003	30,130	17,003
	6,869,838	6,349,762	6,875,190	6,352,804

(iii) By type of customer

Domestic business enterprises				
Small medium enterprises	2,345,091	1,945,872	2,345,091	1,945,872
Others	2,746,390	2,706,098	2,746,390	2,706,098
Individuals	119,491	89,509	119,491	89,509
Other domestic entities	179,802	96,686	179,802	96,686
Foreign entities	1,475,797	1,392,027	1,481,149	1,395,069
Domestic non-bank financial institutions	3,267	119,570	3,267	119,570
	6,869,838	6,349,762	6,875,190	6,352,804

(iv) By profit rate sensitivity

Fixed rate				
House financing	83,712	60,731	83,712	60,731
Hire purchase receivables	4,717	3,522	4,717	3,522
Syndicated financing	71,050	25,987	71,050	25,987
Term financing	3,529,388	3,354,381	3,534,740	3,357,423
Variable rate				
House financing	18,506	4,355	18,506	4,355
Term financing	3,162,465	2,900,786	3,162,465	2,900,786
	6,869,838	6,349,762	6,875,190	6,352,804

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

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

(v) By sector

	Group		Bank	
	30 June 2009 RM'000	31 Dec 2008 RM'000	30 June 2009 RM'000	31 Dec 2008 RM'000
Agriculture, hunting, forestry & fishing	264,702	277,329	264,702	277,329
Mining and quarrying	153,784	114,131	153,784	114,131
Manufacturing	1,356,777	1,243,020	1,356,777	1,243,020
Electricity, gas and water	15,610	4,436	15,610	4,436
Construction	699,053	714,713	699,053	714,713
Real estate	953,509	806,279	953,509	806,279
Purchase of landed property:				
Residential	145,265	66,338	145,265	66,338
Wholesale & retail trade and restaurant & hotels	732,722	648,076	732,722	648,076
Transport, storage and communication	652,529	558,615	652,529	558,615
Finance, insurance and business services	1,188,004	1,261,387	1,188,004	1,261,387
Purchase of securities	101,786	99,996	101,786	99,996
Purchase of transport vehicles	5,223	3,623	5,223	3,623
Consumption credit	32,514	18,531	32,514	18,531
Others	568,360	533,287	573,712	536,330
	6,869,838	6,349,762	6,875,190	6,352,804

(vi) Movements in non-performing financing, advances and other receivables

	Group		Bank	
	30 June 2009 RM'000	31 Dec 2008 RM'000	30 June 2009 RM'000	31 Dec 2008 RM'000
At beginning	58,597	2,334	58,597	2,334
Classified as non-performing	326,709	56,263	326,709	56,263
Amount recovered	(8,456)	-	(8,456)	-
At end	376,850	58,597	376,850	58,597
Less : Specific allowance for non-performing	(160,634)	(38,428)	(160,634)	(38,428)
Net non-performing financing, advances and other receivables	216,215	20,169	216,215	20,169
Ratio of net non-performing financing, advances and other receivables to gross financing, advances and other receivables less specific allowance for non-performing	3.22%	0.32%	3.22%	0.32%

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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.)

(vii) Movements in allowance for bad and doubtful financing, advances and other receivables

	Group		Bank	
	30 June 2009 RM'000	31 Dec 2008 RM'000	30 June 2009 RM'000	31 Dec 2008 RM'000
General allowance				
At beginning	102,962	55,324	102,962	55,324
Allowance (written back)/made	(1,915)	47,638	(1,915)	47,638
At end	101,047	102,962	101,047	102,962
As % of gross financing, advances and other receivables less specific allowance	1.50%	1.64%	1.50%	1.64%

Specific allowance

Non-performing financing

At beginning	38,428	467	38,428	467
Allowance made	72,221	36,859	72,221	36,859
Transferred from performing but impaired financing	51,154	1,625	51,154	1,625
Allowance written back	(1,169)	(523)	(1,169)	(523)
At end	160,634	38,428	160,634	38,428

Performing but impaired financing

At beginning	51,154	1,625	51,154	1,625
Allowance made	-	51,154	-	51,154
Transferred to non-performing financing	(51,154)	(1,625)	(51,154)	(1,625)
At end	-	51,154	-	51,154

(viii) Non-performing financing by sector

	Group		Bank	
	30 June 2009 RM'000	31 Dec 2008 RM'000	30 June 2009 RM'000	31 Dec 2008 RM'000
Agriculture, hunting, forestry & fishing	5,268	-	5,268	-
Manufacturing	182,565	56,172	182,565	56,172
Construction	47,010	2,425	47,010	2,425
Finance, insurance and business services	105,811	-	105,811	-
Others	36,196	-	36,196	-
	376,850	58,597	376,850	58,597

A6. Murabahah Trading Automobile

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

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

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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

A7. Other Assets

	Group		Bank	
	30 June 2009 RM'000	31 Dec 2008 RM'000	30 June 2009 RM'000	31 Dec 2008 RM'000
Deposits and prepayments	4,864	6,216	3,993	5,234
Amount due from holding company	186	1,155	186	1,155
Amount due from subsidiaries	-	-	16,959	11,407
Amount due from other related parties	10,162	9,806	10,153	9,806
Income receivable	4,039	5,252	4,032	5,242
Fee receivable	12,571	3,232	12,571	3,232
Sundry debtors	56,768	43,629	29,796	20,544
Tax recoverable	27,633	5,449	27,633	5,367
Underwriting releases	37,522	37,522	37,522	37,522
Revaluation gain on forward foreign exchange contracts and Ijarah rental swaps	30,413	60,295	30,413	60,295
	184,158	172,556	173,257	159,804

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

Underwriting releases relate to progress payments released to a property developer pursuant to the Master Underwriting Agreement, of which the Bank agreed to underwrite the purchase of two apartment blocks.

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.

A9. Deposits from Customers

(i) By type of deposit

	Group		Bank	
	30 June 2009 RM'000	31 Dec 2008 RM'000	30 June 2009 RM'000	31 Dec 2008 RM'000
<u>Qard</u> Demand deposits	241,485	258,488	242,480	261,202
<u>Mudharabah</u> Savings deposits	8,778	5,911	8,778	5,911
General investment deposits	456,555	239,894	456,555	239,894
<u>Murabahah</u> Others	2,613,792	3,789,054	2,613,792	3,799,087
	3,320,610	4,293,347	3,321,606	4,306,094

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 (cont'd)

(ii) By type of customer

Business enterprises
Individuals
Subsidiaries
Government and statutory bodies
Others

	Group		Bank	
	30 June 2009 RM'000	31 Dec 2008 RM'000	30 June 2009 RM'000	31 Dec 2008 RM'000
	2,457,428	3,742,346	2,457,082	3,742,005
281,013	107,126	281,013	107,126	
-	-	1,342	13,088	
159,238	1,000	159,238	1,000	
422,931	442,875	422,931	442,875	
3,320,610	4,293,347	3,321,606	4,306,094	

A10. Deposits and Placements of Banks and Other Financial Institutions

Murabahah

Licensed Islamic banks
Licensed Banks
Bank Negara Malaysia
Licensed merchant banks
Other financial institutions

	Group		Bank	
	30 June 2009 RM'000	31 Dec 2008 RM'000	30 June 2009 RM'000	31 Dec 2008 RM'000
	293,822	50,000	293,822	50,000
35,150	35,485	35,150	35,485	
-	121,258	-	121,258	
16,405	-	16,405	-	
3,010,596	2,712,265	3,020,755	2,712,265	
3,355,973	2,919,008	3,366,132	2,919,008	

A11. Other Liabilities

Income payables
Sundry creditors
Amount due to holding company
Project clearing account
Revaluation loss on forward foreign exchange contracts and Ijarah rental swaps
Accrued restoration cost
Other provisions and accruals

	Group		Bank	
	30 June 2009 RM'000	31 Dec 2008 RM'000	30 June 2009 RM'000	31 Dec 2008 RM'000
	32,485	39,295	32,485	39,295
37,447	50,425	37,252	50,411	
-	1,140	-	1,140	
225,132	82,123	225,132	82,123	
19,300	39,157	19,300	39,157	
1,843	1,842	1,722	1,722	
23,919	38,468	22,417	37,203	
340,125	252,450	338,308	251,051	

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

A12. Murabahah Bank Financing

The Murabahah bank financing of USD15,000,000 or equivalent RM52,725,000 (2008: USD7,500,000 or equivalent RM25,983,750) is an unsecured financing facility obtained in 2008 with a tenure of two years and is repayable in instalments commencing 2009. The Murabahah price is determined based on effective cost of funds.

A13. Subordinated Murabahah Tawarruq

The subordinated Murabahah Tawarruq is a facility agreement with the holding company of the Bank, Kuwait Finance House K.S.C. The facility with principal amount of USD100,000,000 or equivalent RM351,500,000 (2008: USD100,000,000 or equivalent RM346,450,000) is unsecured with a tenure of five years and forms part of the Bank's Tier-2 capital. The Murabahah profit is determined with reference to London Interbank Offer Rate ("LIBOR").

KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

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

A14. Income derived from Investment of Depositors' Funds and Others

	2nd Quarter ended 30 June		Half-year ended 30 June	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Group				
Income derived from investment of :				
- General investment deposits	3,962	2,902	7,480	5,224
- Other deposits	73,518	93,074	165,955	172,658
	77,480	95,976	173,435	177,882
Bank				
Income derived from investment of :				
- General investment deposits	3,940	2,919	7,447	5,260
- Other deposits	73,049	93,723	165,266	173,997
	76,989	96,642	172,713	179,257

(i) Income derived from investment of general investment deposits

	2nd Quarter ended 30 June		Half-year ended 30 June	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Group				
Finance income and hibah				
Financing, advances and other receivables	3,836	2,131	6,811	3,816
Securities				
- Held-for-trading	5	1	6	17
- Available-for-sale	316	237	566	525
- Held-to-maturity	24	9	36	18
Money at call and deposits with financial institutions	264	404	491	733
	4,445	2,782	7,910	5,109
Amortisation of premium less accretion of discounts	(2)	(3)	(7)	(4)
Total financing income and hibah	4,443	2,779	7,903	5,105
Gain/(loss) arising from sale of securities				
- Held-for-trading	16	13	16	12
- Available for sale	(11)	41	-	41
Profit from Murabahah trading on automobile	7	41	21	71
Foreign exchange profit/(loss)				
- Realised	(514)	12	(497)	(17)
Gain on Ijarah rental swap obligation	21	16	37	12
	3,962	2,902	7,480	5,224

KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

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

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

(i) Income derived from investment of general investment deposits

	2nd Quarter ended 30 June		Half-year ended 30 June	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Bank				
Finance income and hibah				
Financing, advances and other receivables	3,836	2,131	6,811	3,816
Securities				
- Held-for-trading	5	1	6	17
- Available-for-sale	278	237	500	525
- Held-to-maturity	24	9	36	18
Money at call and deposits with financial institutions	280	421	524	769
	4,423	2,799	7,877	5,145
Amortisation of premium less accretion of discounts	(2)	(3)	(7)	(4)
Total financing income and hibah	4,421	2,796	7,870	5,141
Gain/(loss) arising from sale of securities				
- Held-for-trading	16	13	16	12
- Available-for-sale	(11)	41	-	41
Profit from Murabahah trading on automobile	7	41	21	71
Foreign exchange profit/(loss)				
- Realised	(514)	12	(497)	(17)
Gain on Ijarah rental swap obligation	21	16	37	12
	3,940	2,919	7,447	5,260

KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

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

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

(ii) Income derived from investment of other deposits

<u>Group</u>	2nd Quarter ended 30 June		Half-year ended 30 June	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Finance income and hibah				
Financing, advances and other receivables	69,545	68,660	147,707	126,513
Securities				
- Held-for-trading	96	24	123	549
- Available-for-sale	5,790	7,393	12,351	17,146
- Held-to-maturity	424	306	745	604
Money at call and deposits with financial institutions	4,850	12,863	10,819	24,054
	80,705	89,246	171,745	168,866
Amortisation of premium less accretion of discounts	(34)	(88)	(156)	(128)
Total financing income and hibah	80,671	89,158	171,589	168,738
Gain/(loss) arising from sale of securities				
- Held-for-trading	356	413	359	391
- Available-for-sale	(272)	1,272	-	1,272
Profit from Murabahah trading on automobile	123	1,309	499	2,341
Foreign exchange profit/(loss)				
- Realised	(7,745)	321	(7,275)	(532)
Gain on Ijarah rental swap obligation	385	601	783	448
	73,518	93,074	165,955	172,658

KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

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

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

(ii) Income derived from investment of other deposits

	2nd Quarter ended 30 June		Half-year ended 30 June	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Bank				
Finance income and hibah				
Financing, advances and other receivables	69,545	68,660	147,707	126,513
Securities				
- Held-for-trading	96	24	123	549
- Available-for-sale	5,044	7,393	10,896	17,146
- Held-to-maturity	424	306	745	604
Money at call and deposits with financial institutions	5,127	13,512	11,585	25,393
	80,236	89,895	171,056	170,205
Amortisation of premium less accretion of discounts	(34)	(88)	(156)	(128)
Total financing income and hibah	80,202	89,807	170,900	170,077
Gain/(loss) arising from sale of securities				
- Held-for-trading	356	413	359	391
- Available-for-sale	-	1,272	-	1,272
Unrealised loss on revaluation of securities held-for-trading and ijarah rental swap	(272)	-	-	-
Profit from Murabahah trading on automobile	123	1,309	499	2,341
Foreign exchange profit/(loss)				
- Realised	(7,745)	321	(7,275)	(532)
Gain on Ijarah rental swap obligation	385	601	783	448
	73,049	93,723	165,266	173,997

KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

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

A15. Income derived from Investment of Shareholder's Equity

Group	2nd Quarter ended 30 June		Half-year ended 30 June	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Finance income and hibah				
Financing, advances and other receivables	18,230	7,408	39,114	15,894
Securities				
- Held-for-trading	25	(11)	32	70
- Available-for-sale	1,534	723	3,310	2,166
- Held-to-maturity	111	32	196	76
Money at call and deposits with financial institutions	1,287	1,377	2,906	3,020
	21,187	9,529	45,558	21,226
Amortisation of premium less accretion of discounts	(9)	(9)	(41)	(16)
Total financing income and hibah	21,178	9,520	45,517	21,210
Fee income				
- Commission	911	(3,443)	2,001	3,479
- Other fee income	6,417	16,860	17,058	28,641
- Fund management fee	2,688	483	5,474	965
Gain/(loss) arising from sale of securities				
- Held-for-trading	92	50	93	47
- Available-for-sale	(70)	164	-	164
Unrealised gain on revaluation of securities held-for-trading and Ijarah rental swap	(1,120)	(564)	(1,055)	4,338
Profit from Murabahah trading on automobile	32	144	134	296
Foreign exchange profit/(loss)				
- Realised	(2,050)	68	(1,920)	(71)
- Unrealised	8,042	1,715	13,264	3,221
Gain/(loss) on disposal of property, plant and equipment	17	-	17	-
Gain/(loss) on Ijarah rental swap obligation	101	76	207	54
Gross dividend from property funds	-	2,257	-	2,691
	36,238	27,330	80,790	65,035

KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

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

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

	2nd Quarter ended 30 June		Half-year ended 30 June	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Bank				
Finance income and hibah				
Financing, advances and other receivables	18,230	7,408	39,114	15,894
Securities				
- Held-for-trading	25	(11)	32	70
- Available-for-sale	1,322	723	2,885	2,166
- Held-to-maturity	111	32	196	76
Money at call and deposits with financial institutions	1,345	1,442	3,072	3,187
	21,033	9,594	45,299	21,393
Amortisation of premium less accretion of discounts	(9)	(9)	(41)	(16)
Total financing income and hibah	21,024	9,585	45,258	21,377
Fee income				
- Commissions	911	(3,443)	2,001	3,479
- Other fee income	6,472	16,862	17,113	28,642
Gain/(loss) arising from sale of securities				
- Held-for-trading	92	50	93	47
- Available-for-sale	(70)	164	-	164
Unrealised gain/(loss) on revaluation of securities held-for-trading and Ijarah rental swap	(1,120)	(564)	(1,055)	4,338
Profit from Murabahah trading on automobile	32	144	134	296
Foreign exchange profit/(loss)				
- Realised	(2,050)	68	(1,920)	(71)
- Unrealised	7,839	1,551	13,241	2,980
Management fee	85	30	115	60
Gain on Ijarah rental swap obligation	101	76	207	54
	33,316	24,523	75,187	61,366

KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

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

A16. Allowance and Impairment for Losses on Financing

Group

Allowance and impairment for bad and doubtful financing

- General allowance (net)
- Specific allowance (net)
 - Non-performing financing
 - Performing but impaired financing

Bank

Allowance and impairment for bad and doubtful financing

- General allowance (net)
- Specific allowance (net)
 - Non-performing financing
 - Performing but impaired financing

2nd Quarter ended 30 June		Half-year ended 30 June	
2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
(19,262)	13,442	(1,915)	23,102
112,772	7,859	122,206	17,623
(54,805)	-	(51,154)	-
38,705	21,301	69,138	40,725
(19,262)	13,442	(1,915)	23,102
112,772	7,859	122,206	17,623
(54,805)	-	(51,154)	-
38,705	21,301	69,138	40,725

A17. Income Attributable to Depositors

Group

Deposits from customers

- Mudharabah
- Murabahah

Deposits and placements of banks and other financial institutions

- Murabahah

Bank

Deposits from customers

- Mudharabah
- Murabahah

Deposits and placements of banks and other financial institutions

- Murabahah

2nd Quarter ended 30 June		Half-year ended 30 June	
2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
2,203	1,325	4,064	2,567
17,351	19,568	45,174	35,091
17,657	29,668	31,852	57,036
37,211	50,561	81,090	94,694
2,203	1,325	4,064	2,567
17,405	19,568	45,300	35,091
17,657	29,668	31,852	57,036
37,265	50,561	81,216	94,694

KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

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

A18. Commitments and Contingencies

- (a) In the normal course of business, the Bank and its subsidiaries make various commitments and incur certain contingent liabilities

	As at 30 June 2009			As at 31 December 2008		
	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	1,647,376	1,647,376	1,255,807	1,615,024	1,615,024	1,204,674
Transaction related contingencies	224,634	112,317	110,592	187,899	93,950	94,834
Trade related contingencies	175,307	35,061	35,536	109,143	21,829	21,829
Irrevocable commitments to extend credit						
Maturity not exceeding one year	1,196,289	239,258	239,257	1,223,638	244,728	244,728
Maturity exceeding one year	848,687	424,344	500,662	955,312	477,656	555,222
Foreign exchange related contracts *						
Less than one year	795,088	19,613	9,814	874,796	29,701	14,203
One year to five years	199,238	26,812	14,697	59,763	10,458	8,825
Five years and above	106,856	15,012	8,365	243,686	36,313	18,727
Profit rate related contracts (Ijarah rental swap obligation) *						
Five years and above	433,142	58,815	43,222	440,946	73,766	57,892
	5,626,617	2,578,608	2,217,953	5,710,207	2,603,424	2,220,934

* 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") effective from 1 January 2008.

- (b) In August 2008, the Plaintiff filed a suit against the Bank, inter alia, for breach of contract for an amount of approximately RM2.2 million. The Bank was alleged to have acted in breach for failure to execute the tenancy agreement within the prescribed period, pursuant to the letter of offer from the Plaintiff.

Based on solicitor's advice, the Bank has a good chance of securing a dismissal of the suit as no tenancy agreement was executed with the Plaintiff and the Bank has agreed to forgo the earnest deposit pursuant to the terms in the offer letter.

There is no provision made for this suit in the Bank's 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

A19. Profit rate risk

The Group and the Bank are exposed to the risk associated with the effects of fluctuations in the prevailing levels of yield/profit rate on the financial position. The profit rate 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 profit rate risk. The assets and liabilities at carrying amount are categorised by the earlier of the next contractual repricing dates and maturity dates.

Group As at 30 June 2009	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	1,165,859	-	-	-	-	55,055	-	1,220,914	1.28
Deposits and placements with banks and other financial institutions	-	8,420	19,190	6,698	-	-	-	34,308	1.29
Securities held-for-trading	-	-	-	-	-	-	10,185	10,185	5.10
Securities available-for-sale	140,008	174,025	284,537	176,408	58,992	100,295	-	934,265	2.39
Securities held-to-maturity	35,400	-	10,135	15,203	-	-	-	60,738	3.64
Financing, advances and receivables	2,232,052	1,960,592	791,364	1,346,148	276,899	1,102	-	6,608,157	6.13
Murabahah trading automobiles	-	-	-	-	-	-	51,208	51,208	
Musarakah capital investment	-	-	-	-	-	5,916	-	5,916	
Other assets	-	-	-	-	-	327,750	-	327,750	
	3,573,319	2,143,037	1,105,226	1,544,457	335,891	490,118	61,393	9,253,441	
LIABILITIES AND SHAREHOLDER'S EQUITY									
Deposits from customers	2,083,321	554,690	441,114	-	-	241,485	-	3,320,610	2.20
Deposits and placements of banks and other financial institutions	1,681,202	870,627	768,340	35,804	-	-	-	3,355,973	2.20
Subordinated Murabahah Tawarruq	-	191,162	186,831	-	-	-	-	377,993	3.55
Murabahah bank financing	-	26,362	26,363	-	-	-	-	52,725	2.86
Other liabilities	-	-	-	-	-	342,260	-	342,260	
	3,764,523	1,642,841	1,422,648	-	-	583,745	-	7,449,561	
Shareholder's equity	-	-	-	-	-	1,803,880	-	1,803,880	
Total Liabilities and Shareholder's equity	3,764,523	1,642,841	1,422,648	35,804	-	2,387,625	-	9,253,441	
On-balance sheet profit sensitivity gap	(191,204)	500,196	(317,422)	1,508,653	335,891	(1,897,507)	61,393	-	
Off-balance profit sensitivity gap	-	(15,815)	-	-	15,815	-	-	-	
Total profit sensitivity gap	(191,204)	484,382	(317,422)	1,508,653	351,706	(1,897,507)	61,393	-	

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. Profit rate risk (cont'd.)

Group As at 31 December 2008	Non-trading book					Non-profit sensitive RM'000	Trading book RM'000	Total RM'000	Effective profit rate %
	Up to 1 month RM'000	> 1 - 3 months RM'000	> 3 - 12 months RM'000	> 1 - 5 years RM'000	Over 5 years RM'000				
ASSETS									
Cash and short-term funds	2,025,304	-	-	-	-	52,073	-	2,077,377	2.48
Deposits and placements with banks and other financial institutions	-	-	31,129	6,698	-	-	-	37,827	1.20
Securities available-for-sale	126,584	247,555	142,395	82,014	153,283	103,176	-	855,007	3.54
Securities held-to-maturity	-	-	-	25,474	-	-	-	25,474	5.74
Financing, advances and receivables	1,968,006	1,695,973	1,038,222	1,055,548	299,245	100,224	-	6,157,218	7.39
Murabahah trading automobiles	-	-	-	-	-	-	61,779	61,779	
Musarakah capital investment	-	-	-	-	-	5,916	-	5,916	
Other assets	-	-	-	-	-	416,270	-	416,270	
	4,119,894	1,943,528	1,211,746	1,169,734	452,528	677,659	61,779	9,636,868	
LIABILITIES AND SHAREHOLDER'S EQUITY									
Deposits from customers	2,338,512	854,901	837,955	-	-	261,979	-	4,293,347	3.04
Deposits and placements of banks and other financial institutions	2,205,880	432,763	280,365	-	-	-	-	2,919,008	3.34
Subordinated Murabahah Tawarruq	-	-	-	365,908	-	-	-	365,908	3.82
Murabahah bank financing	-	-	25,984	-	-	-	-	25,984	3.85
Other liabilities	-	-	-	-	-	253,565	-	253,565	
	4,544,392	1,287,664	1,144,304	365,908	-	515,544	-	7,857,812	
Shareholder's equity	-	-	-	-	-	1,779,056	-	1,779,056	
Total Liabilities and Shareholder's equity	4,544,392	1,287,664	1,144,304	365,908	-	2,294,600	-	9,636,868	
On-balance sheet profit sensitivity gap	(424,498)	655,864	67,442	803,826	452,528	(1,616,941)	61,779	-	
Off-balance sheet profit sensitivity gap	-	(32,910)	-	17,323	15,587	-	-	-	
Total profit sensitivity gap	(424,498)	622,954	67,442	821,149	468,115	(1,616,941)	61,779	-	

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. Profit rate risk (cont'd.)

Bank As at 30 June 2009	← 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	1,232,467	-	-	-	-	49,155	-	1,281,622	1.31
Deposits and placements with banks and other financial institutions	-	8,420	19,190	6,698	-	-	-	34,308	1.29
Securities held-for-trading	-	-	-	-	-	-	10,185	10,185	5.10
Securities available-for-sale	140,008	174,025	284,537	176,408	58,992	526	-	834,496	2.67
Securities held-to-maturity	35,400	-	10,135	15,203	-	-	-	60,738	3.64
Financing, advances and receivables	2,232,052	1,960,592	791,364	1,346,148	276,899	6,454	-	6,613,509	6.13
Murabahah trading automobiles	-	-	-	-	-	-	51,208	51,208	-
Musarakah capital investment	-	-	-	-	-	5,916	-	5,916	-
Other assets	-	-	-	-	-	352,804	-	352,804	-
	3,639,927	2,143,037	1,105,226	1,544,457	335,891	414,855	61,393	9,244,786	-
LIABILITIES AND SHAREHOLDER'S EQUITY									
Deposits from customers	2,083,321	554,690	441,114	-	-	242,481	-	3,321,606	2.20
Deposits and placements of banks and other financial institutions	1,691,361	870,627	768,340	35,804	-	-	-	3,366,132	2.20
Subordinated Murabahah Tawarruq	-	191,162	186,831	-	-	-	-	377,993	3.55
Murabahah bank financing	-	26,362	26,363	-	-	-	-	52,725	2.86
Other liabilities	-	-	-	-	-	340,394	-	340,394	-
	3,774,682	1,642,841	1,422,648	35,804	-	582,875	-	7,458,850	-
Shareholder's equity	-	-	-	-	-	1,785,936	-	1,785,936	-
Total Liabilities and Shareholder's equity	3,774,682	1,642,841	1,422,648	35,804	-	2,368,811	-	9,244,786	-
On-balance sheet profit sensitivity gap	(134,755)	500,196	(317,422)	1,508,653	335,891	(1,953,956)	61,393	-	-
Off-balance profit sensitivity gap	-	(15,815)	-	-	15,815	-	-	-	-
Total profit sensitivity gap	(134,755)	484,382	(317,422)	1,508,653	351,706	(1,953,956)	61,393	-	-

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. Profit rate risk (cont'd.)

Bank As at 31 December 2008	Non-trading book					Non-profit sensitive RM'000	Trading book RM'000	Total RM'000	Effective profit rate %
	Up to 1 month RM'000	> 1 - 3 months RM'000	> 3 - 12 months RM'000	> 1 - 5 years RM'000	Over 5 years RM'000				
ASSETS									
Cash and short-term funds	2,095,265	-	-	-	-	45,361	-	2,140,626	2.56
Deposits and placements with banks and other financial institutions	-	-	31,129	6,698	-	-	-	37,827	1.20
Securities available-for-sale	126,584	247,555	142,395	82,014	157,091	-	-	755,639	4.03
Securities held-to-maturity	-	-	-	25,474	-	-	-	25,474	5.74
Financing, advances and receivables	1,968,006	1,695,973	1,038,222	1,055,548	299,245	103,266	-	6,160,260	7.39
Murabahah trading automobiles	-	-	-	-	-	-	61,779	61,779	
Musarakah capital investment	-	-	-	-	-	5,916	-	5,916	
Other assets	-	-	-	-	-	439,569	-	439,569	
	4,189,855	1,943,528	1,211,746	1,169,734	456,336	594,112	61,779	9,627,090	
LIABILITIES AND SHAREHOLDER'S EQUITY									
Deposits from customers	2,352,037	854,901	837,955	-	-	261,201	-	4,306,094	3.04
Deposits and placements of banks and other financial institutions	2,205,880	432,763	280,365	-	-	-	-	2,919,008	3.34
Subordinated Murabahah Tawarruq	-	-	-	365,908	-	-	-	365,908	3.82
Murabahah bank financing	-	-	25,984	-	-	-	-	25,984	3.85
Other liabilities	-	-	-	-	-	252,166	-	252,166	
	4,557,917	1,287,664	1,144,304	365,908	-	513,367	-	7,869,160	
Shareholder's equity	-	-	-	-	-	1,757,930	-	1,757,930	
Total Liabilities and Shareholder's equity	4,557,917	1,287,664	1,144,304	365,908	-	2,271,297	-	9,627,090	
On-balance sheet profit sensitivity gap	(368,062)	655,864	67,442	803,826	456,336	(1,677,185)	61,779	-	
Off-balance sheet profit sensitivity gap	-	(32,910)	-	17,323	15,587	-	-	-	
Total profit sensitivity gap	(368,062)	622,954	67,442	821,149	471,923	(1,677,185)	61,779	-	

KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

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

A20. Credit Transactions and Exposures with Connected Parties

As at 30 June 2009		
Total Outstanding Value RM'000	Total Exposure (total outstanding + unutilised limit) RM'000	Total Non-Performing Credit Exposure RM'000
Financing, credit facility and leasing (except guarantee)	242,666	-
Off-balance sheet exposures	-	-
	242,666	-
Total exposure to connected parties as % of capital base	25.80%	-
Total exposure to connected parties as % of total outstanding credit	5.54%	-

As at 31 December 2008		
Total Outstanding Value RM'000	Total Exposure (total outstanding + unutilised limit) RM'000	Total Non-Performing Credit Exposure RM'000
Financing, credit facility and leasing (except guarantee)	184,611	-
Off-balance sheet exposures	-	-
	184,611	-
Total exposure to connected parties as % of capital base	25.62%	-
Total exposure to connected parties as % of total outstanding credit exposures	5.85%	-

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

A21. Capital Adequacy

The Group has adopted Bank Negara Malaysia's Capital Adequacy Framework for Islamic Banks ("CAFIB") guidelines effective from 1 January 2008 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 for the financial year beginning 1 January 2008.

In addition, in accordance with para. 4.3 of Bank Negara Malaysia's Concept Paper - Risk-Weighted Capital Adequacy Framework (Basel II) and CAFIB - Disclosure Requirements (Pillar 3), the Group has also provided detailed disclosures on risk-weighted assets, as set out in Notes A21 (c), (d), (e) and (f), effective for financial year beginning 1 January 2008.

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

	Group		Bank	
	30 June 2009	31 Dec 2008	30 June 2009	31 Dec 2008
Core capital ratio				
Credit risk	17.08%	18.66%	17.11%	18.62%
Credit, market, operational and large exposure risks	16.09%	17.74%	16.14%	17.73%
Risk-weighted capital ratio				
Credit risk	19.71%	21.89%	19.39%	21.49%
Credit, market, operational and large exposure risks	18.56%	20.81%	18.30%	20.47%

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

A21. Capital Adequacy (Cont' d.)

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

	Group		Bank	
	30 June 2009 RM'000	31 Dec 2008 RM'000	30 June 2009 RM'000	31 Dec 2008 RM'000
Tier I capital				
Paid-up share capital	1,751,400	1,751,400	1,751,400	1,751,400
Statutory reserve	34,952	34,952	34,952	34,952
Other reserves	49,085	56,658	34,948	34,948
	1,835,437	1,843,010	1,821,300	1,821,300
Less: Deferred tax assets (net)	(31,454)	(49,386)	(31,317)	(49,386)
Total Tier-I capital	1,803,983	1,793,624	1,789,983	1,771,914
Tier II capital				
Subordinated Murabahah Tawarruq	175,750	207,870	175,750	207,870
General allowance for bad and doubtful financing	101,047	102,962	101,047	102,962
Total Tier-II capital	276,797	310,832	276,797	310,832
Less: Investment in subsidiaries	-	-	(37,563)	(37,563)
Capital base	2,080,780	2,104,456	2,029,217	2,045,183

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

	Group		Bank	
	30 June 2009 RM'000	31 Dec 2008 RM'000	30 June 2009 RM'000	31 Dec 2008 RM'000
Computation of Total Risk-Weighted Assets (RWA)				
Total Credit RWA	10,559,045	9,614,653	10,464,387	9,516,704
Total Market RWA	168,698	110,707	168,698	110,707
Total Operational RWA	479,257	383,025	453,055	360,978
Large Exposure Risk RWA for Equity Hldgs	2,956	2,956	2,956	2,956
Total Risk-Weighted Assets	11,209,956	10,111,341	11,089,096	9,991,345
Computation of Capital Ratios				
Core Capital	1,803,983	1,793,624	1,789,983	1,771,914
Capital Base	2,080,780	2,104,456	2,029,217	2,045,183
Core Capital Ratio	16.09%	17.74%	16.14%	17.73%
Risk-Weighted Capital Ratio	18.56%	20.81%	18.30%	20.47%

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

A21. Capital Adequacy (Cont'd)

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

Group	Gross Exposures		Net Exposures **		Risk Weighted Assets	Total Risk Weighted Assets After Effects of PSIA	Capital Requirement
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
As at 30 June 2009							
(i) Credit Risk							
a) On-Balance Sheet Exposures							
Sovereigns/Central Banks	1,078,842	1,078,842	-	-	-	-	-
Banks, Development Financial Institutions & MDBs	753,712	753,712	288,396	288,396	288,396	23,072	
Corporates	5,334,583	5,334,583	5,147,881	5,147,881	5,147,881	411,831	
Higher Risk Assets ¹	290,125	290,125	435,187	435,187	435,187	34,815	
Other Assets	230,785	230,785	221,339	221,339	221,339	17,706	
Defaulted Exposures ²	1,543,181	1,543,181	2,248,288	2,248,288	2,248,288	179,863	
	9,231,228	9,231,228	8,341,091	8,341,091	8,341,091	667,287	
b) Off-Balance Sheet Exposures*							
OTC Derivatives ³	120,252	120,252	76,097	76,097	76,097	6,088	
Off balance sheet exposures other than OTC derivatives or credit derivatives ⁴	2,414,249	2,414,249	2,075,696	2,075,696	2,075,696	166,056	
Defaulted Exposures ²	44,107	44,107	66,161	66,161	66,161	5,292	
	2,578,608	2,578,608	2,217,954	2,217,954	2,217,954	177,436	
Total On and Off-Balance Sheet Exposures	11,809,836	11,809,836	10,559,045	10,559,045	10,559,045	844,723	
(ii) Large Exposures Risk Requirement							
	2,956	2,956	2,956	2,956	2,956	236	
	Long Position	Short Position					
(iii) Market Risk							
Benchmark Rate Risk	801,104	(781,197)	19,907	27,270	27,270	2,182	
Foreign Currency Risk ⁵	78,742	(16,543)	62,199	78,742	78,742	6,299	
Inventory Risk	51,209	-	51,209	62,686	62,686	5,015	
			133,315	168,698	168,698	13,496	
(iv) Operational Risk				479,257	479,257	38,341	
(v) Total RWA and Capital Requirements			11,946,107	11,209,956	11,209,956	896,796	

Note:

* Credit equivalent of off-balance sheet items

** After netting and credit risk mitigation

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

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

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

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

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

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

A21. Capital Adequacy (Cont'd)

Group	Gross Exposures		Risk Weighted Assets	Total Risk Weighted Assets After Effects of PSIA	Capital Requirement
	RM'000	Net Exposures ** RM'000			
As at 31 December 2008					
(i) Credit Risk					
a) On-Balance Sheet Exposures					
Sovereigns/Central Banks	1,596,808	1,596,808	-	-	-
Banks, Development Financial Institutions & MDBs	1,190,237	1,190,237	342,683	342,683	27,415
Corporates	5,647,141	5,647,141	5,470,417	5,470,417	437,633
Higher Risk Assets ¹	419,515	419,515	629,272	629,272	50,342
Other Assets	182,170	182,170	173,015	173,015	13,841
Defaulted Exposures ²	532,490	532,490	778,332	778,332	62,267
	9,568,361	9,568,361	7,393,719	7,393,719	591,498
b) Off-Balance Sheet Exposures*					
OTC Derivatives ³	150,238	150,238	99,647	99,647	7,972
Off balance sheet exposures other than OTC derivatives or credit derivatives ⁴	2,451,119	2,451,119	2,118,187	2,118,187	169,455
Defaulted Exposures ²	2,067	2,067	3,100	3,100	247
	2,603,424	2,603,424	2,220,934	2,220,934	177,674
Total On and Off-Balance Sheet Exposures	12,171,785	12,171,785	9,614,653	9,614,653	769,172
(ii) Large Exposures Risk Requirement					
	2,956	2,956	2,956	2,956	236
	Long Position	Short Position			
(iii) Market Risk					
Benchmark Rate Risk	821,309	(810,602)	10,707	25,598	2,048
Foreign Currency Risk ⁵	12,117	(14,838)	(2,721)	14,838	1,187
Inventory Risk	61,779	-	61,779	70,271	5,622
			69,765	110,707	8,857
(iv) Operational Risk			383,025	383,025	30,642
(v) Total RWA and Capital Requirements			12,244,506	10,111,341	808,907

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

A21. Capital adequacy (Cont'd.)

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

Bank As at 30 June 2009	Gross Exposures	Net Exposures **	Risk Weighted Assets	Total Risk Weighted Assets After Effects of PSIA	Capital Requirement
	RM'000	RM'000	RM'000	RM'000	RM'000
(i) Credit Risk					
a) On-Balance Sheet Exposures					
Sovereigns/Central Banks	1,078,842	1,078,842	-	-	-
Banks, Development Financial Institutions & MDBs	814,415	814,415	300,536	300,536	24,043
Corporates	5,240,165	5,240,165	5,053,464	5,053,464	404,277
Higher Risk Assets ¹	290,089	290,089	435,134	435,134	34,811
Other Assets	218,456	218,456	209,011	209,011	16,721
Defaulted Exposures ²	1,543,181	1,543,181	2,248,288	2,248,288	179,863
	9,185,148	9,185,148	8,246,433	8,246,433	659,715
b) Off-Balance Sheet Exposures*					
OTC Derivatives ³	120,252	120,252	76,097	76,097	6,088
Off balance sheet exposures other than OTC derivatives or credit derivatives ⁴	2,414,249	2,414,249	2,075,696	2,075,696	166,056
Defaulted Exposures ²	44,107	44,107	66,161	66,161	5,294
	2,578,608	2,578,608	2,217,954	2,217,954	177,436
Total On and Off-Balance Sheet Exposures	11,763,756	11,763,756	10,464,387	10,464,387	837,151
(ii) Large Exposures Risk Requirement	2,956	2,956	2,956	2,956	236
	Long Position	Short Position			
(iii) Market Risk					
Benchmark Rate Risk	801,104	(781,197)	19,907	27,270	2,182
Foreign Currency Risk ⁵	78,742	(16,543)	62,199	78,742	6,299
Inventory Risk	51,208	-	51,209	62,686	5,015
			133,315	168,698	13,496
(iv) Operational Risk			453,055	453,055	36,245
(v) Total RWA and Capital Requirements			11,900,027	11,089,096	887,128

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

A21. Capital adequacy (Cont'd.)

Bank As at 31 December 2008		Gross Exposures	Net Exposures **	Risk Weighted Assets	Total Risk Weighted Assets After Effects of PSIA	Capital Requirement
		RM'000	RM'000	RM'000	RM'000	RM'000
(i) Credit Risk						
a) On-Balance Sheet Exposures						
Sovereigns/Central Banks		1,596,807	1,596,807	-	-	-
Banks, Development Financial Institutions & MDBs		1,253,479	1,253,479	355,331	355,331	28,426
Corporates		5,550,815	5,550,815	5,374,091	5,374,091	429,927
Higher Risk Assets ¹		419,480	419,480	629,220	629,220	50,338
Other Assets		167,949	167,949	158,796	158,796	12,704
Defaulted Exposures ²		532,490	532,490	778,332	778,332	62,267
		9,521,020	9,521,020	7,295,770	7,295,770	583,662
b) Off-Balance Sheet Exposures*						
OTC Derivatives ³		150,238	150,238	99,647	99,647	7,972
Off balance sheet exposures other than OTC derivatives or credit derivatives ⁴		2,451,119	2,451,119	2,118,187	2,118,187	169,455
Defaulted Exposures ²		2,067	2,067	3,100	3,100	247
		2,603,424	2,603,424	2,220,934	2,220,934	177,674
Total On and Off-Balance Sheet Exposures		12,124,444	12,124,444	9,516,704	9,516,704	761,336
(ii) Large Exposures Risk Requirement						
		2,956	2,956	2,956	2,956	236
		Long Position	Short Position			
(iii) Market Risk						
Benchmark Rate Risk		821,309	(810,602)	10,707	25,598	2,048
Foreign Currency Risk ⁵		12,117	(14,838)	(2,721)	14,838	1,187
Inventory Risk		61,779	-	61,779	70,271	5,622
				69,765	110,707	8,857
(iv) Operational Risk						
				360,978	360,978	28,879
(v) Total RWA and Capital Requirements						
				12,197,165	9,991,345	799,308

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

A21. Capital adequacy (Cont'd.)

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

		Exposures after Netting and Credit Risk Mitigation						Total Exposures after Netting and Credit Risk Mitigation	Total Risk Weighted Assets	
Group		Sovereigns & Central Banks	Public Sector Entities	Banks, MDBs and FDIs	Corporate	Higher Risk Assets	Other Assets			Specialised Financing/ Investment
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
As at 30 June 2009										
Risk-Weights										
0%		1,078,842	-	-	137,087	-	9,446	-	1,225,375	-
20%		-	7,733	392,625	74,388	-	-	-	474,746	94,948
50%		-	-	378,370	364,429	-	-	521,000	1,263,799	631,900
100%		-	-	63,493	6,499,523	-	221,339	89,000	6,873,355	6,873,355
150%		-	-	34,960	1,302,089	635,512	-	-	1,972,561	2,958,842
									11,809,836	10,559,045
As at 31 December 2008										
Risk-Weights										
0%		1,596,808	-	-	90,216	-	9,154	-	1,696,178	-
20%		-	7,622	864,571	92,214	-	-	-	964,407	192,881
50%		-	-	400,780	337,996	-	-	521,000	1,259,776	629,888
100%		-	-	19,722	6,888,767	-	173,016	89,000	7,170,505	7,170,505
150%		-	-	-	459,815	621,104	-	-	1,080,919	1,621,379
									12,171,785	9,614,653

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

A21. Capital adequacy (Cont'd.)

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

		Exposures after Netting and Credit Risk Mitigation						Total Exposures after Netting and Credit Risk Mitigation	Total Risk Weighted Assets	
		Sovereigns & Central Banks	Public Sector Entities	Banks, MDBs and FDIs	Corporate	Higher Risk Assets	Other Assets			Specialised Financing/ Investment
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
Bank										
As at 30 June 2009										
Risk-Weights										
0%		1,078,842	-	-	137,087	-	9,443	-	1,225,372	-
20%		-	7,733	453,328	74,388	-	-	-	535,449	107,089
50%		-	-	378,370	364,429	-	-	521,000	1,263,799	631,900
100%		-	-	63,493	6,405,106	-	209,011	89,000	6,766,610	6,766,610
150%		-	-	34,960	1,302,089	635,477	-	-	1,972,526	2,958,788
									11,763,756	10,464,387
As at 31 December 2008										
Risk-Weights										
0%		1,596,808	-	-	90,216	-	9,152	-	1,696,176	-
20%		-	7,622	927,812	92,214	-	-	-	1,027,648	205,530
50%		-	-	400,780	337,996	-	-	521,000	1,259,776	629,888
100%		-	-	19,722	6,792,441	-	158,797	89,000	7,059,960	7,059,960
150%		-	-	-	459,815	621,069	-	-	1,080,884	1,621,326
									12,124,444	9,516,704

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

A21. Capital adequacy (Cont'd.)

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

Group and Bank	30 June 2009		31 Dec 2008	
	Risk-Weighted Assets Equivalent	Capital Required	Risk-Weighted Assets Equivalent	Capital Required
	RM'000	RM'000	RM'000	RM'000
Benchmark Rate Risk	27,270	2,182	25,598	2,048
Foreign Exchange Risk	78,742	6,299	14,838	1,187
Inventory Risk	62,686	5,015	70,271	5,622
Total	168,698	13,496	110,707	8,857

KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

Part A - Explanatory Notes Pursuant to Financial Reporting Standard ("FRS 134") Issued by Malaysian Accounting Standards Board

B1. Basis of Preparation

The interim financial statements are unaudited and have been prepared in accordance with FRS134: Interim Financial Reporting issued by the Malaysian Accounting Standards Board ("MASB"), Guidelines on Financial Reporting for Licensed Islamic Banks ("BNM/GP8-i") issued by Bank Negara Malaysia (BNM) as well as comply with the provisions of the Companies Act, 1965 and the principles of Shariah.

The interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2008. 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 2008.

B2. Accounting Policies

The significant accounting policies applied in the unaudited condensed interim financial statements are consistent with those adopted in the audited financial statements for the financial year ended 31 December 2008.

B3. Auditors' Report on Preceding Annual Financial Statements

The auditors' report on the audited financial statements for the financial year ended 31 December 2008 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 half-year ended 30 June 2009.

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 half-year ended 30 June 2009.

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 half-year ended 30 June 2009.

B7. Debt and Equity Securities

There were no issuances, cancellation, repurchases, resales or repayments of debt and equity securities during the half-year ended 30 June 2009.

KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)
(Incorporated in Malaysia)

Part A - Explanatory Notes Pursuant to Financial Reporting Standard ("FRS 134") Issued by Malaysian Accounting Standards Board

B8. Dividends Paid

There were no dividends paid during the half-year ended 30 June 2009.

B9. Segment Information on Operating Revenue, Profit/(Loss) Before Tax Expense and Total Assets

(i) By Business Segment

	2nd Quarter ended 30 June 2009		Half-year ended 30 June 2009		Total Assets RM'000
	Operating Revenue/ (Loss) RM'000	Profit/(Loss) Before Tax Expense RM'000	Operating Revenue/ (Loss) RM'000	Profit/(Loss) Before Tax Expense RM'000	
Group					
Retail operations	9,757	(9,026)	15,999	(13,553)	395,529
Treasury and capital market operations	43,516	9,372	116,660	39,013	2,286,094
Corporate banking	46,924	(3,048)	100,818	22,462	2,817,171
Commercial banking	48,841	2,269	106,572	30,160	3,456,035
	149,038	(433)	340,049	78,082	8,954,829
Inter-segment elimination	(35,320)	-	(85,824)	-	-
	113,718	(433)	254,225	78,082	8,954,829
Unallocated expenses	-	(8,861)	-	(67,831)	-
Unallocated assets	-	-	-	-	298,612
	113,718	(9,294)	254,225	10,251	9,253,441

	2nd Quarter ended 30 June 2008		Half-year ended 30 June 2008		Total Assets RM'000
	Operating Revenue/ (Loss) RM'000	Profit/(Loss) Before Tax Expense RM'000	Operating Revenue/ (Loss) RM'000	Profit/(Loss) Before Tax Expense RM'000	
Group					
Retail operations	4,023	(3,220)	9,474	(4,594)	211,393
Treasury and capital market operations	53,415	3,240	102,067	6,268	2,996,410
Corporate banking	41,714	12,488	77,725	20,884	1,909,442
Commercial banking	50,259	15,708	99,854	36,842	2,499,276
	149,411	28,216	289,120	59,400	7,616,521
Inter-segment elimination	(26,105)	-	(46,203)	-	-
	123,306	28,216	242,917	59,400	7,616,521
Unallocated expenses	-	(19,465)	-	(32,048)	-
Unallocated assets	-	-	-	-	210,936
	123,306	8,751	242,917	27,352	7,827,457

Inter-segment pricing is based on negotiated basis.

KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)
(Incorporated in Malaysia)

Part A - Explanatory Notes Pursuant to Financial Reporting Standard ("FRS 134") Issued by Malaysian Accounting Standards Board

B9. Segment Information on Operating Revenue, Profit/(Loss) Before Tax Expense and Total Assets (cont'd)

(ii) By Geographical Locations

	2nd Quarter ended		Half-year ended		Total Assets RM'000
	Operating Revenue/ (Loss) RM'000	Profit/(Loss) Before Tax Expense RM'000	Operating Revenue/ (Loss) RM'000	Profit/(Loss) Before Tax Expense RM'000	
Group					
30 June 2009					
Malaysia	113,667	(5,832)	254,200	17,063	9,245,453
Outside Malaysia	51	(3,462)	25	(6,812)	7,988
	113,718	(9,294)	254,225	10,251	9,253,441
30 June 2008					
Malaysia	123,162	11,441	242,787	31,902	7,822,290
Outside Malaysia	144	(2,690)	130	(4,550)	5,167
	123,306	8,751	242,917	27,352	7,827,457

The Group has funds management operations in Australia and Singapore.

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 2008.

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 2008.

B13. Changes In Contingent Liabilities and Contingent Assets

There were no significant changes in the contingent liabilities and contingent assets since the last annual balance sheet as at 31 December 2008 other than those as disclosed in note A18.

KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

Part A - Explanatory Notes Pursuant to Financial Reporting Standard ("FRS 134") Issued by Malaysian Accounting Standards Board

B14. Capital Commitments

The capital commitments not provided for in the interim financial statements as at 30 June 2009 are as follows:

	Group RM'000	Bank RM'000
Capital expenditure:		
Authorised and contracted for		
- renovation	815	788
- purchase of equipment	4,520	4,520
	5,335	5,308
Authorised and not contracted for		
- purchase of equipment	2,315	2,289
	2,315	2,289