



KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

Interim Report for the Second Quarter Ended 30 June 2010

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KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Group	Note	30 Jun 2010 RM'000	31 Dec 2009 RM'000
ASSETS			
Cash and short-term funds		997,132	2,877,926
Deposits and placements with banks and other financial institutions	A3	146,428	139,052
Securities held-for-trading	A4	-	16,938
Securities available-for-sale	A4	932,474	1,003,119
Securities held-to-maturity	A4	47,751	59,797
Financing, advances and other receivables	A5	6,564,507	7,072,174
Murabahah trading automobile	A6	24,263	37,429
Other assets	A7	122,355	170,057
Hedging financial instruments	A8	61,255	42,836
Statutory deposits with Bank Negara Malaysia		50,169	49,500
Musarakah capital investment	A9	5,916	5,916
Investment in jointly controlled entities		84	-
Property and equipment		34,284	37,017
Intangible assets		27,324	28,668
Deferred tax assets (net)		135,914	29,876
		9,149,856	11,570,306
LIABILITIES			
Deposits from customers	A10	4,013,643	4,255,068
Deposits and placements of banks and other financial institutions	A11	2,511,863	4,202,350
Other liabilities	A12	132,341	368,826
Hedging financial instruments	A8	36,366	24,869
Provision for zakat and tax		3,037	3,267
Murabahah bank financing	A13	48,548	51,397
Subordinated Murabahah Tawarruq	A14	360,084	374,700
		7,105,882	9,280,477
SHAREHOLDER'S EQUITY			
Share capital		2,266,125	2,266,125
Reserves		(222,151)	23,704
		2,043,974	2,289,829
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY			
		9,149,856	11,570,306
COMMITMENTS AND CONTINGENCIES			
	A19	5,010,645	5,218,410
CAPITAL ADEQUACY			
Core capital ratio	A22	18.23%	19.89%
Risk-weighted capital ratio	A22	22.40%	23.79%
NET ASSETS PER SHARE (RM)			
		0.90	1.01

The interim condensed consolidated statement of financial position should be read in conjunction with the audited financial statements for the year ended 31 December 2009 and the accompanying explanatory notes attached to the interim financial statements.

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INTERIM CONDENSED STATEMENTS OF FINANCIAL POSITION

Bank	Note	30 Jun 2010 RM'000	31 Dec 2009 RM'000
ASSETS			
Cash and short-term funds		1,048,972	2,933,272
Deposits and placements with banks and other financial institutions	A3	159,374	139,052
Securities held-for-trading	A4	-	16,938
Securities available-for-sale	A4	831,026	904,650
Securities held-to-maturity	A4	47,751	59,797
Financing, advances and other receivables	A5	6,564,507	7,078,663
Murabahah trading automobile	A6	24,263	37,429
Other assets	A7	100,623	148,127
Hedging financial instruments	A8	61,255	42,836
Statutory deposits with Bank Negara Malaysia		50,169	49,500
Musyarakah capital investment	A9	5,916	5,916
Investment in subsidiaries		67,897	66,143
Property and equipment		33,339	35,874
Intangible assets		27,293	28,625
Deferred tax assets (net)		135,580	29,502
		9,157,965	11,576,324
LIABILITIES			
Deposits from customers	A10	4,025,605	4,264,705
Deposits and placements of banks and other financial institutions	A11	2,513,892	4,215,150
Other liabilities	A12	128,029	367,116
Hedging financial instruments	A8	36,366	24,869
Provision for zakat and tax		3,037	3,267
Murabahah bank financing	A13	48,548	51,397
Subordinated Murabahah Tawarruq	A14	360,084	374,700
		7,115,561	9,301,204
SHAREHOLDER'S EQUITY			
Share capital		2,266,125	2,266,125
Reserves		(223,721)	8,995
		2,042,404	2,275,120
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY			
		9,157,965	11,576,324
COMMITMENTS AND CONTINGENCIES			
	A19	5,010,645	5,218,410
CAPITAL ADEQUACY			
Core capital ratio	A22	18.39%	19.97%
Risk-weighted capital ratio	A22	21.97%	23.34%
NET ASSETS PER SHARE (RM)			
		0.90	1.00

The interim condensed statement of financial position should be read in conjunction with the audited financial statements for the year ended 31 December 2009 and the accompanying explanatory notes attached to the interim financial statements.

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INTERIM CONDENSED CONSOLIDATED INCOME STATEMENTS

Group	Note	2nd Quarter ended 30 Jun		Half-year ended 30 Jun	
		2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Continuing operations					
Operating revenue		113,834	113,718	222,781	254,225
Income derived from investment of depositors' funds and others	A15	82,439	77,480	169,568	173,435
Income derived from investment of shareholder's equity	A16	31,395	36,238	53,213	80,790
Total gross income		113,834	113,718	222,781	254,225
Impairment write-back/(loss) on Murabahah trading automobile		-	(1,409)	277	(1,332)
Impairment write-back on securities		772	-	772	-
Impairment and allowance on financing	A17	(55,907)	(38,705)	(159,805)	(69,138)
Total distributable income/(loss)		58,699	73,604	64,026	183,755
Income attributable to the depositors	A18	(42,869)	(37,211)	(85,097)	(81,090)
Total net income/(loss)		15,830	36,393	(21,072)	102,665
Personnel expenses		(26,424)	(28,170)	(54,612)	(56,494)
Other overheads and expenditures		(16,231)	(13,728)	(31,634)	(28,341)
Finance cost		(3,562)	(3,789)	(6,990)	(7,579)
Profit/(Loss) before zakat and taxation		(30,387)	(9,294)	(114,308)	10,251
Zakat		(783)	(590)	(783)	(1,180)
Taxation		13,254	716	33,901	(558)
Net profit/(loss) for the period		(17,916)	(9,168)	(81,190)	8,513
Attributable to:					
Equity holders of the parent		(17,916)	(9,168)	(81,190)	8,513
Earning/(Loss) per share attributable to equity holders of the parent					
- Basic/Diluted (sen)		(0.8)	(0.5)	(3.6)	0.5

The interim condensed consolidated income statements should be read in conjunction with the audited financial statements for the year ended 31 December 2009 and the accompanying explanatory notes attached to the interim financial statements.

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INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Group	2nd Quarter ended 30 Jun		Half-year ended 30 Jun	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Net profit/(loss) for the period	(17,916)	(9,168)	(81,190)	8,513
Other comprehensive income/(loss):				
Securities available-for-sale:				
Net gain taken to equity	8,138	2,490	18,637	21,791
Exchange differences on translation of foreign operations:				
Net loss taken to equity	(816)	(2,126)	(3,546)	(32)
Income tax relating to components of other comprehensive income	(2,035)	(623)	(4,659)	(5,448)
Other comprehensive income/(loss) for the period, net of tax	5,287	(259)	10,432	16,311
Total comprehensive income/(loss) for the period	(12,629)	(9,427)	(70,758)	24,824
Total comprehensive income/(loss) for the period attributable to equity holders of the parent	(12,629)	(9,427)	(70,758)	24,824

The interim condensed consolidated statement of comprehensive income should be read in conjunction with the audited financial statements for the year ended 31 December 2009 and the accompanying explanatory notes attached to the interim financial statements.

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INTERIM CONDENSED INCOME STATEMENTS

Bank	Note	2nd Quarter ended		Half-year ended	
		30 Jun		30 Jun	
		2010	2009	2010	2009
		RM'000	RM'000	RM'000	RM'000
Continuing operations					
Operating revenue		113,134	110,305	222,094	247,900
Income derived from investment of depositors' funds and others	A15	82,667	76,989	170,119	172,713
Income derived from investment of shareholder's equity	A16	30,467	33,316	51,975	75,187
Total gross income		113,134	110,305	222,094	247,900
Impairment write-back/(loss) on Murabahah trading automobile		-	(1,409)	277	(1,332)
Impairment write-back on securities		772	-	772	-
Impairment and allowance on financing	A17	(55,907)	(38,705)	(159,805)	(69,138)
Total distributable income/(loss)		58,000	70,191	63,338	177,430
Income attributable to the depositors	A18	(42,942)	(37,265)	(85,234)	(81,216)
Total net income/(loss)		15,058	32,926	(21,896)	96,214
Personnel expenses		(24,300)	(24,545)	(47,013)	(50,102)
Other overheads and expenditures		(14,702)	(12,021)	(28,396)	(25,165)
Finance cost		(3,562)	(3,789)	(6,990)	(7,579)
Profit/(Loss) before zakat and taxation		(27,506)	(7,429)	(104,295)	13,368
Zakat		(783)	(590)	(783)	(1,180)
Taxation		13,032	725	33,688	(525)
Net profit/(loss) for the period		(15,257)	(7,294)	(71,390)	11,663

The interim condensed income statements should be read in conjunction with the audited financial statements for the year ended 31 December 2009 and the accompanying explanatory notes attached to the interim financial statements.

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INTERIM CONDENSED STATEMENTS OF COMPREHENSIVE INCOME

	2nd Quarter ended 30 Jun		Half-year ended 30 Jun	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Bank				
Net profit/(loss) for the period	(15,257)	(7,294)	(71,390)	11,663
Other comprehensive income:				
Securities available-for-sale:				
Net gain taken to equity	8,138	2,490	18,363	21,791
Income tax relating to components of other comprehensive income	(2,035)	(623)	(4,591)	(5,448)
Other comprehensive income for the period, net of tax	6,103	1,867	13,772	16,343
Total comprehensive income/(loss) for the period	(9,154)	(5,427)	(57,618)	28,006

The interim condensed statement of comprehensive income should be read in conjunction with the audited financial statements for the year ended 31 December 2009 and the accompanying explanatory notes attached to the interim financial statements.

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INTERIM CONDENSED STATEMENTS OF CHANGES IN EQUITY

Group	Non-distributable			Distributable	Total Equity RM'000	
	Share Capital RM'000	Statutory Reserve RM'000	Translation Reserve RM'000	Securities Available-for-sale RM'000		Retained (Loss)/Profit RM'000
At 1 Jan 2010						
- As previously stated	2,266,125	34,952	(2,094)	(34,928)	25,775	2,289,830
- Effect of adopting FRS 139	-	-	-	-	(175,098)	(175,098)
At 1 Jan 2010, as restated	2,266,125	34,952	(2,094)	(34,928)	(149,323)	2,114,732
Total comprehensive (loss)/income	-	-	(3,546)	13,978	(81,190)	(70,758)
At 30 Jun 2010	2,266,125	34,952	(5,640)	(20,950)	(230,513)	2,043,974
At 1 Jan 2009	1,751,400	34,952	(584)	(63,370)	56,658	1,779,056
Total comprehensive (loss)/income	-	-	(32)	16,343	8,513	24,824
At 30 Jun 2009	1,751,400	34,952	(616)	(47,027)	65,171	1,803,880
Bank						
At 1 Jan 2010						
- As previously stated	2,266,125	34,952	-	(34,928)	8,971	2,275,120
- Effect of adopting FRS 139	-	-	-	-	(175,098)	(175,098)
At 1 January 2010, as restated	2,266,125	34,952	-	(34,928)	(166,127)	2,100,022
Total comprehensive income/(loss)	-	-	-	13,772	(71,390)	(57,618)
At 30 Jun 2010	2,266,125	34,952	-	(21,156)	(237,517)	2,042,404
At 1 Jan 2009	1,751,400	34,952	-	(63,370)	34,948	1,757,930
Total comprehensive income	-	-	-	16,343	11,663	28,006
At 30 Jun 2009	1,751,400	34,952	-	(47,027)	46,611	1,785,936

The interim condensed statement of changes in equity should be read in conjunction with the audited financial statements for the year ended 31 December 2009 and the accompanying explanatory notes attached to the interim financial statements.

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INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

Group	30 Jun 2010 RM'000	30 Jun 2009 RM'000
Profit/(Loss) before zakat and taxation	(114,308)	10,251
Adjustments for non-cash items	152,781	15,227
Operating profit before changes in working capital	38,473	25,478
<u>Changes in the working capital</u>		
Net changes in operating assets	149,269	(364,583)
Net changes in operating liabilities	(2,174,059)	(417,568)
Zakat and taxation paid	(10,061)	(10,400)
Net cash (used in)/generated from operating activities	(2,034,851)	(792,551)
Net cash generated from/(used in) investing activities	112,969	(116,099)
Net cash generated from financing activities	6,161	26,741
	119,130	(89,358)
Net change in cash and cash equivalents	(1,877,248)	(856,431)
Cash and cash equivalents at beginning of the period	2,877,926	2,077,377
Exchange differences on translation of opening balances	(3,546)	(32)
Cash and cash equivalents at end of the period	997,132	1,220,914

The interim condensed consolidated statement of cash flows should be read in conjunction with the audited financial statements for the year ended 31 December 2009 and the accompanying explanatory notes attached to the interim financial statements.

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INTERIM CONDENSED STATEMENTS OF CASH FLOWS

Bank

Profit/(Loss) before zakat and taxation
Adjustments for non-cash items
Operating profit before changes in working capital
<u>Changes in the working capital</u>
Net changes in operating assets
Net changes in operating liabilities
Zakat and taxation paid
Net cash (used in)/generated from operating activities
Net cash generating from/(used in) investing activities
Net cash generated from financing activities
Net change in cash and cash equivalents
Cash and cash equivalents at beginning of the period
Cash and cash equivalents at end of the period

30 Jun 2010 RM'000	30 Jun 2009 RM'000
(104,295)	13,368
152,427	20,522
48,132	33,890
142,312	(372,084)
(2,185,314)	(419,614)
(10,013)	(10,380)
(2,053,015)	(802,078)
114,422	(117,557)
6,161	26,741
120,583	(90,816)
(1,884,300)	(859,004)
2,933,272	2,140,626
1,048,972	1,281,622

The interim condensed statement of cash flows should be read in conjunction with the audited financial statements for the year ended 31 December 2009 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 recorded a loss before zakat and taxation of RM114.3 million and RM104.3 million respectively for the half-year ended 30 June 2010. The Group recorded a decrease in gross financing, advances and other receivables of RM379.1 million or 5.1% to RM7,070.3 million as at 30 June 2010 when compared to RM7,449.4 million as at 31 December 2009.

A2. Prospects for 2010

The Bank will continue to leverage on its current business portfolio with emphasis on strengthening asset quality and recovery efforts through proactive management. The Corporate and Commercial Banking will continue to grow their businesses with focus on selected target markets and industries. The Bank will increase its potential to tap into the retail & consumer markets by leveraging on the branch network and alternative channels such as MEPS and GIRO networks to improve the current services as well as creating banking convenience to customers.

In 2010, the Bank plans to launch series of aggressive deposit campaigns to grow its deposit base and will also embark on a cost optimisation exercise for better financial performance ahead.

A3. Deposits and Placements with Banks and Other Financial Institutions

	Group		Bank	
	30 Jun 2010 RM'000	31 Dec 2009 RM'000	30 Jun 2010 RM'000	31 Dec 2009 RM'000
Licensed Islamic banks	81,698	21,698	81,698	21,698
Other financial institutions	64,730	117,354	77,676	117,354
	146,428	139,052	159,374	139,052

A4. Securities

(i) Securities Held-For-Trading

	Group		Bank	
	30 Jun 2010 RM'000	31 Dec 2009 RM'000	30 Jun 2010 RM'000	31 Dec 2009 RM'000
<u>At fair value</u>				
Unquoted Islamic private debt securities/sukuk	-	16,938	-	16,938

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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

Bank Negara Malaysia Ijarah sukuk
Unquoted Islamic private debt securities/sukuk
Unquoted property funds
Malaysian Government sukuk

Group		Bank	
30 Jun 2010 RM'000	31 Dec 2009 RM'000	30 Jun 2010 RM'000	31 Dec 2009 RM'000
120,980	121,081	120,980	121,081
691,046	764,569	691,046	764,569
88,257	98,469	-	-
13,191	-	-	-
At cost			
19,000	19,000	19,000	19,000
932,474	1,003,119	831,026	904,650

(iii) Securities Held-To-Maturity

At amortised cost

Unquoted Islamic private debt securities/sukuk

Group		Bank	
30 Jun 2010 RM'000	31 Dec 2009 RM'000	30 Jun 2010 RM'000	31 Dec 2009 RM'000
47,751	59,797	47,751	59,797

A5. Financing, Advances and Other Receivables

(i) By type

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 : Impairment and allowance on financing

- Collective impairment
- Individual impairment
- General allowance
- Specific allowance

Net financing, advances and other receivables

Group		Bank	
30 Jun 2010 RM'000	31 Dec 2009 RM'000	30 Jun 2010 RM'000	31 Dec 2009 RM'000
4,311,674	4,632,625	4,311,674	4,632,625
333,748	369,457	333,748	369,457
2,144,823	2,205,380	2,144,823	2,205,380
119,376	125,767	119,376	125,767
175,439	168,764	175,439	168,764
42,803	61,192	42,803	61,192
34,080	2,047	34,080	8,535
17,673	18,364	17,673	18,364
7,179,616	7,583,595	7,179,616	7,590,084
(109,283)	(134,202)	(109,283)	(134,202)
7,070,333	7,449,393	7,070,333	7,455,882
Less : Impairment and allowance on financing			
(119,393)	-	(119,393)	-
(386,433)	-	(386,433)	-
-	(108,166)	-	(108,166)
-	(269,053)	-	(269,053)
6,564,507	7,072,174	6,564,507	7,078,663

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

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

(ii) By contract

	Group		Bank	
	30 Jun 2010 RM'000	31 Dec 2009 RM'000	30 Jun 2010 RM'000	31 Dec 2009 RM'000
Ijarah Muntahia Bittamlik (lease ended with ownership)	2,155,487	2,214,293	2,155,487	2,214,293
Murabahah (cost-plus)	4,229,100	4,536,153	4,229,100	4,536,153
Mudharabah (profit sharing)	119,376	125,767	119,376	125,767
Musarakah (profit and loss sharing)	510,981	540,168	510,981	540,168
Qard (benevolent loan)	34,438	2,450	34,438	8,938
Istisna'	20,951	30,563	20,951	30,563
	7,070,333	7,449,394	7,070,333	7,455,882

(iii) By type of customer

	Group		Bank	
	30 Jun 2010 RM'000	31 Dec 2009 RM'000	30 Jun 2010 RM'000	31 Dec 2009 RM'000
Domestic business enterprises				
- Small medium enterprises	1,281,039	1,287,786	1,281,039	1,287,786
- Others	4,036,761	4,316,212	4,036,761	4,316,212
Individuals	162,834	136,236	162,834	136,236
Other domestic entities	78,170	72,928	78,170	72,928
Foreign entities	1,402,944	1,519,655	1,402,944	1,526,143
Domestic non-bank financial institutions	108,585	116,577	108,585	116,577
	7,070,333	7,449,394	7,070,333	7,455,882

(iv) By profit rate sensitivity

	Group		Bank	
	30 Jun 2010 RM'000	31 Dec 2009 RM'000	30 Jun 2010 RM'000	31 Dec 2009 RM'000
Fixed rate				
- House financing	99,958	52,140	99,958	52,140
- Hire purchase receivables	4,496	5,439	4,496	5,439
- Syndicated financing	95,740	431,313	95,740	431,313
- Term financing	4,379,478	4,477,489	4,379,478	4,483,977
Variable rate				
- House financing	143,875	168,578	143,875	168,578
- Term financing	2,346,786	2,314,435	2,346,786	2,314,435
	7,070,333	7,449,394	7,070,333	7,455,882

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

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

(v) By sector

	Group		Bank	
	30 Jun 2010 RM'000	31 Dec 2009 RM'000	30 Jun 2010 RM'000	31 Dec 2009 RM'000
Agriculture, hunting, forestry & fishing	219,620	277,503	219,620	277,503
Mining and quarrying	385,136	346,990	385,136	346,990
Manufacturing	1,187,065	1,364,037	1,187,065	1,364,037
Electricity, gas and water	176,615	156,310	176,615	156,310
Construction	830,787	809,371	830,787	809,371
Real estate	1,296,990	1,307,118	1,296,990	1,307,118
Purchase of landed property:				
- Residential	169,065	159,059	169,065	159,059
Wholesale & retail trade and restaurant & hotels	626,936	735,557	626,936	735,557
Transport, storage and communication	789,764	816,093	789,764	816,093
Finance, insurance and business services	1,115,977	1,227,637	1,115,977	1,227,637
Purchase of securities	44,957	43,862	44,957	43,862
Purchase of transport vehicles	5,424	5,593	5,424	5,593
Consumption credit	26,451	22,159	26,451	22,159
Others	195,546	178,105	195,546	184,592
	7,070,333	7,449,394	7,070,333	7,455,882

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

	Group		Bank	
	30 Jun 2010 RM'000	31 Dec 2009 RM'000	30 Jun 2010 RM'000	31 Dec 2009 RM'000
At 1 Jan				
- As previously stated	883,793	58,597	883,793	58,597
- Effect of adopting FRS 139	69,013	-	69,013	-
At 1 Jan, as restated	952,806	58,597	952,806	58,597
Impaired during the period/year	461,760	840,840	461,760	840,840
Amount recovered during the period/year	(686,570)	(15,644)	(686,570)	(15,644)
Closing balance	727,996	883,793	727,996	883,793
Gross impaired financing as a percentage of gross financing, advances and other receivables	10.30%	11.86%	10.30%	11.85%

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

(vii) Movements in impairment and allowance on financing

	Group		Bank	
	30 Jun 2010 RM'000	31 Dec 2009 RM'000	30 Jun 2010 RM'000	31 Dec 2009 RM'000
Collective impairment				
At 1 Jan				
- As previously stated	-	-	-	-
- Effect of adopting FRS 139	113,701	-	113,701	-
At 1 Jan, as restated	113,701	-	113,701	-
Impairment made during the period	5,692	-	5,692	-
Closing balance	119,393	-	119,393	-
As % of total gross financing, advances and other receivables less individual impairment	1.79%	-	1.79%	-
Individual impairment				
At 1 Jan				
- As previously stated	-	-	-	-
- Effect of adopting FRS 139	504,647	-	504,647	-
At 1 Jan, as restated	504,647	-	504,647	-
Impairment made during the period	154,113	-	154,113	-
Amount written-off	(272,327)	-	(272,327)	-
Closing balance	386,433	-	386,433	-
General allowance				
At 1 Jan				
- As previously stated	108,166	102,962	108,166	102,962
- Effect of adopting FRS 139	(108,166)	-	(108,166)	-
At 1 Jan, as restated	-	102,962	-	102,962
Allowance made during the year	-	5,204	-	5,204
Closing balance	-	108,166	-	108,166
As % of total gross financing, advances and other receivables less specific allowances	-	1.51%	-	1.51%
Specific allowance				
At 1 Jan				
- As previously stated	269,053	89,582	269,053	89,582
- Effect of adopting FRS 139	(269,053)	-	(269,053)	-
At 1 Jan, as restated	-	89,582	-	89,582
Allowance made during the year	-	179,471	-	179,471
Closing balance	-	269,053	-	269,053

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

(viii) Impaired financing by sector

	Group		Bank	
	30 Jun 2010 RM'000	31 Dec 2009 RM'000	30 Jun 2010 RM'000	31 Dec 2009 RM'000
Agriculture, hunting, forestry & fishing	5,519	56,999	5,519	56,999
Mining and quarrying	141,530	141,799	141,530	141,799
Construction	75,283	74,493	75,283	74,493
Manufacturing	27,905	206,040	27,905	206,040
Real estate	97,313	64,870	97,313	64,870
Wholesale & retail trade and restaurant & hotels	-	616	-	616
Transport, storage and communication	172,064	167,862	172,064	167,862
Finance, insurance and business services	184,035	111,300	184,035	111,300
Others	24,347	59,814	24,347	59,814
	727,996	883,793	727,996	883,793

A6. Murabahah Trading Automobile

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

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

A7. Other Assets

	Group		Bank	
	30 Jun 2010 RM'000	31 Dec 2009 RM'000	30 Jun 2010 RM'000	31 Dec 2009 RM'000
Deposits and prepayments	7,481	6,807	6,561	5,688
Amount due from holding company	190	189	190	189
Amount due from subsidiaries	-	-	10,167	11,642
Amount due from other related parties	3,844	8,528	3,844	8,528
Income receivable	3,929	5,244	4,018	5,258
Fee receivable	1,367	1,389	1,367	1,389
Sundry debtors	38,215	40,976	7,145	8,410
Commodity assets	26,337	49,916	26,337	49,916
Tax recoverable	33,981	43,497	33,983	43,596
Underwriting releases	7,011	13,511	7,011	13,511
	122,355	170,057	100,623	148,127

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.

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A8. Hedging Financial Instruments

Group and Bank

At 30 Jun 2010

Forward foreign exchange related contracts

Ijarah rental swap related contracts

Total

At 31 Dec 2009

Forward foreign exchange related contracts

Ijarah rental swap related contracts

Total

Notional Amount RM'000	Fair Value	
	Assets RM'000	Liabilities RM'000
1,298,028	23,062	6,634
662,139	38,193	29,732
1,960,167	61,255	36,366
1,252,455	14,144	5,513
777,680	28,692	19,356
2,030,135	42,836	24,869

A9. Musyarakah Capital Investment

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

A10. Deposits from Customers

(i) By type of deposit

Qard

Demand deposits

Gold deposits

Mudharabah

Savings deposits

General investment deposits

Murabahah

Group		Bank	
30 Jun 2010 RM'000	31 Dec 2009 RM'000	30 Jun 2010 RM'000	31 Dec 2009 RM'000
205,661	237,053	217,623	246,689
3,023	-	3,023	-
29,673	15,713	29,673	15,713
405,117	468,637	405,117	468,637
3,370,169	3,533,666	3,370,169	3,533,666
4,013,643	4,255,068	4,025,605	4,264,705

(ii) By type of customer

Business enterprises

Individuals

Subsidiaries

Government and statutory bodies

Other enterprises

Group		Bank	
30 Jun 2010 RM'000	31 Dec 2009 RM'000	30 Jun 2010 RM'000	31 Dec 2009 RM'000
2,996,995	2,691,845	2,996,676	2,691,507
93,535	193,582	93,535	193,582
-	-	12,281	10,072
590,403	873,921	590,403	873,921
332,710	495,720	332,710	495,623
4,013,643	4,255,068	4,025,605	4,264,705

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A11. Deposits and Placements of Banks and Other Financial Institutions

	Group		Bank	
	30 Jun 2010 RM'000	31 Dec 2009 RM'000	30 Jun 2010 RM'000	31 Dec 2009 RM'000
<u>Murabahah</u>				
Licensed Islamic banks	311,500	296,759	311,500	296,759
Licensed investment banks	22,433	16,511	22,433	16,511
Other financial institutions	2,177,930	3,889,080	2,179,959	3,901,880
	2,511,863	4,202,350	2,513,892	4,215,150

A12. Other Liabilities

	Group		Bank	
	30 Jun 2010 RM'000	31 Dec 2009 RM'000	30 Jun 2010 RM'000	31 Dec 2009 RM'000
Income payables	29,681	30,941	29,761	31,011
Sundry creditors	42,440	84,264	42,427	84,255
Project clearing account	15,992	179,949	15,992	179,949
Amount due to agent from the purchase of commodity assets	21,857	50,003	21,857	50,003
Accrued restoration cost	3,071	3,021	2,900	2,900
Other provisions and accruals	19,300	20,648	15,092	18,998
	132,341	368,826	128,029	367,116

A13. Murabahah Bank Financing

The Murabahah bank financing of USD15,000,000 or equivalent RM48,547,500 (2009: USD15,000,000 or equivalent RM51,397,500) 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.

A14. 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 RM323,650,000 (2009: USD100,000,000 or equivalent RM342,650,000) is unsecured with a tenure of five years and forms part of the Bank's Tier-2 capital. The Murabahah profit is determined with reference to London Interbank Offer Rate ("LIBOR").

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A15. Income derived from Investment of Depositors' Funds and Others

	2nd Quarter ended 30 Jun		Half-year ended 30 Jun	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Group				
Income derived from investment of:				
- General investment deposits	4,329	3,962	9,067	7,480
- Other deposits	78,110	73,518	160,501	165,955
	82,439	77,480	169,568	173,435
Bank				
Income derived from investment of:				
- General investment deposits	4,335	3,940	9,083	7,447
- Other deposits	78,332	73,049	161,036	165,266
	82,667	76,989	170,119	172,713

(i) Income derived from investment of general investment deposits

	2nd Quarter ended 30 Jun		Half-year ended 30 Jun	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Group				
Finance income and hibah				
Financing, advances and other receivables	3,641	3,836	7,602	6,811
Securities				
- Held-for-trading	-	5	(4)	6
- Available-for-sale	243	316	496	566
- Held-to-maturity	15	24	34	36
Money at call and deposits with financial institutions	415	264	920	491
	4,314	4,445	9,048	7,910
Amortisation of premium less accretion of discounts	(3)	(2)	(6)	(7)
Total financing income and hibah	4,311	4,443	9,042	7,903
Gain/(loss) arising from sale of securities				
- Held-for-trading	-	16	18	16
- Available-for-sale	-	(11)	-	-
Profit from Murabahah trading on automobile	9	7	9	21
Foreign exchange loss	(9)	(514)	(40)	(497)
Gain on Ijarah rental swap obligation	18	21	38	37
	4,329	3,962	9,067	7,480

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A15. Income derived from Investment of Depositors' Funds and Others (cont'd.)

(i) Income derived from investment of general investment deposits

	2nd Quarter ended 30 Jun		Half-year ended 30 Jun	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Bank				
Finance income and hibah				
Financing, advances and other receivables	3,637	3,836	7,597	6,811
Securities				
- Held-for-trading	-	5	(4)	6
- Available-for-sale	243	278	496	500
- Held-to-maturity	15	24	34	36
Money at call and deposits with financial institutions	425	280	942	524
	4,320	4,423	9,065	7,877
Amortisation of premium less accretion of discounts	(3)	(2)	(6)	(7)
Total financing income and hibah	4,317	4,421	9,059	7,870
Gain/(loss) arising from sale of securities				
- Held-for-trading	-	16	18	16
- Available-for-sale	-	(11)	-	-
Profit from Murabahah trading on automobile	9	7	9	21
Foreign exchange loss	(9)	(514)	(40)	(497)
Gain on Ijarah rental swap obligation	18	21	37	37
	4,335	3,940	9,083	7,447

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A15. Income derived from Investment of Depositors' Funds and Others (cont'd.)

(ii) Income derived from investment of other deposits

Group	2nd Quarter ended 30 Jun		Half-year ended 30 Jun	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Finance income and hibah				
Financing, advances and other receivables	65,673	69,545	134,534	147,707
Securities				
- Held-for-trading	-	96	(64)	123
- Available-for-sale	4,399	5,790	8,803	12,351
- Held-to-maturity	274	424	601	745
Money at call and deposits with financial institutions	7,500	4,850	16,275	10,819
	77,846	80,705	160,149	171,745
Amortisation of premium less accretion of discounts	(53)	(34)	(99)	(156)
Total financing income and hibah	77,793	80,671	160,050	171,589
Gain/(loss) arising from sale of securities				
- Held-for-trading	6	356	311	359
- Available-for-sale	-	(272)	-	-
Profit from Murabahah trading on automobile	163	123	163	499
Foreign exchange loss	(177)	(7,745)	(687)	(7,275)
Gain on Ijarah rental swap obligation	325	385	664	783
	78,110	73,518	160,501	165,955

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A15. Income derived from Investment of Depositors' Funds and Others (cont'd.)

(ii) Income derived from investment of other deposits

	2nd Quarter ended 30 Jun		Half-year ended 30 Jun	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Bank				
Finance income and hibah				
Financing, advances and other receivables	65,692	69,545	134,641	147,707
Securities				
- Held-for-trading	-	96	(64)	123
- Available-for-sale	4,400	5,044	8,810	10,896
- Held-to-maturity	275	424	601	745
Money at call and deposits with financial institutions	7,702	5,127	16,697	11,585
	78,069	80,236	160,685	171,056
Amortisation of premium less accretion of discounts	(53)	(34)	(99)	(156)
Total financing income and hibah	78,016	80,202	160,586	170,900
Gain arising from sale of securities				
- Held-for-trading	6	356	311	359
Unrealised loss on revaluation of securities held-for-trading and Ijarah rental swap	-	(272)	-	-
Profit from Murabahah trading on automobile	163	123	163	499
Foreign exchange loss	(178)	(7,745)	(689)	(7,275)
Gain on Ijarah rental swap obligation	325	385	665	783
	78,332	73,049	161,036	165,266

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A16. Income derived from Investment of Shareholder's Equity

<u>Group</u>	2nd Quarter ended 30 Jun		Half-year ended 30 Jun	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Finance income and hibah				
Financing, advances and other receivables	18,654	18,230	37,523	39,114
Securities				
- Held-for-trading	-	25	(17)	32
- Available-for-sale	1,247	1,534	2,454	3,310
- Held-to-maturity	78	111	167	196
Money at call and deposits with financial institutions	2,126	1,287	4,531	2,906
	22,105	21,187	44,658	45,558
Amortisation of premium less accretion of discounts	(15)	(9)	(28)	(41)
Total financing income and hibah	22,090	21,178	44,630	45,517
Fee income				
- Commission	734	911	2,066	2,001
- Other fee income	1,679	6,417	2,448	17,058
- Fund management fee	1,100	2,688	2,245	5,474
Gain/(loss) arising from sale of securities				
- Held-for-trading	2	92	85	93
- Available-for-sale	-	(70)	-	-
Unrealised gain/(loss) on revaluation of securities held-for-trading and Ijarah rental swap	70	(1,120)	(875)	(1,055)
Profit from Murabahah trading on automobile	46	32	46	134
Foreign exchange gain	5,066	5,992	1,866	11,344
Gain on disposal of property, plant and equipment	-	17	1	17
Gain on Ijarah rental swap obligation	92	101	185	207
Gross dividend from property funds	516	-	516	-
	31,395	36,238	53,213	80,790

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A16. Income derived from Investment of Shareholder's Equity (cont'd.)

	2nd Quarter ended 30 Jun		Half-year ended 30 Jun	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Bank				
Finance income and hibah				
Financing, advances and other receivables	18,640	18,230	37,421	39,114
Securities				
- Held-for-trading	-	25	(17)	32
- Available-for-sale	1,246	1,322	2,447	2,885
- Held-to-maturity	78	111	167	196
Money at call and deposits with financial institutions	2,182	1,345	4,633	3,072
	22,146	21,033	44,651	45,299
Amortisation of premium less accretion of discounts	(15)	(9)	(28)	(41)
Total financing income and hibah	22,131	21,024	44,623	45,258
Fee income				
- Commission	734	911	2,066	2,001
- Other fee income	1,674	6,472	2,426	17,113
Gain/(loss) arising from sale of securities				
- Held-for-trading	2	92	84	93
- Available-for-sale	-	(70)	-	-
Unrealised gain/(loss) on revaluation of securities held-for-trading and Ijarah rental swap	70	(1,120)	(875)	(1,055)
Profit from Murabahah trading on automobile	46	32	46	134
Foreign exchange gain	5,523	5,789	3,031	11,321
Management fee	195	85	389	115
Gain on Ijarah rental swap obligation	92	101	185	207
	30,467	33,316	51,975	75,187

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A17. Impairment and Allowance on Financing

Group

Impairment and allowance on financing

- Collective impairment/(write-back) (net)
- Individual impairment (net)
- General allowance (net)
- Specific allowance (net)

Bank

Impairment and allowance on financing

- Collective impairment/(write-back) (net)
- Individual impairment (net)
- General allowance (net)
- Specific allowance (net)

2nd Quarter ended 30 Jun		Half-year ended 30 Jun	
2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
(4,365)	-	5,692	-
60,272	-	154,113	-
-	(19,262)	-	(1,915)
-	57,967	-	71,053
55,907	38,705	159,805	69,138
(4,365)	-	5,692	-
60,272	-	154,113	-
-	(19,262)	-	(1,915)
-	57,967	-	71,053
55,907	38,705	159,805	69,138

A18. Income Attributable to the 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 Jun		Half-year ended 30 Jun	
2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
2,608	2,203	5,117	4,064
20,838	17,351	39,574	45,174
19,423	17,657	40,406	31,852
42,869	37,211	85,097	81,090
2,671	2,203	5,236	4,064
20,848	17,405	39,592	45,300
19,423	17,657	40,406	31,852
42,942	37,265	85,234	81,216

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A19. Commitments and Contingencies

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

	As at 30 Jun 2010			As at 31 Dec 2009		
	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	1,244,165	1,244,165	759,863	1,276,312	1,276,312	810,140
Transaction related contingencies	245,092	122,546	112,713	257,737	128,868	101,198
Trade related contingencies	51,557	10,312	9,440	34,982	6,996	6,329
Irrevocable commitments to extend credit						
Maturity not exceeding one year	876	175	175	202,093	40,419	40,419
Maturity exceeding one year	1,508,788	754,394	800,983	1,483,535	741,768	808,731
Foreign exchange related contracts *						
Less than one year	1,298,028	41,377	17,798	1,253,163	24,240	12,000
One year to five years	189,846	25,143	13,143	196,897	23,308	12,371
Five years and above	100,949	15,183	7,514	105,772	14,966	7,468
Profit rate related contracts (Ijarah rental swap obligation) *						
Five years and above	371,344	53,747	41,863	407,919	50,293	37,240
	5,010,645	2,267,042	1,763,492	5,218,410	2,307,170	1,835,896

* 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.

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A20. RATE OF RETURN RISK

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

Group	Non-trading book						Trading book	Total	Effective profit rate
	Up to 1 month	>1 - 3 months	>3 - 12 months	>1 - 5 years	Over 5 years	Non-profit sensitive			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000			
As at 30 Jun 2010									
ASSETS									
Cash and short-term funds	889,789	-	-	-	-	107,343	-	997,132	2.03
Deposits and placements with banks and other financial institutions	-	139,730	-	6,698	-	-	-	146,428	2.65
Securities held-for-trading	-	-	-	-	-	-	-	-	-
Securities available-for-sale	135,531	154,598	218,473	215,074	88,349	120,449	-	932,474	2.27
Securities held-to-maturity	32,538	-	-	15,213	-	-	-	47,751	3.10
Financing, advances and receivables	3,070,968	1,926,177	484,689	817,771	264,902	-	-	6,564,507	5.54
Murabahah trading automobiles	-	-	-	-	-	-	24,263	24,263	-
Musarakah capital investment	-	-	-	-	-	5,916	-	5,916	-
Other assets	-	-	-	-	-	431,385	-	431,385	-
TOTAL ASSETS	4,128,826	2,220,505	703,162	1,054,756	353,251	665,093	24,263	9,149,856	
LIABILITIES AND SHAREHOLDER'S EQUITY									
Deposits from customers	2,429,122	766,885	608,951	-	-	208,685	-	4,013,643	2.42
Deposits and placements of banks and other financial institutions	1,820,280	484,036	160,114	47,433	-	-	-	2,511,863	2.46
Subordinated Murabahah Tawarruq	-	-	-	360,084	-	-	-	360,084	3.62
Murabahah bank financing	-	-	-	48,548	-	-	-	48,548	1.80
Other liabilities	-	-	-	-	-	171,744	-	171,744	-
Total Liabilities	4,249,402	1,250,921	769,065	456,065	-	380,429	-	7,105,882	
Shareholder's equity	-	-	-	-	-	2,043,974	-	2,043,974	-
Total Liabilities and Shareholder's Equity	4,249,402	1,250,921	769,065	456,065	-	2,424,403	-	9,149,856	
On-balance sheet profit sensitivity gap	(120,576)	969,584	(65,903)	598,691	353,251	(1,759,310)	24,263	-	-
Off-balance sheet profit sensitivity gap	-	-	-	-	-	-	-	-	-
Total profit sensitivity gap	(120,576)	969,584	(65,903)	598,691	353,251	(1,759,310)	24,263	-	

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

Group	Non-trading book						Trading book	Total	Effective profit rate
	Up to 1 month	>1 - 3 months	>3 - 12 months	>1 - 5 years	Over 5 years	Non-profit sensitive			
As at 31 Dec 2009	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	%
ASSETS									
Cash and short-term funds	2,785,845	-	-	-	-	92,081	-	2,877,926	1.93
Deposits and placements with banks and other financial institutions	-	132,354	-	6,698	-	-	-	139,052	1.45
Securities held-for-trading	-	-	-	-	-	-	16,938	16,938	3.88
Securities available-for-sale	142,815	196,670	222,300	238,922	84,942	117,470	-	1,003,119	2.28
Securities held-to-maturity	34,449	10,140	-	15,208	-	-	-	59,797	3.21
Financing, advances and receivables	2,792,929	2,381,560	924,868	626,419	122,903	223,496	-	7,072,175	5.58
Murabahah trading automobiles	-	-	-	-	-	-	37,429	37,429	-
Musyarakah capital investment	-	-	-	-	-	5,916	-	5,916	-
Other assets	-	-	-	-	-	357,954	-	357,954	-
TOTAL ASSETS	5,756,038	2,720,724	1,147,168	887,247	207,845	796,917	54,367	11,570,306	
LIABILITIES AND SHAREHOLDER'S EQUITY									
Deposits from customers	2,398,536	979,621	639,858	-	-	237,053	-	4,255,068	2.20
Deposits and placements of banks and other financial institutions	2,126,208	1,461,418	573,213	41,511	-	-	-	4,202,350	2.24
Subordinated Murabahah Tawarruq	-	-	-	374,700	-	-	-	374,700	3.30
Murabahah bank financing	-	-	-	51,397	-	-	-	51,397	1.81
Other liabilities	-	-	-	-	-	396,962	-	396,962	-
Total Liabilities	4,524,744	2,441,039	1,213,071	467,608	-	634,015	-	9,280,477	
Shareholder's equity	-	-	-	-	-	2,289,829	-	2,289,829	
Total Liabilities and Shareholder's Equity	4,524,744	2,441,039	1,213,071	467,608	-	2,923,844	-	11,570,306	
On-balance sheet profit sensitivity gap	1,231,294	279,685	(65,903)	419,639	207,845	(2,126,927)	54,367	-	
Off-balance sheet profit sensitivity gap	-	-	-	-	-	-	-	-	
Total profit sensitivity gap	1,231,294	279,685	(65,903)	419,639	207,845	(2,126,927)	54,367	-	

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

Bank	Non-trading book						Trading book	Total	Effective profit rate
	Up to 1 month	>1 - 3 months	>3 - 12 months	>1 - 5 years	Over 5 years	Non-profit sensitive			
As at 30 Jun 2010	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	%
ASSETS									
Cash and short-term funds	945,951	-	-	-	-	103,021	-	1,048,972	2.03
Deposits and placements with banks and other financial institutions	-	139,730	12,946	6,698	-	-	-	159,374	2.51
Securities held-for-trading	-	-	-	-	-	-	-	-	-
Securities available-for-sale	135,531	154,598	218,473	215,074	88,349	19,001	-	831,026	2.32
Securities held-to-maturity	32,538	-	-	15,213	-	-	-	47,751	3.10
Financing, advances and receivables	3,070,968	1,926,177	484,689	817,771	264,901	-	-	6,564,506	5.54
Murabahah trading automobiles	-	-	-	-	-	-	24,263	24,263	-
Musarakah capital investment	-	-	-	-	-	5,916	-	5,916	-
Other assets	-	-	-	-	-	476,156	-	476,156	-
TOTAL ASSETS	4,184,988	2,220,505	716,108	1,054,756	353,250	604,094	24,263	9,157,965	
LIABILITIES AND SHAREHOLDER'S EQUITY									
Deposits from customers	2,429,122	766,885	608,951	-	-	220,647	-	4,025,605	2.41
Deposits and placements of banks and other financial institutions	1,822,309	484,036	160,114	47,433	-	-	-	2,513,892	2.46
Subordinated Murabahah Tawarruq	-	-	-	360,084	-	-	-	360,084	3.62
Murabahah bank financing	-	-	-	48,548	-	-	-	48,548	1.80
Other liabilities	-	-	-	-	-	167,432	-	167,432	-
Total Liabilities	4,251,431	1,250,921	769,065	456,065	-	388,079	-	7,115,561	
Shareholder's equity	-	-	-	-	-	2,042,404	-	2,042,404	
Total Liabilities and Shareholder's Equity	4,251,431	1,250,921	769,065	456,065	-	2,430,483	-	9,157,965	
On-balance sheet profit sensitivity gap	(66,443)	969,584	(52,957)	598,691	353,250	(1,826,389)	24,263	-	
Off-balance sheet profit sensitivity gap	-	-	-	-	-	-	-	-	
Total profit sensitivity gap	(66,443)	969,584	(52,957)	598,691	353,250	(1,826,389)	24,263	-	

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

	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			
Bank	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	%
As at 31 Dec 2009									
ASSETS									
Cash and short-term funds	2,850,204	-	-	-	-	83,068	-	2,933,272	1.94
Deposits and placements with banks and other financial institutions	-	132,354	-	6,698	-	-	-	139,052	1.45
Securities held-for-trading	-	-	-	-	-	-	16,938	16,938	3.88
Securities available-for-sale	142,815	196,670	222,300	238,922	84,942	19,001	-	904,650	2.52
Securities held-to-maturity	34,449	10,140	-	15,208	-	-	-	59,797	3.21
Financing, advances and receivables	2,792,929	2,381,560	924,868	626,419	122,903	229,984	-	7,078,663	5.57
Murabahah trading automobiles	-	-	-	-	-	-	37,429	37,429	-
Musyarakah capital investment	-	-	-	-	-	5,916	-	5,916	-
Other assets	-	-	-	-	-	400,607	-	400,607	-
TOTAL ASSETS	5,820,397	2,720,724	1,147,168	887,247	207,845	738,576	54,367	11,576,324	
LIABILITIES AND SHAREHOLDER'S EQUITY									
Deposits from customers	2,398,536	979,621	639,858	-	-	246,690	-	4,264,705	2.20
Deposits and placements of banks and other financial institutions	2,139,008	1,461,418	573,213	41,511	-	-	-	4,215,150	2.24
Subordinated Murabahah Tawarruq	-	-	-	374,700	-	-	-	374,700	3.30
Murabahah bank financing	-	-	-	51,397	-	-	-	51,397	1.81
Other liabilities	-	-	-	-	-	395,252	-	395,252	-
Total Liabilities	4,537,544	2,441,039	1,213,071	467,608	-	641,942	-	9,301,204	
Shareholder's equity	-	-	-	-	-	2,275,120	-	2,275,120	
Total Liabilities and Shareholder's Equity	4,537,544	2,441,039	1,213,071	467,608	-	2,917,062	-	11,576,324	
On-balance sheet profit sensitivity gap	1,282,853	279,685	(65,903)	419,639	207,845	(2,178,486)	54,367	-	
Off-balance sheet profit sensitivity gap	-	-	-	-	-	-	-	-	
Total profit sensitivity gap	1,282,853	279,685	(65,903)	419,639	207,845	(2,178,486)	54,367	-	

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A21. Credit Transactions and Exposures with Connected Parties

Bank

Financing, credit facility and leasing (except guarantee)

As at 30 Jun 2010		
Total Outstanding Value RM'000	Total Exposure (total outstanding + unutilised limit) RM'000	Total Non-Performing Credit Exposure RM'000
296,741	532,000	-
296,741	532,000	-
		23.10%
		-
		5.70%
		-

Total exposure to connected parties as % of capital base

Total exposure to connected parties as % of total outstanding credit exposures

Bank

Financing, credit facility and leasing (except guarantee)

As at 31 Dec 2009		
Total Outstanding Value RM'000	Total Exposure (total outstanding + unutilised limit) RM'000	Total Non-Performing Credit Exposure RM'000
290,263	532,000	-
290,263	532,000	-
		19.96%
		-
		5.45%
		-

Total exposure to connected parties as % of capital base

Total exposure to connected parties as % of total outstanding credit exposures

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A22. 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.

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 A22 (c), (d), (e) and (f).

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

	Group		Bank	
	30 Jun 2010	31 Dec 2009	30 Jun 2010	31 Dec 2009
Core capital ratio				
Credit risk	19.85%	21.39%	20.00%	21.44%
Credit, market, operational and large exposure risks	18.23%	19.89%	18.39%	19.97%
Risk-weighted capital ratio				
Credit risk	24.40%	25.58%	23.89%	25.06%
Credit, market, operational and large exposure risks	22.40%	23.79%	21.97%	23.34%

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

	Group		Bank	
	30 Jun 2010 RM'000	31 Dec 2009 RM'000	30 Jun 2010 RM'000	31 Dec 2009 RM'000
Tier I capital				
Paid-up share capital	2,266,125	2,266,125	2,266,125	2,266,125
Statutory reserve	34,952	34,952	34,952	34,952
Other reserves	(230,513)	25,775	(237,517)	8,971
	2,070,564	2,326,851	2,063,560	2,310,048
Less: Deferred tax assets (net)	(135,914)	(29,876)	(135,580)	(29,502)
Total Tier I capital	1,934,650	2,296,975	1,927,980	2,280,546
Tier II capital				
Subordinated Murabahah Tawarruq	323,650	342,650	323,650	342,650
Collective impairment on financing	119,393	108,166	119,393	108,166
Total Tier II capital	443,043	450,816	443,043	450,816
Less: Investment in subsidiaries	-	-	(67,897)	(66,143)
Capital base	2,377,692	2,747,791	2,303,126	2,665,219

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A22. Capital Adequacy (Cont' d.)

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

	Group		Bank	
	30 Jun 2010 RM'000	31 Dec 2009 RM'000	30 Jun 2010 RM'000	31 Dec 2009 RM'000
Computation of Total Risk-Weighted Assets (RWA)				
Total Credit RWA	9,744,535	10,739,925	9,639,784	10,635,925
Total Market RWA	272,174	255,441	272,174	255,441
Total Operational RWA	584,176	543,623	558,101	514,988
Large Exposure Risk RWA for Equity Holdings	11,956	11,956	11,956	11,956
Total Risk-Weighted Assets	10,612,841	11,550,945	10,482,015	11,418,310
Computation of Capital Ratios				
Core Capital	1,934,650	2,296,975	1,927,980	2,280,546
Capital Base	2,377,692	2,747,791	2,303,126	2,665,219
Core Capital Ratio	18.23%	19.89%	18.39%	19.97%
Risk-Weighted Capital Ratio	22.40%	23.79%	21.97%	23.34%

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A22. Capital Adequacy (Cont'd)

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

Group	Gross Exposures	Net Exposures **	Risk Weighted Assets	Total Risk Weighted Assets After Effects of PSIA	Capital Requirement
As at 30 Jun 2010	RM'000	RM'000	RM'000	RM'000	RM'000
(i) Credit Risk					
(a) On-Balance Sheet Exposures					
Sovereigns/Central Banks	352,876	352,876	-	-	-
Public Sector Entities	88,349	88,349	-	-	-
Banks, Development Financial Institutions & MDBs	1,302,269	1,302,269	374,582	374,582	29,967
Corporates	4,939,019	4,939,019	4,422,432	4,422,432	353,795
Higher Risk Assets ¹	266,523	266,523	395,920	395,920	31,674
Equity Exposure	88,256	88,256	88,256	88,256	7,061
Other Assets	193,557	193,557	179,937	179,937	14,395
Defaulted Exposures ²	1,816,966	1,816,966	2,519,916	2,519,916	201,593
	9,047,815	9,047,815	7,981,043	7,981,043	638,485
(b) Off-Balance Sheet Exposures*					
OTC Hedging Financial Instruments ³	135,450	135,450	80,318	80,318	6,425
Off balance sheet exposures other than OTC hedging financial instruments ⁴	2,088,612	2,088,612	1,619,505	1,619,505	129,560
Defaulted Exposures ²	42,980	42,980	63,669	63,669	5,094
	2,267,042	2,267,042	1,763,492	1,763,492	141,079
Total On and Off-Balance Sheet Exposures	11,314,857	11,314,857	9,744,535	9,744,535	779,564
(ii) Large Exposures Risk Requirement	11,956	11,956	11,956	11,956	956
	Long Position	Short Position			
(iii) Market Risk					
Benchmark Rate Risk	709,143	(700,682)	8,461	18,497	1,480
Foreign Currency Risk ⁵	207,227	(11,006)	196,221	208,184	16,655
Inventory Risk	24,263	-	24,263	45,493	3,639
		228,945	272,174	272,174	21,774
(iv) Operational Risk			584,176	584,176	46,734
(v) Total RWA and Capital Requirements		11,555,758	10,612,841	10,612,841	849,028

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 "unlikelihood to repay", please refer to Appendix 3 paragraph 2 of CAFIB guidelines issued by Bank Negara Malaysia.

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

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

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

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A22. Capital Adequacy (Cont'd)

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

Group	Gross Exposures	Net Exposures **	Risk Weighted Assets	Total Risk Weighted Assets After Effects of PSIA	Capital Requirement
As at 31 Dec 2009	RM'000	RM'000	RM'000	RM'000	RM'000
(i) Credit Risk					
(a) On-Balance Sheet Exposures					
Sovereigns/Central Banks	2,398,211	2,398,211	-	-	-
Public Sector Entities	84,942	84,942	-	-	-
Banks, Development Financial Institutions & MDBs	1,153,012	1,153,012	346,807	346,807	27,745
Corporates	5,430,397	5,430,397	5,170,902	5,170,902	413,672
Higher Risk Assets ¹	220,299	220,299	330,448	330,448	26,436
Equity Exposure	98,469	98,469	98,469	98,469	7,878
Other Assets	239,934	239,934	232,795	232,795	18,622
Defaulted Exposures ²	1,926,129	1,926,129	2,724,608	2,724,608	217,969
	11,551,393	11,551,393	8,904,029	8,904,029	712,322
(b) Off-Balance Sheet Exposures*					
OTC Hedging Financial Instruments ³	112,806	112,806	69,078	69,078	5,526
Off balance sheet exposures other than OTC hedging financial instruments ⁴	2,152,010	2,152,010	1,703,970	1,703,970	136,318
Defaulted Exposures ²	42,354	42,354	62,848	62,848	5,028
	2,307,170	2,307,170	1,835,896	1,835,896	146,872
Total On and Off-Balance Sheet Exposures	13,858,563	13,858,563	10,739,925	10,739,925	859,194
(ii) Large Exposures Risk Requirement	11,956	11,956	11,956	11,956	956
	Long Position	Short Position			
(iii) Market Risk					
Benchmark Rate Risk	773,776	(747,564)	26,212	21,744	1,740
Foreign Currency Risk ⁵	173,690	(11,023)	162,667	173,690	13,894
Inventory Risk	37,429	-	37,429	60,007	4,801
		226,308	255,441	255,441	20,435
(iv) Operational Risk			543,623	543,623	43,491
(v) Total RWA and Capital Requirements		14,096,827	11,550,945	11,550,945	924,076

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 "unlikelihood to repay", please refer to Appendix 3 paragraph 2 of CAFIB guidelines issued by Bank Negara Malaysia.

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

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

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

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A22. Capital adequacy (Cont'd.)

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

Bank	Gross Exposures	Net Exposures **	Risk Weighted Assets	Total Risk Weighted Assets After Effects of PSIA	Capital Requirement
As at 30 Jun 2010	RM'000	RM'000	RM'000	RM'000	RM'000
(i) Credit Risk					
(a) On-Balance Sheet Exposures					
Sovereigns/Central Banks	352,876	352,876	-	-	-
Public Sector Entities	88,349	88,349	-	-	-
Banks, Development Financial Institutions & MDBs	1,367,067	1,367,067	387,541	387,541	31,003
Corporates	4,925,827	4,925,827	4,415,837	4,415,837	353,267
Higher Risk Assets ¹	266,406	266,406	395,745	395,745	31,660
Other Assets	170,871	170,871	157,253	157,253	12,580
Defaulted Exposures ²	1,816,966	1,816,966	2,519,916	2,519,916	201,593
	8,988,362	8,988,362	7,876,292	7,876,292	630,103
(b) Off-Balance Sheet Exposures*					
OTC Hedging Financial Instruments ³	135,450	135,450	80,318	80,318	6,425
Off balance sheet exposures other than OTC hedging financial instruments ⁴	2,088,612	2,088,612	1,619,505	1,619,505	129,560
Defaulted Exposures ²	42,980	42,980	63,669	63,669	5,094
	2,267,042	2,267,042	1,763,492	1,763,492	141,079
Total On and Off-Balance Sheet Exposures	11,255,404	11,255,404	9,639,784	9,639,784	771,182
(ii) Large Exposures Risk Requirement					
	11,956	11,956	11,956	11,956	956
	Long Position	Short Position			
(iii) Market Risk					
Benchmark Rate Risk	709,143	(700,682)	8,461	18,497	1,480
Foreign Currency Risk ⁵	207,227	(11,006)	196,221	208,184	16,655
Inventory Risk	24,263	-	24,263	45,493	3,639
			228,945	272,174	21,774
(iv) Operational Risk					
			558,101	558,101	44,648
(v) Total RWA and Capital Requirements					
		11,496,305	10,482,015	10,482,015	838,560

Note:

* Credit equivalent of off-balance sheet items

** After netting and credit risk mitigation

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A22. 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 31 Dec 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	2,398,211	2,398,211	-	-	-
Public Sector Entities	84,942	84,942	-	-	-
Banks, Development Financial Institutions & MDBs	1,208,302	1,208,302	357,865	357,865	28,629
Corporates	5,436,885	5,436,885	5,177,391	5,177,391	414,191
Higher Risk Assets ¹	220,265	220,265	330,397	330,397	26,432
Other Assets	216,907	216,907	209,768	209,768	16,781
Defaulted Exposures ²	1,926,129	1,926,129	2,724,608	2,724,608	217,969
	11,491,641	11,491,641	8,800,029	8,800,029	704,002
(b) Off-Balance Sheet Exposures*					
OTC Hedging Financial Instruments ³	112,806	112,806	69,078	69,078	5,526
Off balance sheet exposures other than OTC hedging financial instruments ⁴	2,152,010	2,152,010	1,703,970	1,703,970	136,318
Defaulted Exposures ²	42,354	42,354	62,848	62,848	5,028
	2,307,170	2,307,170	1,835,896	1,835,896	146,872
Total On and Off-Balance Sheet Exposures	13,798,811	13,798,811	10,635,925	10,635,925	850,874
(ii) Large Exposures Risk Requirement	11,956	11,956	11,956	11,956	956
	Long Position	Short Position			
(iii) Market Risk					
Benchmark Rate Risk	773,776	(747,564)	26,212	21,744	1,740
Foreign Currency Risk ⁵	173,690	(11,023)	162,667	173,690	13,894
Inventory Risk	37,429	-	37,429	60,007	4,801
			226,308	255,441	20,435
(iv) Operational Risk			514,988	514,988	41,200
(v) Total RWA and Capital Requirements			14,037,075	11,418,310	913,465

Note:

* Credit equivalent of off-balance sheet items

** After netting and credit risk mitigation

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A22. 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	As at 30 Jun 2010	Sovereigns & Central Banks	Public Sector Entities	Banks, MDB s and DFIs	Corporate	Higher Risk Assets	Other Assets	Specialised Financing/ Investment			Equity
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
Risk-Weights											
	0%	352,876	88,349	32,958	456,587	2,576	13,620	-	-	946,966	-
	20%	-	5,826	964,677	59,650	-	-	-	-	1,030,153	206,031
	50%	-	-	374,644	707,958	-	-	521,000	-	1,603,602	801,801
	100%	-	-	38,926	5,332,884	-	179,937	89,000	88,256	5,729,003	5,729,003
	150%	-	-	-	1,292,888	712,245	-	-	-	2,005,133	3,007,700
		352,876	94,175	1,411,205	7,849,967	714,821	193,557	610,000	88,256	11,314,857	9,744,535
As at 31 Dec 2009											
Risk-Weights											
	0%	2,398,211	84,942	33,903	197,526	-	7,139	-	-	2,721,721	-
	20%	-	6,168	803,816	73,249	-	-	-	-	883,233	176,647
	50%	-	-	371,301	575,524	-	-	521,000	-	1,467,825	733,912
	100%	-	-	41,211	6,237,145	-	232,796	89,000	98,469	6,698,621	6,698,621
	150%	-	-	35,180	1,371,518	680,466	-	-	-	2,087,163	3,130,745
		2,398,211	91,110	1,285,411	8,454,962	680,466	239,935	610,000	98,469	13,858,563	10,739,925

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A22. 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, MDB s and DFIs	Corporate	Higher Risk Assets	Other Assets	Specialised Financing/ Investment	Equity			
Bank										
As at 30 Jun 2010	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
Risk-Weights										
0%	352,876	88,349	32,958	456,587	2,576	13,618	-	-	946,964	-
20%	-	5,826	1,029,474	59,650	-	-	-	-	1,094,950	218,991
50%	-	-	374,644	694,767	-	-	521,000	-	1,590,411	795,206
100%	-	-	38,926	5,332,884	-	157,253	89,000	-	5,618,063	5,618,063
150%	-	-	-	1,292,888	712,128	-	-	-	2,005,016	3,007,524
	352,876	94,175	1,476,002	7,836,776	714,704	170,871	610,000	-	11,255,404	9,639,784
As at 31 Dec 2009										
Risk-Weights										
0%	2,398,211	84,942	33,903	197,526	-	7,138	-	-	2,721,720	-
20%	-	6,168	859,107	73,249	-	-	-	-	938,524	187,705
50%	-	-	371,301	575,524	-	-	521,000	-	1,467,825	733,913
100%	-	-	41,211	6,243,633	-	209,769	89,000	-	6,583,613	6,583,613
150%	-	-	35,180	1,371,518	680,431	-	-	-	2,087,129	3,130,694
	2,398,211	91,110	1,340,702	8,461,450	680,431	216,907	610,000	-	13,798,811	10,635,925

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A22. Capital adequacy (Cont'd.)

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

	30 Jun 2010		31 Dec 2009	
	Risk- Weighted Assets Equivalent	Capital Required	Risk- Weighted Assets Equivalent	Capital Required
	RM'000	RM'000	RM'000	RM'000
Group and Bank				
Benchmark Rate Risk	18,497	1,480	21,744	1,740
Foreign Exchange Risk	208,184	16,655	173,690	13,894
Inventory Risk	45,493	3,639	60,007	4,801
Total	272,174	21,774	255,441	20,435

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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 2009. 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 2009.

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 2009 except for the following Financial Reporting Standards ("FRSs"), amendments to FRSs, IC Interpretations and Technical Release that have been issued by the MASB which will be effective during the year:

FRSs, Amendments to FRSs and Interpretations	Effective for financial period beginning on or after
FRS 1: First Time Adoption of Financial Reporting Standards (revised)	1 July 2010
FRS 3: Business Combinations	1 July 2010
FRS 4: Insurance Contracts	1 January 2010
FRS 7: Financial Instruments: Disclosures	1 January 2010
FRS 8: Operating Segments	1 January 2010
FRS 127: Consolidated and Separate Financial Statements	1 January 2010
FRS 139: Financial Instruments: Recognition and Measurement	1 January 2010
Amendments to FRS 1: First Time Adoption of Financial Reporting Standards	1 January 2010
Amendments to FRS 2: Share-based Payment - Vesting Conditions and Cancellations	1 July 2010
Amendment to FRS 5: Non Current Assets Held for Sale and Discontinued Operations	1 July 2010
Amendment to FRS 7: Financial Instruments: Disclosures	1 January 2010
Amendment to FRS 8: Operating Segments	1 January 2010
Amendment to FRS 119: Employee Benefits	1 January 2010
Amendment to FRS 120: Accounting for Government Grants and Disclosure of Government Assistance	1 January 2010
Amendment to FRS 123: Borrowing Costs	1 January 2010
Amendment to FRS 127: Consolidated and Separate Financial Statements: Cost of Investment in a Subsidiary, Jointly Controlled Entity or Associate	1 July 2010
Amendment to FRS 128: Investments in Associates	1 January 2010
Amendment to FRS 129: Financial Reporting in Hyperinflationary Economies	1 January 2010
Amendment to FRS 131: Interests in Joint Ventures	1 January 2010
Amendments to FRS 132: Financial Instruments: Presentation	1 January 2010
Amendment to FRS 134: Interim Financial Reporting	1 January 2010
Amendment to FRS 136: Impairment of Assets	1 January 2010
Amendment to FRS 138: Intangible Assets	1 July 2010
Amendment to FRS 139: Financial Instruments: Recognition and Measurement	1 January 2010
Amendment to FRS 140: Investment Property	1 January 2010
IC Interpretation 9: Reassessment of Embedded Derivatives	1 July 2010
IC Interpretation 10: Interim Financial Reporting and Impairment	1 January 2010
IC Interpretation 11: FRS 2 - Group and Treasury Share Transactions	1 January 2010
IC Interpretation 12: Service Concession Arrangements	1 July 2010
IC Interpretation 13: Customer Loyalty Programmes	1 January 2010

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B2. Accounting Policies (cont'd.)

FRSs, Amendments to FRSs and Interpretations	Effective for financial period beginning on or
IC Interpretation 14: FRS 119 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	1 January 2010
IC Interpretation 15: Agreements for the Construction of Real Estate	1 July 2010
IC Interpretation 16: Hedges of a Net Investment in a Foreign Operation	1 July 2010
IC Interpretation 17: Distributions of Non-cash Assets to Owners	1 July 2010

The above FRSs, amendments to FRSs and Interpretations have no significant impact on the financial statements of the Group and the Bank upon their initial application other than FRS 139 and FRS 7.

B3. Change in Accounting Policies

(a) Impairment of Financing, Advances and Other Receivables

The adoption of FRS 139 has resulted in a change in the accounting policy relating to the assessment for impairment of financial assets, particularly financing, advances and other receivables. Prior to the adoption of FRS 139, allowances for impaired financing, advances and other receivables (previously referred to as non-performing financing) were computed in conformity with the BNM/GP3 Guidelines on Classification of Non-Performing Loans and Provision for Substandard, Bad and Doubtful Debts. Upon the adoption of FRS 139, the Group and the Bank assesses at the end of each reporting period whether there is any objective evidence that a financing or group of financing is impaired. The financing or group of financing is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the financing (an incurred 'loss event') and that the loss event has an impact on future estimated cash flows of the financing or group of financing that can be reliably estimated.

The Group and the Bank assess whether objective evidence of impairment exists individually for financing, and if it is determined that no objective evidence of impairment exists for an individually assessed financing, the financing is included into a group of financing to be collectively assessed for impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the financing's carrying amount and the present value of the estimated future cash flows. The carrying amount of the financing is reduced through the use of an impairment account and the amount of the loss is recognised in the income statement.

In the Amendments to FRS 139 listed above, MASB has included an additional transitional arrangement for entities in the financial sector, whereby BNM may prescribe an alternative basis for collective assessment of impairment by banking institutions. This transitional arrangement is prescribed in BNM's guidelines on Classification and Impairment Provisions for Financing issued by BNM on 9 February 2010, whereby banking institutions are required to maintain collective assessment impairment allowances of at least 1.5% of total outstanding financing, net of individual impairment allowance. Banking institutions are also allowed to maintain a lower collective impairment allowances, however, subject to the written approval by BNM. The collective impairment of the Group and the Bank as at the reporting date have been arrived at based on this transitional arrangement issued by BNM.

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B3. Change in Accounting Policies (cont'd.)

(a) Impairment of Financing, Advances and Other Receivables (cont'd.)

The changes in accounting policy above have been accounted for prospectively, in line with the transitional arrangements under para 103AA of FRS 139, with adjustments to the opening retained profits, for financial assets with carrying values which affect the income statement as at the beginning of the current financial period. As a result of the adoption of the financing impairment basis under FRS 139 and the transitional arrangements under BNM's guidelines on Classification and Impairment Provisions for Financing, the Group and the Bank wrote back general allowance of RM108,166,000 and specific allowance of RM269,053,000 against opening retained profits as at 1 January 2010. In addition, the Group and the Bank have also recognised opening collective impairment of RM113,701,000 and opening individual impairment of RM504,647,000 against opening retained profits as at 1 January 2010. Any further collective and individual impairment charged subsequent to the initial adoption of FRS 139 is recognised as additional impairment on financing, advances and other receivables in the income statement.

(b) Profit Income Recognition

With the full adoption of FRS 139 on 1 January 2010, profit income is recognised using effective yield rates ("EYR"), which is the rate that exactly discounts estimated future cash receipts through the expected life of the financing or, when appropriate, a shorter period to the net carrying amount of the financing.

This change in accounting policy has been accounted for prospectively in line with the transitional arrangements under para 103AA of FRS 139, resulting in an adjustment of RM2,129,000 to opening retained profits of the Group and the Bank.

Prior to the adoption of FRS 139, profit accrued and recognised as income prior to the date that a financing is classified as non-performing is not clawed-back to the first day of default. The profit is then suspended until it is realised on cash basis. Upon adoption of FRS 139, income for non-performing financing will continue to be accrued and recognised in the income statement on EYR basis. The change in the accounting policy has resulted in the transfer of RM5,534,000 from profit-in-suspense to the opening collective impairment of the Group and the Bank.

(c) Adjustments due to Change in Accounting Policies

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

	Group RM'000	Bank RM'000
Effects on retained profit/(loss):		
At 1 Jan 2010, as previously stated	25,775	8,971
Effects of adoption of FRS 139	(175,098)	(175,098)
At 1 Jan 2010, as restated	(149,323)	(166,127)

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B3. Change in Accounting Policies (cont'd.)

(d) Comparative Figures

(i) FRS 101 Presentation of Financial Statements

As a result of the adoption of the revised FRS 101, income statements of the Group and the Bank for the comparative financial period ended 30 June 2009 have been re-presented as two separate statements, ie. an income statement displaying components of profit or loss and a statement of comprehensive income. All non-owner changes in equity which were previously presented in the statement of changes in equity are now included in the statement of comprehensive income as other comprehensive income. Consequently, components of comprehensive income are not presented in the statement of changes in equity. Since these changes only affect presentation aspects, there is no impact on earnings per ordinary share.

B4. Auditors' Report on Preceding Annual Financial Statements

The auditors' report on the audited financial statements for the financial year ended 31 December 2009 was not qualified.

B5. Seasonal or Cyclical Factors Affecting Operations

The operations of the Group and the Bank were not materially affected by any seasonal or cyclical factors in the half-year ended 30 June 2010.

B6. Unusual Items Due to their Nature, Size or Incidence

There were no items of unusual nature, size or incidence affecting the assets, liabilities, equity, net income or cash flows of the Group and the Bank during the half-year ended 30 June 2010.

B7. Changes in Estimates

There were no changes in the estimates of amounts reported in prior financial years that have a material effect to the half-year ended 30 June 2010.

B8. 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 2010.

B9. Dividends Paid

There were no dividends paid during the half-year ended 30 June 2010.

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

(i) **By Business Segment**

	2nd Quarter ended 30 Jun 2010		Half-year ended 30 Jun 2010		Total Assets RM'000
	Operating Revenue RM'000	Profit/(Loss) Before Zakat and Taxation RM'000	Operating Revenue RM'000	Profit/(Loss) Before Zakat and Taxation RM'000	
Group					
Retail operations	8,052	369	16,080	(3,549)	308,183
Treasury and capital market operations	39,462	2,096	76,320	612	2,125,421
Corporate banking	43,396	71,402	85,002	49,211	3,250,794
Commercial banking	48,053	(87,570)	98,332	(116,452)	3,221,091
	138,963	(13,703)	275,734	(70,178)	8,905,489
Inter-segment elimination	(25,129)	-	(52,953)	-	-
	113,834	(13,703)	222,781	(70,178)	8,905,489
Unallocated expenses	-	(16,684)	-	(44,130)	-
Unallocated assets	-	-	-	-	244,367
	113,834	(30,387)	222,781	(114,308)	9,149,856

	2nd Quarter ended 30 Jun 2009		Half-year ended 30 Jun 2009		Total Assets RM'000
	Operating Revenue RM'000	Profit/(Loss) Before Zakat and Taxation RM'000	Operating Revenue RM'000	Profit/(Loss) Before Zakat and Taxation 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

Inter-segment pricing is based on negotiated basis.

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

(ii) By Geographical Locations

	2nd Quarter ended		Half-year ended		Total Assets RM'000
	Operating Revenue RM'000	Profit/(Loss) Before Zakat and Taxation RM'000	Operating Revenue RM'000	Profit/(Loss) Before Zakat and Taxation RM'000	
Group					
30 Jun 2010					
Malaysia	113,815	(28,904)	222,763	(108,460)	9,143,793
Outside Malaysia	19	(1,483)	18	(5,848)	6,063
	113,834	(30,387)	222,781	(114,308)	9,149,856
30 Jun 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

The Group has funds management operations in Australia and Singapore.

B11. Valuation of Property and Equipment

There was no change in the valuation of property and equipment that were brought forward from the previous audited financial statements for the year ended 31 December 2009.

B12. Subsequent Events

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

B13. Changes In Composition Of The Group

There were no significant changes in the composition of the Group since the last audited financial statements as at 31 December 2009.

B14. 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 2009 other than those as disclosed in note A19.

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B15. Capital Commitments

The capital commitments not provided for in the interim financial statements as at 30 June 2010 are as follows:

Capital expenditure:

Authorised and contracted for

- renovation
- purchase of equipment

Authorised and not contracted for

- purchase of equipment

Group RM'000	Bank RM'000
285	285
5,345	5,345
5,630	5,630
<hr/>	
179	179