

KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

Interim Report for the Second Quarter Ended 30 June 2011

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KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

INTERIM CONDENSED STATEMENTS OF FINANCIAL POSITION

Note	Group		Bank	
	30 June 2011 RM'000	31 Dec 2010 RM'000	30 June 2011 RM'000	31 Dec 2010 RM'000
ASSETS				
Cash and short-term funds	2,460,440	2,649,962	2,548,265	2,742,648
Deposits and placements with banks and other financial institutions	A3 994,220	273,259	994,220	273,259
Securities held-for-trading	A4 126,603	110,083	126,603	110,083
Hedging financial instruments	A8 56,802	77,796	56,802	77,796
Securities available-for-sale	A4 1,034,229	1,053,506	907,237	925,933
Securities held-to-maturity	A4 45,604	46,266	45,604	46,266
Financing, advances and other receivables	A5 5,090,626	6,072,784	5,090,626	6,072,784
Murabahah trading automobile	A6 32	32	32	32
Other assets	A7 311,690	392,085	295,176	372,908
Statutory deposits with Bank Negara Malaysia	112,730	44,854	112,730	44,854
Musyarakah capital investment	A9 5,898	5,898	5,898	5,898
Investment in subsidiaries	-	-	32,193	32,397
Investment in jointly controlled entities	914	932	-	-
Property and equipment	29,313	27,340	28,944	26,915
Intangible assets	24,565	27,529	24,547	27,508
Deferred tax assets	124,605	133,878	124,143	133,496
	10,418,271	10,916,204	10,393,019	10,892,777
LIABILITIES				
Deposits from customers	A10 4,394,948	4,546,509	4,395,774	4,548,082
Deposits and placements of banks and other financial institutions	A11 3,261,211	3,465,878	3,263,665	3,473,778
Hedging financial instruments	A8 39,579	36,978	39,579	36,978
Murabahah bank financing	A13 -	23,139	-	23,139
Subordinated Murabahah Tawarruq	A14 348,565	349,655	348,565	349,655
Other liabilities	A12 294,947	428,388	294,011	427,372
Provision for zakat and tax	3,740	3,740	3,740	3,740
Deferred tax liabilities	6,488	8,322	6,488	8,322
	8,349,478	8,862,609	8,351,822	8,871,066
SHAREHOLDER'S EQUITY				
Share capital	2,266,125	2,266,125	2,266,125	2,266,125
Reserves	(197,332)	(212,530)	(224,928)	(244,414)
	2,068,793	2,053,595	2,041,197	2,021,711
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY				
	10,418,271	10,916,204	10,393,019	10,892,777
COMMITMENTS AND CONTINGENCIES				
	A19 3,536,133	4,052,244	3,536,133	4,052,244
CAPITAL ADEQUACY				
Core capital ratio	A21 21.92%	20.15%	21.77%	20.00%
Risk-weighted capital ratio	A21 26.07%	24.56%	25.45%	23.76%
NET ASSETS PER SHARE (RM)				
	0.91	0.91	0.90	0.89

The interim condensed consolidated statement of financial position should be read in conjunction with the audited financial statements for the year ended 31 December 2010 and the accompanying explanatory notes attached to the interim financial statements.

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INTERIM CONDENSED CONSOLIDATED INCOME STATEMENTS

<u>Group</u>	Note	2nd Quarter ended 30 June		Half-year ended 30 June	
		2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Continuing operations					
Operating revenue		107,107	113,834	213,300	222,781
Income derived from investment of depositors' funds and others	A15	79,806	82,439	161,081	169,568
Income derived from investment of shareholder's equity	A16	27,301	31,395	52,219	53,213
Total gross income		107,107	113,834	213,300	222,781
Impairment write-back on Murabahah trading automobile		-	-	-	277
Impairment (charge) / written-back on securities		(1,539)	772	(1,539)	772
Impairment loss on financing	A17	(3,136)	(55,907)	(18,996)	(159,805)
Total distributable income		102,432	58,699	192,765	64,025
Income attributable to the depositors	A18	(50,234)	(42,869)	(96,677)	(85,097)
Total net income		52,198	15,830	96,088	(21,072)
Personnel expenses		(22,953)	(26,424)	(44,493)	(54,612)
Other overheads and expenditures		(21,469)	(16,231)	(39,570)	(31,634)
Finance cost		(3,121)	(3,562)	(6,319)	(6,990)
Profit/(Loss) before zakat and taxation		4,655	(30,387)	5,706	(114,308)
Zakat		-	(783)	-	(783)
Taxation		(3,504)	13,254	(3,664)	33,901
Net profit/(loss) for the period		1,151	(17,916)	2,042	(81,190)
Attributable to:					
Equity holders of the parent		1,151	(17,916)	2,042	(81,190)
Earnings/(Loss) per share attributable to equity holders of the parent					
- Basic/Diluted (sen)		0.05	(0.8)	0.09	(3.6)

The interim condensed consolidated income statements should be read in conjunction with the audited financial statements for the year ended 31 December 2010 and the accompanying explanatory notes attached to the interim financial statements.

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INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Group

Net profit/(loss) for the period

Other comprehensive income/(loss):

Securities available-for-sale:

Net gain taken to equity

Exchange differences on translation of foreign operations:

Net loss taken to equity

Income tax relating to components of other comprehensive income

income

Other comprehensive income for the period, net of tax

Total comprehensive income/(loss) for the period

Total comprehensive income/(loss) for the period attributable equity holders of the parent

2nd Quarter ended 30 June		Half-year ended 30 June	
2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
1,151	(17,916)	2,042	(81,190)
10,321	8,138	18,735	18,637
143	(816)	(895)	(3,546)
(2,580)	(2,035)	(4,684)	(4,659)
7,884	5,287	13,156	10,432
9,035	(12,629)	15,198	(70,758)
9,035	(12,629)	15,198	(70,758)

The interim condensed consolidated statement of comprehensive income should be read in conjunction with the audited financial statements for the year ended 31 December 2010 and the accompanying explanatory notes attached to the interim financial statements.

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INTERIM CONDENSED INCOME STATEMENTS

	Note	2nd Quarter ended 30 June		Half-year ended 30 June	
		2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Bank					
Continuing operations					
Operating revenue		105,818	113,134	210,554	222,094
Income derived from investment of depositors' funds and others	A15	79,615	82,667	161,134	170,119
Income derived from investment of shareholder's equity	A16	26,203	30,467	49,420	51,975
Total gross income		105,818	113,134	210,554	222,094
Impairment write-back on Murabahah trading automobile		-	-	-	277
Impairment (charge) / write-back on securities		(1,116)	772	(1,116)	772
Impairment loss on financing	A17	(3,136)	(55,907)	(18,996)	(159,805)
Total distributable income		101,566	58,000	190,442	63,338
Income attributable to the depositors	A18	(50,277)	(42,942)	(96,777)	(85,234)
Total net income		51,289	15,058	93,665	(21,896)
Personnel expenses		(20,748)	(24,300)	(40,529)	(47,013)
Other overheads and expenditures		(20,562)	(14,702)	(37,956)	(28,396)
Finance cost		(3,121)	(3,562)	(6,319)	(6,990)
Profit/(Loss) before zakat and taxation		6,858	(27,506)	8,861	(104,295)
Zakat		-	(783)	-	(783)
Taxation		(3,486)	13,032	(3,614)	33,688
Net profit/(loss) for the period		3,372	(15,257)	5,247	(71,390)

The interim condensed income statements should be read in conjunction with the audited financial statements for the year ended 31 December 2010 and the accompanying explanatory notes attached to the interim financial statements.

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INTERIM CONDENSED STATEMENTS OF COMPREHENSIVE INCOME

Bank

Net profit/(loss) for the period

Other comprehensive income:

Securities available-for-sale:

Net gain taken to equity

Income tax relating to components of other comprehensive income

income

Other comprehensive income for the period, net of tax

Total comprehensive income/(loss) for the period

2nd Quarter ended 30 June		Half-year ended 30 June	
2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
3,372	(15,257)	5,247	(71,390)
9,895	8,138	18,985	18,363
(2,474)	(2,035)	(4,746)	(4,591)
7,421	6,103	14,239	13,772
10,793	(9,154)	19,486	(57,617)

The interim condensed statement of comprehensive income should be read in conjunction with the audited financial statements for the year ended 31 December 2010 and the accompanying explanatory notes attached to the interim financial statements.

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INTERIM CONDENSED STATEMENTS OF CHANGES IN EQUITY

	Non-distributable			Distributable	Total Equity RM'000	
	Share Capital RM'000	Statutory Reserve RM'000	Translation Reserve RM'000	Securities Available- for-sale RM'000		Retained (Loss)/Profit RM'000
Group						
At 1 Jan 2011	2,266,125	34,952	(7,367)	(15,155)	(224,960)	2,053,595
Total comprehensive (loss)/income	-	-	(895)	14,051	2,042	15,198
At 30 June 2011	2,266,125	34,952	(8,262)	(1,104)	(222,918)	2,068,793
At 1 Jan 2010	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 June 2010	2,266,125	34,952	(5,640)	(20,950)	(230,513)	2,043,974
Bank						
At 1 Jan 2011	2,266,125	34,952	-	(15,949)	(263,417)	2,021,711
Total comprehensive income/(loss)	-	-	-	14,239	5,247	19,486
At 30 June 2011	2,266,125	34,952	-	(1,711)	(258,170)	2,041,197
At 1 Jan 2010	2,266,125	34,952	-	(34,928)	(166,127)	2,100,022
Total comprehensive income	-	-	-	13,772	(71,390)	(57,618)
At 30 June 2010	2,266,125	34,952	-	(21,156)	(237,517)	2,042,404

The interim condensed statement of changes in equity should be read in conjunction with the audited financial statements for the year ended 31 December 2010 and the accompanying explanatory notes attached to the interim financial statements.

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INTERIM CONDENSED STATEMENTS OF CASH FLOWS

	Group		Bank	
	30 June 2011 RM'000	30 June 2010 RM'000	30 June 2011 RM'000	30 June 2010 RM'000
Profit/(Loss) before zakat and taxation	5,706	(114,308)	8,861	(104,295)
Adjustments for non-cash items	55,074	152,781	47,982	152,427
Operating profit before changes in working capital	60,780	38,473	56,842	48,132
<u>Changes in the working capital</u>				
Net changes in operating assets	263,374	149,269	259,495	142,312
Net changes in operating liabilities	(496,931)	(2,174,059)	(503,094)	(2,185,314)
Zakat and taxation paid	(95)	(10,061)	(59)	(10,013)
Net cash (used in)/generated from operating activities	(233,652)	(2,034,851)	(243,658)	(2,053,015)
Net cash generated from/(used in) investing activities	15,972	112,969	15,572	114,422
Net cash generated from financing activities	(23,139)	6,161	(23,139)	6,161
	(7,167)	119,130	(7,567)	120,583
Net change in cash and cash equivalents	(180,039)	(1,877,248)	(194,383)	(1,884,300)
Cash and cash equivalents at beginning of the period	2,649,962	2,877,926	2,742,648	2,933,272
Exchange differences on translation of opening balances	(9,483)	(3,546)	-	-
Cash and cash equivalents at end of the period	2,460,440	997,132	2,548,265	1,048,972

The interim condensed consolidated statement of cash flows should be read in conjunction with the audited financial statements for the year ended 31 December 2010 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 profit before zakat and taxation of RM5.7million and RM8.9 million respectively for the half-yearly ended 30 June 2011. The total assets of the Group decreased by RM497.9 million to RM10.4 billion as at 30 June 2011, as compared to RM10.9 billion as at 31 December 2010. Despite the decrease, the Group stood on a strong capitalised position with a risk-weighted capital ratio of 26.4%.

A2. Prospects for 2011

2010 was a year of consolidation and streamlining existing operations. For 2011, the Bank expects to continue these efforts and has identified three major operational areas concentrating on business growth, enhancement of asset quality and cost optimisation.

In terms of business growth, the Bank plans to further develop its retail banking business in 2011 by enhancing its product and service offerings, as well as setting up more branches and Bureau de Changes to boost visibility among its retail customers. These strategies will also assist in its efforts to diversify its income base. Another identified growth area for the Bank is fee based income from both corporate and investment banking, and commercial banking businesses. Additionally, the Bank also plans to look into establishing strategic alliances to explore new and alternative markets.

For 2011, the Bank also intends to ensure continuous enhancement of credit quality by focusing on the implementation of a target market or risk acceptance criteria, enforcing portfolio limits with proper action triggers, practicing a risk-based action model and a robust credit scoring system.

In achieving its cost optimisation objective, the Bank will continue to conduct, amongst others, end-to-end process flow analyses and identification of high cost areas to eliminate wastages, and carry out further automation activities which will lead to cost reduction.

A3. Deposits and Placements with Banks and Other Financial Institutions

	Group		Bank	
	30 June 2011 RM'000	31 Dec 2010 RM'000	30 June 2011 RM'000	31 Dec 2010 RM'000
Licensed Islamic banks	405,698	76,698	405,698	76,698
Other financial institutions	588,522	196,561	588,522	196,561
	994,220	273,259	994,220	273,259

A4. Securities

(i) Securities Held-For-Trading

	Group		Bank	
	30 June 2011 RM'000	31 Dec 2010 RM'000	30 June 2011 RM'000	31 Dec 2010 RM'000
<u>At fair value</u>				
Unquoted Islamic private debt securities/sukuk	126,603	110,083	126,603	110,083

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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

	Group		Bank	
	30 June 2011 RM'000	31 Dec 2010 RM'000	30 June 2011 RM'000	31 Dec 2010 RM'000
At fair value				
Bank Negara Malaysia Ijarah sukuk	-	121,106	-	121,106
Unquoted Islamic private debt securities/sukuk	856,544	749,752	822,949	721,731
Unquoted property funds	80,705	86,307	-	-
Malaysian Government sukuk	77,980	77,341	65,288	64,096
At cost				
Unquoted shares in Malaysia	19,000	19,000	19,000	19,000
	1,034,229	1,053,506	907,237	925,933

(iii) Securities Held-To-Maturity

	Group		Bank	
	30 June 2011 RM'000	31 Dec 2010 RM'000	30 June 2011 RM'000	31 Dec 2010 RM'000
At amortised cost				
Unquoted Islamic private debt securities/sukuk	45,604	46,266	45,604	46,266

A5. Financing, Advances and Other Receivables

(i) By type

	Group		Bank	
	30 June 2011 RM'000	31 Dec 2010 RM'000	30 June 2011 RM'000	31 Dec 2010 RM'000
Term financing				
- Murabahah financing	3,260,178	4,004,141	3,260,178	4,004,141
- Musyarakah financing	322,489	343,546	322,489	343,546
- Ijarah asset financing	1,921,371	2,046,766	1,921,371	2,046,766
- Mudharabah asset financing	85,070	117,887	85,070	117,887
- Musyarakah Mutanaqisah financing	90,750	106,782	90,750	106,782
- Istisna' financing	21,208	34,735	21,208	34,735
- Qard Hassan financing	1,195	32,239	1,195	32,239
Staff financing	12,214	14,428	12,214	14,428
	5,714,475	6,700,524	5,714,475	6,700,524
Less : Unearned income	(167,020)	(97,252)	(167,020)	(97,252)
Gross financing, advances and receivables	5,547,455	6,603,272	5,547,455	6,603,272
Less : Impairment and allowance on financing				
- Collective impairment	(98,052)	(118,773)	(98,052)	(118,773)
- Individual impairment	(358,777)	(411,715)	(358,777)	(411,715)
Net financing, advances and other receivables	5,090,626	6,072,784	5,090,626	6,072,784

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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 June 2011 RM'000	31 Dec 2010 RM'000	30 June 2011 RM'000	31 Dec 2010 RM'000
Ijarah Muntahia Bittamlik (lease ended with ownership)	1,927,344	2,055,618	1,927,344	2,055,618
Murabahah (cost-plus)	3,108,106	3,927,781	3,108,106	3,927,781
Mudharabah (profit sharing)	85,070	117,887	85,070	117,887
Musyarakah (profit and loss sharing)	414,621	451,858	414,621	451,858
Qard (benevolent financing)	1,441	32,530	1,441	32,530
Istisna'	10,873	17,598	10,873	17,598
	5,547,455	6,603,272	5,547,455	6,603,272

(iii) By type of customer

	Group		Bank	
	30 June 2011 RM'000	31 Dec 2010 RM'000	30 June 2011 RM'000	31 Dec 2010 RM'000
Domestic business enterprises				
- Small medium enterprises	810,677	1,135,776	810,677	1,135,776
- Others	3,293,688	3,849,198	3,293,688	3,849,198
Individuals	396,271	204,778	396,271	204,778
Other domestic entities	86,240	86,446	86,240	86,446
Foreign entities	879,173	1,238,677	879,173	1,238,677
Domestic non-bank financial institutions	81,406	88,397	81,406	88,397
	5,547,455	6,603,272	5,547,455	6,603,272

(iv) By profit rate sensitivity

	Group		Bank	
	30 June 2011 RM'000	31 Dec 2010 RM'000	30 June 2011 RM'000	31 Dec 2010 RM'000
Fixed rate				
- House financing	97,863	99,053	97,863	99,053
- Hire purchase receivables	15,951	6,902	15,951	6,902
- Syndicated financing	350,058	479,286	350,058	479,286
- Term financing	1,163,956	1,626,858	1,163,956	1,626,858
Variable rate				
- House financing	175,212	128,594	175,212	128,594
- Term financing	3,744,415	4,262,579	3,744,415	4,262,579
	5,547,455	6,603,272	5,547,455	6,603,272

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

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

(v) By sector

	Group		Bank	
	30 June 2011 RM'000	31 Dec 2010 RM'000	30 June 2011 RM'000	31 Dec 2010 RM'000
Agriculture, hunting, forestry & fishing	133,979	203,019	133,979	203,019
Mining and quarrying	463,238	443,073	463,238	443,073
Manufacturing	873,208	1,063,816	873,208	1,063,816
Electricity, gas and water	162,686	273,136	162,686	273,136
Construction	342,911	500,568	342,911	500,568
Real estate	1,288,403	1,599,608	1,288,403	1,599,608
Purchase of landed property:				
- Residential	224,845	174,617	224,845	174,617
Wholesale & retail trade and restaurant & hotels	515,551	575,865	515,551	575,865
Transport, storage and communication	653,739	721,796	653,739	721,796
Finance, insurance and business services	475,916	696,682	475,916	696,682
Purchase of securities	47,433	46,148	47,433	46,148
Purchase of transport vehicles	16,149	6,902	16,149	6,902
Consumption credit	132,769	4,773	132,769	4,773
Others	216,628	293,269	216,628	293,269
	5,547,455	6,603,272	5,547,455	6,603,272

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

	Group		Bank	
	30 June 2011 RM'000	31 Dec 2010 RM'000	30 June 2011 RM'000	31 Dec 2010 RM'000
At 1 Jan	793,987	952,806	793,987	952,806
Net Impaired during the period/year	(13,184)	527,751	(13,184)	527,751
- Impaired during the period/year	210,038	527,751	210,038	527,751
- Declassified as impaired during the period/year	(137,424)	-	(137,424)	-
- Amount written off	(85,798)	-	(85,798)	-
Disposal of financing and advances under SPSIA arrangement (Note B15)	-	(686,570)	-	(686,570)
Closing balance	780,803	793,987	780,803	793,987
Less : Individual impairment	358,777	411,715	358,777	411,715
Net impaired financing, advances and other receivables	422,026	382,272	422,026	382,272
Ratio of net impaired financing, advances and other receivables to gross financing, advances and other receivables less individual impairment	8.13%	6.17%	8.13%	6.17%

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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 impairment and allowance on financing

	Group		Bank	
	30 June 2011 RM'000	31 Dec 2010 RM'000	30 June 2011 RM'000	31 Dec 2010 RM'000
Collective impairment				
At 1 Jan	118,773	113,701	118,773	113,701
Net Impairment made during the period/year	(20,721)	5,072	(20,721)	5,072
Closing balance	98,052	118,773	98,052	118,773
As % of total gross financing, advances and other receivables less individual impairment	1.89%	1.92%	1.89%	1.92%
Individual impairment				
At 1 Jan	411,715	504,647	411,715	504,647
Net Impairment (written-back)/made during the period/year	39,717	186,244	39,717	186,244
- Allowance made	165,762	564,291	165,762	564,291
- Allowance written-back	(126,045)	(378,047)	(126,045)	(378,047)
Amount written off	(92,655)	-	(92,655)	-
Amount written-back in respect of SPSIA arrangement (Note B15)	-	(272,328)	-	(272,328)
Exchange difference	-	(6,848)	-	(6,848)
Closing balance	358,777	411,715	358,777	411,715

(viii) Impaired financing by sector

	Group		Bank	
	30 June 2011 RM'000	31 Dec 2010 RM'000	30 June 2011 RM'000	31 Dec 2010 RM'000
Agriculture, hunting, forestry & fishing	69,023	78,094	69,023	78,094
Mining and quarrying	-	137,424	-	137,424
Construction	1,958	57,835	1,958	57,835
Manufacturing	227,118	55,436	227,118	55,436
Real estate	171,628	170,249	171,628	170,249
Wholesale & retail trade and restaurant & hotels	6,118	9,326	6,118	9,326
Transport, storage and communication	147,299	175,430	147,299	175,430
Finance, insurance and business services	51,587	76,663	51,587	76,663
Others	106,072	33,530	106,072	33,530
	780,803	793,987	780,803	793,987

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A6. Murabahah Trading Automobile

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

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

A7. Other Assets

	Group		Bank	
	30 June 2011 RM'000	31 Dec 2010 RM'000	30 June 2011 RM'000	31 Dec 2010 RM'000
Deposits and prepayments	5,915	7,298	5,665	6,595
Amount due from holding company	649	674	649	674
Amount due from subsidiaries	-	-	9,143	9,628
Amount due from other related parties	1,620	1,620	1,620	1,620
Income receivable	9,308	6,403	9,346	6,458
Sundry debtors	31,543	35,034	6,053	6,845
Commodity assets	131,782	260,003	131,782	260,003
Tax recoverable	51,768	52,564	51,813	52,596
Gold depository	79,105	28,489	79,105	28,489
	311,690	392,085	295,176	372,908

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

A8. Hedging Financial Instruments

	Notional Amount RM'000	Fair Value	
		Assets RM'000	Liabilities RM'000
Group and Bank			
At 30 June 2011			
Forward foreign exchange related contracts	866,828	12,606	406
Ijarah rental swap related contracts	612,155	44,196	39,173
Total	1,478,983	56,802	39,579
At 31 Dec 2010			
Forward foreign exchange related contracts	1,128,680	35,924	2,212
Ijarah rental swap related contracts	690,229	41,872	34,766
Total	1,818,909	77,796	36,978

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A9. Musyarakah Capital Investment

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

A10. Deposits from Customers

(i) By type of deposit

	Group		Bank	
	30 June 2011 RM'000	31 Dec 2010 RM'000	30 June 2011 RM'000	31 Dec 2010 RM'000
<u>Qard</u>				
Demand deposits	365,508	374,023	366,334	375,596
Gold deposits	79,889	29,493	79,889	29,493
<u>Mudharabah</u>				
Savings deposits	41,244	26,328	41,244	26,328
General investment deposits	320,416	341,298	320,416	341,298
Murabahah	3,587,891	3,775,367	3,587,891	3,775,367
	4,394,948	4,546,509	4,395,774	4,548,082

(ii) By type of customer

	Group		Bank	
	30 June 2011 RM'000	31 Dec 2010 RM'000	30 June 2011 RM'000	31 Dec 2010 RM'000
Business enterprises	2,068,272	2,283,249	2,067,674	2,282,944
Individuals	163,272	174,593	163,272	174,593
Subsidiaries	-	-	1,424	1,878
Government and statutory bodies	1,319,877	1,395,275	1,319,877	1,395,275
Other enterprises	843,527	693,392	843,527	693,392
	4,394,948	4,546,509	4,395,774	4,548,082

A11. Deposits and Placements of Banks and Other Financial Institutions

	Group		Bank	
	30 June 2011 RM'000	31 Dec 2010 RM'000	30 June 2011 RM'000	31 Dec 2010 RM'000
<u>Murabahah</u>				
Licensed Islamic banks	294,386	261,712	294,386	261,712
Licensed Banks	40,082	-	40,082	-
Bank Negara Malaysia	324,624	246,820	324,624	246,820
Licensed investment banks	-	28,577	-	28,577
Other financial institutions	2,602,119	2,928,769	2,604,573	2,936,669
	3,261,211	3,465,878	3,263,665	3,473,778

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A12. Other Liabilities

	Group		Bank	
	30 June 2011 RM'000	31 Dec 2010 RM'000	30 June 2011 RM'000	31 Dec 2010 RM'000
Income payables	26,257	30,386	26,264	30,439
Sundry creditors	105,624	105,536	105,741	105,534
Project clearing account	4,640	4,605	4,640	4,605
Amount due to agent from the purchase of commodity assets	131,800	256,700	131,800	256,700
Accrued restoration cost	3,250	3,266	3,179	3,200
Other provisions and accruals	23,376	27,895	22,387	26,894
	294,947	428,388	294,011	427,372

A13. Murabahah Bank Financing

The Murabahah bank financing in 2010 of USD7,500,000 or equivalent RM23,139,375 was an unsecured financing facility obtained in 2008 with a tenure of two years and was repayable in instalments commencing 2009. The Murabahah price was 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 RM301,975,000 (2010: USD100,000,000 or equivalent RM308,530,000) 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

Group

Income derived from investment of:

- General investment deposits
- Other deposits

Bank

Income derived from investment of:

- General investment deposits
- Other deposits

2nd Quarter ended 30 June		Half-year ended 30 June	
2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
3,260	4,329	6,899	9,067
76,546	78,110	154,182	160,501
79,806	82,439	161,081	169,568
3,251	4,335	6,900	9,083
76,364	78,332	154,234	161,036
79,615	82,667	161,134	170,119

(i) Income derived from investment of general investment deposits

Group

Finance income from financing, advances and other receivables

Finance income from impaired financing

Securities

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

Money at call and deposits with financial institutions

Amortisation of premium less accretion of discounts

Total finance income and hibah

Gain arising from sale of securities

- Held-for-trading

Profit from Murabahah trading on automobile

Foreign exchange gain/(loss)

Gain on Ijarah rental swap obligation

2nd Quarter ended 30 June		Half-year ended 30 June	
2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
2,053	3,641	4,696	7,602
229	-	313	-
41	-	63	(4)
187	243	398	496
12	15	26	34
618	415	1,076	920
3,140	4,314	6,572	9,048
(14)	(3)	(16)	(6)
3,126	4,311	6,556	9,042
30	-	33	18
-	9	-	9
92	(9)	246	(40)
12	18	64	38
3,260	4,329	6,899	9,067

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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 June		Half-year ended 30 June	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Bank				
Finance income from financing, advances and other receivables	2,059	3,637	4,711	7,597
Finance income from impaired financing	230	-	314	-
Securities				
- Held-for-trading	28	-	53	(4)
- Available-for-sale	175	243	372	496
- Held-to-maturity	12	15	26	34
Money at call and deposits with financial institutions	628	425	1,096	942
	3,131	4,320	6,572	9,065
Amortisation of premium less accretion of discounts	(14)	(3)	(16)	(6)
Total finance income and hibah	3,117	4,317	6,556	9,059
Gain arising from sale of securities				
- Held-for-trading	30	-	33	18
Profit from Murabahah trading on automobile	-	9	-	9
Foreign exchange gain/(loss)	92	(9)	247	(40)
Gain on Ijarah rental swap obligation	12	18	63	37
	3,251	4,335	6,900	9,083

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A15. 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	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Finance income from financing, advances and other receivables	48,298	65,673	104,751	134,534
Finance income from impaired financing	5,213	-	7,018	-
Securities				
- Held-for-trading	955	-	1,413	(64)
- Available-for-sale	4,412	4,399	8,893	8,803
- Held-to-maturity	288	274	573	601
Money at call and deposits with financial institutions	14,596	7,500	24,362	16,275
	73,764	77,846	147,010	160,149
Amortisation of premium less accretion of discounts	(335)	(53)	(366)	(99)
Total finance income and hibah	73,429	77,793	146,644	160,050
Gain arising from sale of securities				
- Held-for-trading	674	6	746	311
Profit from Murabahah trading on automobile	-	163	-	163
Foreign exchange gain/(loss)	2,166	(177)	5,432	(687)
Gain on Ijarah rental swap obligation	277	325	1,360	664
	76,546	78,110	154,182	160,501

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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 June		Half-year ended 30 June	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Bank				
Finance income from financing, advances and other receivables	48,437	65,692	105,070	134,641
Finance income from impaired financing	5,229	-	7,039	-
Securities				
- Held-for-trading	659	-	1,192	(64)
- Available-for-sale	4,123	4,400	8,337	8,810
- Held-to-maturity	289	275	575	601
Money at call and deposits with financial institutions	14,836	7,702	24,829	16,697
	73,573	78,069	147,042	160,685
Amortisation of premium less accretion of discounts	(335)	(53)	(368)	(99)
Total finance income and hibah	73,238	78,016	146,674	160,586
Gain arising from sale of securities				
- Held-for-trading	676	6	748	311
Profit from Murabahah trading on automobile	-	163	-	163
Foreign exchange gain/(loss)	2,172	(178)	5,448	(689)
Gain on Ijarah rental swap obligation	278	325	1,364	665
	76,364	78,332	154,234	161,036

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A16. Income derived from Investment of Shareholder's Equity

<u>Group</u>	2nd Quarter ended 30 June		Half-year ended 30 June	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Finance income from financing, advances and other receivables	13,190	18,654	29,177	37,523
Finance income from impaired financing	1,457	-	1,962	-
Securities				
- Held-for-trading	263	-	393	(17)
- Available-for-sale	1,204	1,247	2,475	2,454
- Held-to-maturity	79	78	160	167
Money at call and deposits with financial institutions	3,974	2,126	6,742	4,531
	20,167	22,105	40,909	44,658
Amortisation of premium less accretion of discounts	(90)	(15)	(99)	(28)
Total finance income and hibah	20,077	22,090	40,810	44,630
Fee income				
- Commission	619	734	1,217	2,066
- Other fee income	2,167	1,679	3,839	2,448
- Fund management fee	1,022	1,100	2,060	2,245
Gain arising from sale of securities				
- Held-for-trading	189	2	209	85
Unrealised loss on revaluation of securities held-for-trading and Ijarah rental swap (net)	(1,785)	70	(2,083)	(875)
Profit from Murabahah trading on automobile	-	46	-	46
Foreign exchange gain/(loss)	4,612	5,066	5,139	1,866
Gain on disposal of property, plant and equipment	-	-	-	1
Gain on Ijarah rental swap obligation	76	92	389	185
Gross dividend from property funds	324	516	639	516
	27,301	31,395	52,219	53,213

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

	2nd Quarter ended 30 June		Half-year ended 30 June	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Bank				
Finance income from financing, advances and other receivables	13,046	18,640	28,846	37,421
Finance income from impaired financing	1,441	-	1,940	-
Securities				
- Held-for-trading	177	-	326	(17)
- Available-for-sale	1,110	1,246	2,286	2,447
- Held-to-maturity	78	78	158	167
Money at call and deposits with financial institutions	3,983	2,182	6,774	4,633
	19,835	22,146	40,330	44,651
Amortisation of premium less accretion of discounts	(89)	(15)	(98)	(28)
Total finance income and hibah	19,746	22,131	40,232	44,623
Fee income				
- Commission	620	734	1,218	2,066
- Other fee income	2,160	1,674	3,832	2,426
Gain arising from sale of securities				
- Held-for-trading	187	2	207	84
Unrealised loss on revaluation of securities held-for-trading and Ijarah rental swap (net)	(1,390)	70	(1,785)	(875)
Profit from Murabahah trading on automobile	-	46	-	46
Foreign exchange gain/(loss)	4,610	5,523	4,943	3,031
Management fee	194	195	389	389
Gain on Ijarah rental swap obligation	75	92	385	185
	26,203	30,467	49,420	51,975

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A17. Impairment and Allowance on Financing, Advances and Other Receivables

	2nd Quarter ended 30 June		Half-year ended 30 June	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Group				
Impairment and allowance on financing				
- Collective impairment charge / (written-back)	1,530	(4,365)	(20,721)	5,692
- Individual impairment	1,606	60,272	39,717	154,113
<i>Allowance charge during the period</i>	115,734	94,867	165,762	194,821
<i>Allowance written-back during the period</i>	(114,128)	(34,595)	(126,045)	(40,708)
	3,136	55,907	18,996	159,805
Bank				
Impairment and allowance on financing				
- Collective impairment charge / (written-back)	1,530	(4,365)	(20,721)	5,692
- Individual impairment	1,606	60,272	39,717	154,113
<i>Allowance charge during the period</i>	115,734	94,867	165,762	194,821
<i>Allowance written-back during the period</i>	(114,128)	(34,595)	(126,045)	(40,708)
	3,136	55,907	18,996	159,805

A18. Income Attributable to the Depositors

	2nd Quarter ended 30 June		Half-year ended 30 June	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Group				
Deposits from customers				
- Mudharabah	2,538	2,608	4,956	5,117
- Murabahah	28,577	20,838	54,831	39,574
Deposits and placements of banks and other financial institutions				
- Murabahah	19,119	19,423	36,890	40,406
	50,234	42,869	96,677	85,097
Bank				
Deposits from customers				
- Mudharabah	2,538	2,671	4,956	5,236
- Murabahah	28,624	20,848	54,935	39,592
Deposits and placements of banks and other financial institutions				
- Murabahah	19,115	19,423	36,886	40,406
	50,277	42,942	96,777	85,234

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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 June 2011			As at 31 Dec 2010		
	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	646,735	646,735	425,160	644,403	644,403	424,463
Transaction related contingencies	146,675	73,338	58,132	268,240	134,120	127,233
Trade related contingencies	48,076	9,615	7,664	77,691	15,538	13,542
Irrevocable commitments to extend credit						
- maturity less than one year	433,819	86,764	84,409	360,049	72,010	71,291
- maturity more than one year	781,845	390,923	425,450	882,953	441,476	481,752
Foreign exchange related contracts *						
- less than one year	866,828	13,352	6,778	1,128,680	46,946	21,775
- one year to five years	193,122	15,132	9,736	250,219	27,870	16,654
- five years and above	99,861	11,929	3,429	99,748	15,298	5,568
Profit rate related contracts (Ijarah rental swap obligation) *						
- five years and above	319,172	55,173	41,130	340,261	43,520	33,993
	3,536,133	1,302,960	1,061,888	4,052,244	1,441,181	1,196,271

* 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").

- (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. Credit Transactions and Exposures with Connected Parties

Bank

Financing, credit facility and leasing (except guarantee)
Off-balance sheet exposures*
Equities and Islamic Private Debt Securities held

As at 30 Jun 2011		
Total Outstanding Value RM'000	Total Exposure (total outstanding + unutilised limit) RM'000	Total Non- Performing Credit Exposure RM'000
512,011	571,789	20,139
35	1,000	-
72,600	72,600	-
584,646	645,389	20,139
	28.5%	0.9%
	8.6%	0.3%

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)
Off-balance sheet exposures*
Equities and Islamic Private Debt Securities held

As at 31 Dec 2010		
Total Outstanding Value RM'000	Total Exposure (total outstanding + unutilised limit) RM'000	Total Non- Performing Credit Exposure RM'000
389,999	595,032	20,579
87,600	87,600	-
170	1,000	-
477,769	683,632	20,579
	29.60%	0.9%
	9.30%	0.3%

Total exposure to connected parties as % of capital base

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

*Off-balance sheet transactions that give rise to credit and/or counterparty risk. These transactions also include guarantees, underwriting obligations, etc.

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A21. 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 Bank Negara Malaysia's Capital Adequacy Framework for Islamic Banks ("CAFIB") guidelines 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).

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

	Group		Bank	
	30 June 2011	31 Dec 2010	30 June 2011	31 Dec 2010
Core capital ratio				
Credit risk	23.66%	21.89%	23.45%	21.69%
Credit, market, operational and large exposure risks	21.92%	20.15%	21.77%	20.00%
Risk-weighted capital ratio				
Credit risk	28.15%	26.68%	27.42%	25.77%
Credit, market, operational and large exposure risks	26.07%	24.56%	25.45%	23.76%

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

	Group		Bank	
	30 June 2011 RM'000	31 Dec 2010 RM'000	30 June 2011 RM'000	31 Dec 2010 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	(224,960)	(224,960)	(263,417)	(263,417)
	2,076,117	2,076,117	2,037,660	2,037,660
Less: Deferred tax assets (net)	(125,556)	(125,556)	(125,174)	(125,174)
Total Tier I capital	1,950,561	1,950,561	1,912,486	1,912,486
Tier II capital				
Subordinated Murabahah Tawarruq	271,782	308,530	271,782	308,530
Collective impairment on financing	98,052	118,773	98,052	118,773
Total Tier II capital	369,834	427,303	369,834	427,303
Less: Investment in subsidiaries	-	-	(46,193)	(67,897)
Capital base	2,320,395	2,377,864	2,236,127	2,271,892

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A21. 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 June 2011 RM'000	31 Dec 2010 RM'000	30 June 2011 RM'000	31 Dec 2010 RM'000
Computation of Total Risk-Weighted Assets (RWA)				
Total Credit RWA	8,243,901	8,911,615	8,155,983	8,817,375
Total Market RWA	86,075	180,981	86,075	180,981
Total Operational RWA	558,094	577,513	531,310	551,074
Large Exposure Risk RWA for Equity Hldgs	11,948	11,948	11,948	11,948
Total Risk-Weighted Assets	8,900,019	9,682,057	8,785,316	9,561,378
Computation of Capital Ratios				
Core Capital	1,950,561	1,950,561	1,912,486	1,912,486
Capital Base	2,320,395	2,377,864	2,236,127	2,271,892
Core Capital Ratio	21.92%	20.15%	21.77%	20.00%
Risk-Weighted Capital Ratio	26.07%	24.56%	25.45%	23.76%

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A21. Capital Adequacy (Cont'd)

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

Group	Gross Exposures	Net Exposures	Risk Weighted Assets	Total Risk Weighted Assets After Effects of PSIA	Capital Requirement
As at 30 June 2011	RM'000	RM'000	RM'000	RM'000	RM'000
(i) Credit Risk					
(a) On-Balance Sheet Exposures					
Sovereigns/Central Banks	1,826,313	1,826,313	8,881	8,881	711
Public Sector Entities	91,932	91,932	-	-	-
Banks, Development Financial Institutions & MDBs	2,292,025	2,292,025	695,933	695,933	55,675
Corporates	3,355,284	3,355,284	3,054,383	3,054,383	244,351
Residential Mortgages	14,015	14,015	5,890	5,890	471
Higher Risk Assets	268,393	268,393	402,365	402,365	32,189
Equity Exposure	80,705	80,705	80,705	80,705	6,456
Other Assets	379,056	379,056	280,695	280,695	22,456
Defaulted Exposures	1,900,557	1,900,557	2,653,161	2,653,161	212,253
	10,208,280	10,208,280	7,182,013	7,182,013	574,561
(b) Off-Balance Sheet Exposures					
OTC Hedging Financial Instruments	95,474	95,474	60,905	60,905	4,872
Off balance sheet exposures other than OTC hedging financial instruments	1,181,554	1,181,554	962,083	962,083	76,967
Defaulted Exposures	25,933	25,933	38,900	38,900	3,112
	1,302,961	1,302,961	1,061,888	1,061,888	84,951
Total On and Off-Balance Sheet Exposures	11,511,242	11,511,242	8,243,901	8,243,901	659,512
(ii) Large Exposures Risk Requirement	11,948	11,948	11,948	11,948	956
	Long Position	Short Position			
(iii) Market Risk					
Benchmark Rate Risk	768,420	(637,929)	130,490	39,417	3,153
Foreign Currency Risk	44,921	(28,394)	16,527	46,598	3,728
Inventory Risk	32	-	32	61	5
		163,576	86,075	86,075	6,886
(iv) Operational Risk			558,094	558,094	44,648
(v) Total RWA and Capital Requirements			8,900,019	8,900,019	712,002

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

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A21. Capital Adequacy (Cont'd)

(d) The breakdown of risk-weighted assets ("RWA") by exposures* in each major risk category for the previous financial year 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 2010	RM'000	RM'000	RM'000	RM'000	RM'000
(i) Credit Risk					
(a) On-Balance Sheet Exposures					
Sovereigns/Central Banks	2,195,026	2,195,026	2,649	2,649	212
Public Sector Entities	91,076	91,076	-	-	-
Banks, Development Financial Institutions & MDBs	1,314,937	1,314,937	358,543	358,543	28,683
Corporates	4,637,334	4,637,334	4,071,912	4,071,912	325,753
Higher Risk Assets	142,035	142,035	210,386	210,386	16,831
Equity Exposure	86,307	86,307	86,307	86,307	6,905
Other Assets	459,734	459,734	415,714	415,714	33,257
Defaulted Exposures	1,786,739	1,786,739	2,569,833	2,569,833	205,587
	10,713,188	10,713,188	7,715,344	7,715,344	617,228
(b) Off-Balance Sheet Exposures					
OTC Hedging Financial Instruments	133,199	133,199	77,337	77,337	6,187
Off balance sheet exposures other than OTC hedging financial instruments	1,258,345	1,258,345	1,044,478	1,044,478	83,558
Defaulted Exposures	49,637	49,637	74,456	74,456	5,956
	1,441,181	1,441,181	1,196,271	1,196,271	95,701
Total On and Off-Balance Sheet Exposures	12,154,369	12,154,369	8,911,615	8,911,615	712,929
(ii) Large Exposures Risk Requirement	11,948	11,948	11,948	11,948	956
	Long Position	Short Position			
(iii) Market Risk					
Benchmark Rate Risk	839,394	(724,140)	115,254	31,350	2,508
Foreign Currency Risk	148,190	(22,733)	125,457	149,570	11,966
Inventory Risk	32	-	32	61	5
			240,743	180,981	14,479
(iv) Operational Risk				577,513	46,201
(v) Total RWA and Capital Requirements			9,682,057	9,682,057	774,565

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

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A21. Capital adequacy (Cont'd.)

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

Bank			Risk Weighted Assets	Total Risk Weighted Assets After Effects of PSIA	Capital Requirement
As at 30 June 2011	Gross Exposures	Net Exposures	RM'000	RM'000	RM'000
	RM'000	RM'000	RM'000	RM'000	RM'000
(i) Credit Risk					
(a) On-Balance Sheet Exposures					
Sovereigns/Central Banks	1,813,621	1,813,621	6,343	6,343	507
Public Sector Entities	91,932	91,932	-	-	-
Banks, Development Financial Institutions & MDBs	2,346,292	2,346,292	709,167	709,167	56,733
Corporates	3,355,284	3,355,284	3,054,383	3,054,383	244,351
Residential Mortgages	14,015	14,015	5,890	5,890	471
Higher Risk Assets	268,279	268,279	402,194	402,194	32,176
Other Assets	361,318	361,318	262,957	262,957	21,037
Defaulted Exposures	1,900,557	1,900,557	2,653,161	2,653,161	212,253
	10,151,298	10,151,298	7,094,095	7,094,095	567,528
(b) Off-Balance Sheet Exposures					
OTC Hedging Financial Instruments	95,474	95,474	60,905	60,905	4,872
Off balance sheet exposures other than OTC hedging financial instruments	1,181,554	1,181,554	962,083	962,083	76,967
Defaulted Exposures	25,933	25,933	38,900	38,900	3,112
	1,302,961	1,302,961	1,061,888	1,061,888	84,951
Total On and Off-Balance Sheet Exposures	11,454,259	11,454,259	8,155,983	8,155,983	652,479
(ii) Large Exposures Risk Requirement	11,948	11,948	11,948	11,948	956
	Long Position	Short Position			
(iii) Market Risk					
Benchmark Rate Risk	768,420	(637,929)	130,490	39,417	3,153
Foreign Currency Risk	44,921	(28,394)	16,527	46,598	3,728
Inventory Risk	32	-	32	61	5
			147,049	86,075	6,886
(iv) Operational Risk			531,310	531,310	42,505
(v) Total RWA and Capital Requirements			8,785,316	8,785,316	702,825

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

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A21. Capital adequacy (Cont'd.)

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

Bank	Gross Exposures	Net Exposures	Risk Weighted Assets	Total Risk Weighted Assets After Effects of PSIA	Capital Requirement
As at 31 Dec 2010	RM'000	RM'000	RM'000	RM'000	RM'000
(i) Credit Risk					
(a) On-Balance Sheet Exposures					
Sovereigns/Central Banks	2,181,781	2,181,781	-	-	-
Public Sector Entities	91,076	91,076	-	-	-
Banks, Development Financial Institutions & MDBs	1,379,659	1,379,659	373,926	373,926	29,914
Corporates	4,637,334	4,637,334	4,071,912	4,071,912	325,753
Higher Risk Assets	141,920	141,920	210,214	210,214	16,817
Other Assets	439,237	439,237	395,219	395,219	31,617
Defaulted Exposures	1,786,739	1,786,739	2,569,833	2,569,833	205,587
	10,657,746	10,657,746	7,621,104	7,621,104	609,688
(b) Off-Balance Sheet Exposures					
OTC Hedging Financial Instruments	133,199	133,199	77,337	77,337	6,187
Off balance sheet exposures other than OTC hedging financial instruments	1,258,345	1,258,345	1,044,478	1,044,478	83,558
Defaulted Exposures	49,637	49,637	74,456	74,456	5,956
	1,441,181	1,441,181	1,196,271	1,196,271	95,701
Total On and Off-Balance Sheet Exposures	12,098,927	12,098,927	8,817,375	8,817,375	705,389
(ii) Large Exposures Risk Requirement	11,948	11,948	11,948	11,948	956
	Long Position	Short Position			
(iii) Market Risk					
Benchmark Rate Risk	839,394	(724,140)	115,254	31,350	2,508
Foreign Currency Risk	148,190	(22,733)	125,457	149,570	11,966
Inventory Risk	32	-	32	61	5
			240,743	180,981	14,479
(iv) Operational Risk			551,074	551,074	44,086
(v) Total RWA and Capital Requirements			9,561,378	9,561,378	764,910

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

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A21. Capital adequacy (Cont'd.)

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

As at 30 June 2011

		Exposures after Netting and Credit Risk Mitigation							Total Exposures after Netting and Credit Risk Mitigation	Total Risk Weighted Assets	
		Sovereigns & Central Banks	Public Sector Entities	Banks, MDBs and DFIs	Corporate	Residential Mortgages	Higher Risk Assets	Other Assets			Equity
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
Group Risk-Weights	0%	1,781,906	91,932	55,763	241,641		150	98,362	2,269,754	-	
	20%	44,407	755	1,433,882	111,305				1,590,349	318,070	
	35%					7,446			7,446	2,606	
	50%			884,208	637,427	6,569			1,528,203	764,102	
	100%				3,666,821			280,695	80,705	4,028,221	4,028,221
	150%			36,317	1,529,113		521,837		2,087,268	3,130,902	
		1,826,313	92,687	2,410,170	6,186,308	14,015	521,987	379,056	80,705	11,511,242	8,243,901
Bank Risk-Weights	0%	1,781,906	91,932	43,856	241,641		150	98,362	2,257,848	-	
	20%	31,714	755	1,500,056	111,305				1,643,830	328,766	
	50%			884,208	637,427	6,569			1,528,203	764,102	
	100%				3,666,821			262,957	3,929,778	3,929,778	
	150%			36,317	1,529,113		521,723		2,087,154	3,130,731	
			1,813,621	92,687	2,464,437	6,186,308	14,015	521,873	361,318	-	11,454,259

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A21. Capital adequacy (Cont'd.)

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

As at 31 December 2010

		Exposures after Netting and Credit Risk Mitigation									
		Sovereigns & Central Banks	Public Sector Entities	Banks, MDBs and DFIs	Corporate	Residential Mortgages	Higher Risk Assets	Other Assets	Equity	Total Exposures after Netting and Credit Risk Mitigation	Total Risk Weighted Assets
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Group Risk-Weights	0%	2,181,781	91,076	55,648	438,627		1,778	44,020	-	2,812,930	-
	20%	13,245	4,628	932,713	129,068		-	-	-	1,079,654	215,931
	35%								-	-	-
	50%	-	-	454,079	627,264		-	-	-	1,081,343	540,672
	100%	-	-	-	4,729,281		-	415,714	86,307	5,231,302	5,231,302
	150%	-	-	68,636	1,306,816		573,688	-	-	1,949,140	2,923,710
			2,195,026	95,704	1,511,076	7,231,056	-	575,466	459,734	86,307	12,154,369
Bank Risk-Weights	0%	2,181,781	91,076	43,453	438,627		1,778	44,018	-	2,800,733	-
	20%	-	4,628	1,009,630	129,068		-	-	-	1,143,326	228,665
	35%								-	-	-
	50%	-	-	454,079	627,264		-	-	-	1,081,343	540,672
	100%	-	-	-	4,729,281		-	395,218	-	5,124,499	5,124,499
	150%	-	-	68,636	1,306,816		573,574	-	-	1,949,026	2,923,539
			2,181,781	95,704	1,575,798	7,231,056	-	575,352	439,236	-	12,098,927

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A21. CAPITAL ADEQUACY (Cont'd.)

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

	Group		Bank	
	Principal RM'000	Risk-weighted RM'000	Principal RM'000	Risk-weighted RM'000
As at 30 June 2011				
0%	2,269,754	-	2,257,848	-
20%	1,590,349	318,070	1,643,830	328,766
35%	7,446	2,606	7,446	2,606
50%	1,528,203	764,102	1,528,203	764,102
100%	4,028,221	4,028,221	3,929,778	3,929,778
150%	2,087,268	3,130,902	2,087,154	3,130,731
Risk-weighted assets for credit risk	11,511,242	8,243,901	11,454,259	8,155,983
Risk-weighted assets for market risk		86,075		86,075
Risk-weighted assets for operational risk		558,094		531,310
Large exposure risk-weighted assets for equity holdings		11,948		11,948
Total risk-weighted assets		<u>8,900,019</u>		<u>8,785,316</u>
As at 31 December 2010				
0%	2,812,929	-	2,800,732	-
20%	1,079,654	215,931	1,143,326	228,665
50%	1,081,343	540,672	1,081,343	540,672
100%	5,231,302	5,231,302	5,124,500	5,124,499
150%	1,949,141	2,923,710	1,949,026	2,923,539
Risk-weighted assets for credit risk	12,154,369	8,911,615	12,098,927	8,817,375
Risk-weighted assets for market risk		180,981		180,981
Risk-weighted assets for operational risk		577,513		551,074
Large exposure risk-weighted assets for equity holdings		11,948		11,948
Total risk-weighted assets		<u>9,682,057</u>		<u>9,561,378</u>

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 2011		31 Dec 2010	
	Risk-Weighted Assets Equivalent	Capital Required	Risk-Weighted Assets Equivalent	Capital Required
	RM'000	RM'000	RM'000	RM'000
Benchmark Rate Risk	39,417	3,153	31,350	2,508
Foreign Exchange Risk	46,598	3,728	149,570	11,966
Inventory Risk	61	5	61	5
Total	86,075	6,886	180,981	14,479

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A22. FINANCIAL RISK MANAGEMENT

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

(a) CREDIT RISK

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

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

	30 June 2011		31 Dec 2010	
	Total gross maximum exposure		Total gross maximum exposure	
	Group	Bank	Group	Bank
	RM'000	RM'000	RM'000	RM'000
Cash and short-term funds	2,460,440	2,548,265	2,649,962	2,742,648
Deposits and placements with banks and other financial institutions	994,220	994,220	273,259	273,259
Securities held-for-trading	126,603	126,603	110,083	110,083
Securities available-for-sale	1,015,230	889,129	1,034,506	906,933
Securities held-to-maturity	45,604	45,604	46,266	46,266
Financing, advances and other receivables	5,547,455	5,547,455	6,603,272	6,603,272
Other assets	311,690	295,176	392,085	372,908
Statutory deposits with Bank Negara Malaysia ("BNM")	112,730	112,730	44,854	44,854
Hedging financial instruments				
- Ijarah rental swap	20,065	20,065	19,702	19,702
- Cross-currency Ijarah rental swap	24,131	24,131	22,170	22,170
- Promissory foreign exchange contract	12,606	12,606	35,924	35,924
Total On-Balance Sheet	10,670,773	10,615,983	11,232,083	11,178,019
Financial guarantees	646,735	646,735	644,403	644,403
Contingent liabilities	194,751	194,751	345,931	345,931
Commitments	1,215,664	1,215,664	1,243,002	1,243,002
Total Off-Balance Sheet	2,057,150	2,057,150	2,233,336	2,233,336
Total On and Off-Balance Sheet	12,727,924	12,673,133	13,465,419	13,411,355

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A22. FINANCIAL RISK MANAGEMENT (Cont'd.)

(a) CREDIT RISK (Cont'd.)

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

	Geographic region			Total gross maximum exposure
	Malaysia	Middle east	Others	
	RM'000	RM'000	RM'000	RM'000
30 June 2011				
Group				
Cash and short-term funds	2,203,179	119,661	137,599	2,460,440
Deposits and placements with banks and other financial institutions	405,698	377,502	211,020	994,220
Securities held-for-trading	3,235	12,317	111,051	126,603
Securities available-for-sale	416,821	587,394	11,014	1,015,230
Securities held-to-maturity	15,250	30,354	-	45,604
Financing, advances and other receivables	5,062,014	151,819	333,622	5,547,455
Other assets	236,010	75,680	-	311,690
Statutory deposits with BNM	112,730	-	-	112,730
Hedging financial instruments				
- Ijarah rental swap	20,065	-	-	20,065
- Cross-currency Ijarah rental swap	24,131	-	-	24,131
- Promissory foreign exchange contract	12,606	-	-	12,606
Total On-Balance Sheet	8,511,740	1,354,726	804,307	10,670,773
Financial guarantees	496,700	35	150,000	646,735
Contingent liabilities	135,162	59,589	-	194,751
Commitments	1,209,258	6,407	-	1,215,664
Total Off-Balance Sheet	1,841,120	66,030	150,000	2,057,150
Total On and Off-Balance Sheet	10,352,861	1,420,757	954,307	12,727,924

	Geographic region			Total gross maximum exposure
	Malaysia	Middle east	Others	
	RM'000	RM'000	RM'000	RM'000
31 Dec 2010				
Group				
Cash and short-term funds	2,371,311	153,997	124,654	2,649,962
Deposits and placements with banks and other financial institutions	76,698	-	196,561	273,259
Securities held-for-trading	3,197	-	106,886	110,083
Securities available-for-sale	526,723	495,588	12,195	1,034,506
Securities held-to-maturity	15,250	31,016	-	46,266
Financing, advances and other receivables	5,750,012	367,086	486,174	6,603,272
Other assets	365,912	26,173	-	392,085
Statutory deposits with BNM	44,854	-	-	44,854
Hedging financial instruments				
- Ijarah rental swap	19,702	-	-	19,702
- Cross-currency Ijarah rental swap	22,170	-	-	22,170
- Promissory foreign exchange contract	35,615	-	309	35,924
Total On-Balance Sheet	9,231,444	1,073,860	926,779	11,232,083
Financial guarantees	494,233	170	150,000	644,403
Contingent liabilities	265,053	80,878	-	345,931
Commitments	1,236,616	928	5,458	1,243,002
Total Off-Balance Sheet	1,995,902	81,976	155,458	2,233,336
Total On and Off-Balance Sheet	11,227,346	1,155,836	1,082,238	13,465,419

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A22. FINANCIAL RISK MANAGEMENT (Cont'd.)

(a) CREDIT RISK (Cont'd.)

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

	Geographic region			Total gross maximum exposure RM'000
	Malaysia RM'000	Middle east RM'000	Others RM'000	
30 June 2011				
Bank				
Cash and short-term funds	2,203,179	208,040	137,046	2,548,265
Deposits and placements with banks and other financial institutions	405,698	377,502	211,020	994,220
Securities held-for-trading	3,235	12,317	111,051	126,603
Securities available-for-sale	323,424	565,704	-	889,129
Securities held-to-maturity	15,250	30,354	-	45,604
Financing, advances and other receivables	5,062,014	151,819	333,622	5,547,455
Other assets	219,487	75,680	9	295,176
Statutory deposits with BNM	112,730	-	-	112,730
Hedging financial instruments				
- Ijarah rental swap	20,065	-	-	20,065
- Cross-currency Ijarah rental swap	24,131	-	-	24,131
- Promissory foreign exchange contract	12,606	-	-	12,606
Total On-Balance Sheet	8,401,820	1,421,415	792,747	10,615,983
Financial guarantees	496,700	35	150,000	646,735
Contingent liabilities	135,162	59,589	-	194,751
Commitments	1,209,258	6,407	-	1,215,664
Total Off-Balance Sheet	1,841,120	66,030	150,000	2,057,150
Total On and Off-Balance Sheet	10,242,940	1,487,446	942,747	12,673,133

	Geographic region			Total gross maximum exposure RM'000
	Malaysia RM'000	Middle east RM'000	Others RM'000	
31 Dec 2010				
Bank				
Cash and short-term funds	2,463,997	153,997	124,654	2,742,648
Deposits and placements with banks and other financial institutions	76,698	-	196,561	273,259
Securities held-for-trading	3,197	-	106,886	110,083
Securities available-for-sale	427,170	479,763	-	906,933
Securities held-to-maturity	15,250	31,016	-	46,266
Financing, advances and other receivables	5,750,012	367,086	486,174	6,603,272
Other assets	346,551	26,173	184	372,908
Statutory deposits with BNM	44,854	-	-	44,854
Hedging financial instruments				
- Ijarah rental swap	19,702	-	-	19,702
- Cross-currency Ijarah rental swap	22,170	-	-	22,170
- Promissory foreign exchange contract	35,615	-	309	35,924
Total On-Balance Sheet	9,205,217	1,058,034	914,768	11,178,019
Financial guarantees	494,233	170	150,000	644,403
Contingent liabilities	265,053	80,878	-	345,931
Commitments	1,236,616	928	5,458	1,243,002
Total Off-Balance Sheet	1,995,902	81,976	155,458	2,233,336
Total On and Off-Balance Sheet	11,201,119	1,140,010	1,070,226	13,411,355

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A22. FINANCIAL RISK MANAGEMENT (Cont'd.)

(a) CREDIT RISK (Cont'd.)

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

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

	Industry					Total gross maximum exposure RM'000
	Trading and manufacturing RM'000	Banks and financial institutions RM'000	Construction and real estate RM'000	Transportation, storage and communication RM'000	Government RM'000	
30 June 2011 Group						
Cash and short-term funds		2,460,440				2,460,440
Deposits and placements with banks and other financial institutions		994,220				994,220
Securities held-for-trading	-	123,368	-	-	-	3,235
Securities available-for-sale	-	414,722	109,554	-	195,548	295,406
Securities held-to-maturity			30,354.26			15,249.77
Financing, advances and other receivables	1,388,759	475,916	1,631,314	653,739		1,397,726
Other assets	-	-	-	-	-	311,690
Statutory deposits with BNM	-	-	-	-	112,730	-
Hedging financial instruments	154	36,583	-	20,065	-	-
Total On-Balance Sheet	1,388,913	4,505,249	1,771,222	673,804	308,278	2,023,308
Financial guarantees	31,074	21,131	16,300	421,208		157,023
Contingent liabilities	75,323	80,338	29,267	9,810		13
Commitments	220,393	104,042	542,002	56,061		293,165
Total Off-Balance Sheet	326,790	205,511	587,569	487,079	-	450,202
Total On and Off-Balance Sheet	1,715,703	4,710,759	2,358,790	1,160,883	308,278	2,473,509

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A22. FINANCIAL RISK MANAGEMENT (Cont'd.)

(a) CREDIT RISK (Cont'd.)

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

	Industry					Total gross maximum exposure RM'000
	Trading and manufacturing RM'000	Banks and financial institutions RM'000	Construction and real estate RM'000	Transportation, storage and communication RM'000	Government RM'000	
31 Dec 2010						
Group						
Cash and short-term funds	-	2,649,962	-	-	-	2,649,962
Deposits and placements with banks and other financial institutions	-	273,259	-	-	-	273,259
Securities held-for-trading	-	106,886	-	-	3,197	110,083
Securities available-for-sale	-	259,971	117,176	56,874	225,427	1,034,506
Securities held-to-maturity	-	-	31,015.70	-	-	46,266
Financing, advances and other receivables	1,639,680	696,682	2,100,177	721,796	-	6,603,272
Other assets	-	-	-	-	-	392,085
Statutory deposits with BNM	-	-	-	-	44,854	44,854
Hedging financial instruments	10	58,084	-	19,702	-	77,796
Total On-Balance Sheet	1,639,690	4,044,844	2,248,369	798,373	270,281	2,230,526
Financial guarantees	34,130	21,273	160,830	421,550	-	6,620
Contingent liabilities	93,662	106,044	126,007	9,862	-	10,355
Commitments	166,024	96,084	698,443	61,855	-	220,596
Total Off-Balance Sheet	293,816	223,401	985,280	493,268	-	237,572
Total On and Off-Balance Sheet	1,933,507	4,268,244	3,233,649	1,291,640	270,281	2,468,098

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A22. FINANCIAL RISK MANAGEMENT (Cont'd.)

(a) CREDIT RISK (Cont'd.)

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

	Industry					Total gross maximum exposure RM'000
	Trading and manufacturing Bank	Banks and financial institutions	Construction and real estate	Transportation, storage and communication	Government	
30 June 2011	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cash and short-term funds		2,548,265				2,548,265
Deposits and placements with banks and other financial institutions		994,220				994,220
Securities held-for-trading	-	123,368	-	-	3,235	126,603
Securities available-for-sale	-	381,126	109,554		182,856	889,129
Securities held-to-maturity			30,354.26			45,604
Financing, advances and other receivables	1,388,759	475,916	1,631,314	653,739		5,547,455
Other assets	-	-	-	-	295,176	295,176
Statutory deposits with BNM	-	-	-	-	112,730	112,730
Hedging financial instruments	154	36,583	-	20,065	-	56,802
Total On-Balance Sheet	1,388,913	4,559,478	1,771,222	673,804	295,586	10,615,983
Financial guarantees	31,074	21,131	16,300	421,208		646,735
Contingent liabilities	75,323	80,338	29,267	9,810		194,751
Commitments	220,393	104,042	542,002	56,061		1,215,664
Total Off-Balance Sheet	326,790	205,511	587,569	487,079	-	2,057,150
Total On and Off-Balance Sheet	1,715,703	4,764,989	2,358,790	1,160,883	295,586	12,673,133

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A22. FINANCIAL RISK MANAGEMENT (Cont'd.)

(a) CREDIT RISK (Cont'd.)

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

	Industry						Total gross maximum exposure
	Trading and manufacturing	Banks and financial institutions	Construction and real estate	Transportation, storage and communication	Government	Others	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
31 Dec 2010							
Bank							
Cash and short-term funds	-	2,742,648	-	-	-	-	2,742,648
Deposits and placements with banks and other financial institutions	-	273,259	-	-	-	-	273,259
Securities held-for-trading	-	106,886	-	-	-	3,197	110,083
Securities available-for-sale	-	231,950	117,176	56,874	212,181	288,751	906,933
Securities held-to-maturity	-	-	31,015.70	-	-	15,250.23	46,266
Financing, advances and other receivables	1,639,680	696,682	2,100,177	721,796	-	1,444,936	6,603,272
Other assets	-	-	-	-	-	372,908	372,908
Statutory deposits with BNM	-	-	-	-	44,854	-	44,854
Hedging financial instruments	10	58,084	-	19,702	-	-	77,796
Total On-Balance Sheet	1,639,690	4,109,509	2,248,369	798,373	257,035	2,125,042	11,178,019
Financial guarantees	34,130	21,273	160,830	421,550	-	6,620	644,403
Contingent liabilities	93,662	106,044	126,007	9,862	-	10,355	345,931
Commitments	166,024	96,084	698,443	61,855	-	220,596	1,243,002
Total Off-Balance Sheet	293,816	223,401	985,280	493,268	-	237,572	2,233,336
Total On and Off-Balance Sheet	1,933,507	4,332,910	3,233,649	1,291,640	257,035	2,362,614	13,411,355

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A22. FINANCIAL RISK MANAGEMENT (Cont'd.)

(a) CREDIT RISK (Cont'd.)

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

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

	Residual Maturity				Not on demand and no maturity date	Total gross maximum exposure
	Less than 6 months	6 months to 1 year	1 year to 5 years	More than 5 years		
	RM'000	RM'000	RM'000	RM'000		
30 June 2011						
Group						
Cash and short-term funds	2,460,440	-	-	-	-	2,460,440
Deposits and placements with banks and other financial institutions	-	994,220	-	-	-	994,220
Securities held-for-trading			126,603			126,603
Securities available-for-sale	160,401	95,105	512,206	121,417	126,101	1,015,230
Securities held-to-maturity		15,250	30,354			45,604
Financing, advances and other receivables	3,985,578	101,875	683,862	759,444	16,695	5,547,455
Other assets	-	-	-	-	311,690	311,690
Statutory deposits with BNM	-	-	-	-	112,730	112,730
Hedging financial instruments	12,606	-	24,131	20,065	-	56,802
Total On-Balance Sheet	6,619,025	1,206,449	1,377,156	900,926	567,217	10,670,773
Financial guarantees	41,992	11,023	23,720		570,000	646,735
Contingent liabilities	120,248	63,825	10,678			194,751
Commitments	673,539	58,859	412,717	43,448	27,100	1,215,664
Total Off-Balance Sheet	835,779	133,707	447,116	43,448	597,100	2,057,150
Total On and Off-Balance Sheet	7,454,804	1,340,156	1,824,272	944,374	1,164,317	12,727,925

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A22. FINANCIAL RISK MANAGEMENT (Cont'd.)

(a) CREDIT RISK (Cont'd.)

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

	Residual Maturity				Not on demand and no maturity date	Total gross maximum exposure
	Less than 6 months	6 months to 1 year	1 year to 5 years	More than 5 years		
31 Dec 2010 Group	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cash and short-term funds	2,649,962	-	-	-	-	2,649,962
Deposits and placements with banks and other financial institutions	-	273,259	-	-	-	273,259
Securities held-for-trading	-	-	-	110,083	-	110,083
Securities available-for-sale	121,106	174,895	490,964	119,969	127,573	1,034,506
Securities held-to-maturity	-	-	46,266	-	-	46,266
Financing, advances and other receivables	4,875,465	53,974	957,500	681,040	35,292	6,603,272
Other assets	-	-	-	-	392,085	392,085
Statutory deposits with BNM	-	-	-	-	44,854	44,854
Hedging financial instruments	35,924	-	22,170	19,702	-	77,796
Total On-Balance Sheet	7,682,457	502,128	1,516,900	930,794	599,804	11,232,083
Financial guarantees	32,475	827	41,100	-	570,000	644,403
Contingent liabilities	277,537	18,143	45,700	4,551	-	345,931
Commitments	615,320	107,535	440,095	52,952	27,100	1,243,002
Total Off-Balance Sheet	925,333	126,505	526,895	57,503	597,100	2,233,336
Total On and Off-Balance Sheet	8,607,790	628,634	2,043,794	988,297	1,196,904	13,465,419

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A22. FINANCIAL RISK MANAGEMENT (Cont'd.)

(a) CREDIT RISK (Cont'd.)

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

	Residual Maturity				Not on demand and no maturity date	Total gross maximum exposure
	Less than 6 months	6 months to 1 year	1 year to 5 years	More than 5 years		
30 June 2011	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Bank						
Cash and short-term funds	2,548,265	-	-	-	-	2,548,265
Deposits and placements with banks and other financial institutions	-	994,220	-	-	-	994,220
Securities held-for-trading			126,603			126,603
Securities available-for-sale	160,401	95,105	512,206	121,417	-	889,129
Securities held-to-maturity		15,250	30,354			45,604
Financing, advances and other receivables	3,985,578	101,875	683,862	759,444	16,695	5,547,455
Other assets	-	-	-	-	295,176	295,176
Statutory deposits with BNM	-	-	-	-	112,730	112,730
Hedging financial instruments	12,606	-	24,131	20,065	-	56,802
Total On-Balance Sheet	6,706,850	1,206,449	1,377,156	900,926	424,601	10,615,983
Financial guarantees	41,992	11,023	23,720		570,000	646,735
Contingent liabilities	120,248	63,825	10,678			194,751
Commitments	673,539	58,859	412,717	43,448	27,100	1,215,664
Total Off-Balance Sheet	835,779	133,707	447,116	43,448	597,100	2,057,150
Total On and Off-Balance Sheet	7,542,629	1,340,156	1,824,272	944,374	1,021,701	12,673,133

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A22. FINANCIAL RISK MANAGEMENT (Cont'd.)

(a) CREDIT RISK (Cont'd.)

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

	Residual Maturity				Not on demand and no maturity date	Total gross maximum exposure
	Less than 6 months	6 months to 1 year	1 year to 5 years	More than 5 years		
31 Dec 2010	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Bank						
Cash and short-term funds	2,742,648	-	-	-	-	2,742,648
Deposits and placements with banks and other financial institutions	-	273,259	-	-	-	273,259
Securities held-for-trading	-	-	-	110,083	-	110,083
Securities available-for-sale	121,106	174,895	490,964	119,969	-	906,933
Securities held-to-maturity	-	-	46,266	-	-	46,266
Financing, advances and other receivables	4,875,465	53,974	957,500	681,040	35,292	6,603,272
Other assets	-	-	-	-	372,908	372,908
Statutory deposits with BNM	-	-	-	-	44,854	44,854
Hedging financial instruments	35,924	-	22,170	19,702	-	77,796
Total On-Balance Sheet	7,775,143	502,128	1,516,900	930,794	453,054	11,178,019
Financial guarantees	32,475	827	41,100	-	570,000	644,403
Contingent liabilities	277,537	18,143	45,700	4,551	-	345,931
Commitments	615,320	107,535	440,095	52,952	27,100	1,243,002
Total Off-Balance Sheet	925,333	126,505	526,895	57,503	597,100	2,233,336
Total On and Off-Balance Sheet	8,700,476	628,634	2,043,794	988,297	1,050,154	13,411,355

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A22. FINANCIAL RISK MANAGEMENT (Cont'd.)

(a) CREDIT RISK (Cont'd.)

(ii) Credit quality per class of financial assets

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

	Performing	Past due but impaired	Restructured & rescheduled	Impaired	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
30 June 2011					
Group					
Securities held-for-trading	126,603	-	-	-	126,603
Securities available-for-sale	1,004,253	-	10,977	-	1,015,230
Securities held-to-maturity	45,604	-	-	-	45,604
Financing, advances and other receivables	3,378,416	404,932	983,304	780,803	5,547,455
Other assets	9,308	-	-	-	9,308
Hedging financial instruments	56,802	-	-	-	56,802
Total On-Balance Sheet	4,620,986	404,932	994,281	780,803	6,801,002
Financial guarantees	646,735	-	-	-	646,735
Contingent liabilities	194,751	-	-	-	194,751
Commitments	1,215,664	-	-	-	1,215,664
Total Off-Balance Sheet	2,057,150	-	-	-	2,057,150
Total On and Off-Balance Sheet	6,678,137	404,932	994,281	780,803	8,858,152
Bank					
Securities held-for-trading	126,603	-	-	-	126,603
Securities available-for-sale	878,152	-	10,977	-	889,129
Securities held-to-maturity	45,604	-	-	-	45,604
Financing, advances and other receivables	3,378,416	404,932	983,304	780,803	5,547,455
Other assets	9,346	-	-	-	9,346
Hedging financial instruments	56,802	-	-	-	56,802
Total On-Balance Sheet	4,494,923	404,932	994,281	780,803	6,674,938
Financial guarantees	646,735	-	-	-	646,735
Contingent liabilities	194,751	-	-	-	194,751
Commitments	1,215,664	-	-	-	1,215,664
Total Off-Balance Sheet	2,057,150	-	-	-	2,057,150
Total On and Off-Balance Sheet	6,552,073	404,932	994,281	780,803	8,732,089

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A22. FINANCIAL RISK MANAGEMENT (Cont'd.)

(a) CREDIT RISK (Cont'd.)

(ii) Credit quality per class of financial assets

	Performing	Past due but not impaired	Restructured & rescheduled	Impaired	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
31 Dec 2010					
Group					
Securities held-for-trading	110,083	-	-	-	110,083
Securities available-for-sale	1,023,882	-	10,624	-	1,034,506
Securities held-to-maturity	46,266	-	-	-	46,266
Financing, advances and other receivables	4,049,357	886,415	873,513	793,987	6,603,272
Other assets	6,403	-	-	-	6,403
Hedging financial instruments	77,796	-	-	-	77,796
Total On-Balance Sheet	5,313,787	886,415	884,137	793,987	7,878,326
Financial guarantees	644,403	-	-	-	644,403
Contingent liabilities	345,931	-	-	-	345,931
Commitments	1,243,002	-	-	-	1,243,002
Total Off-Balance Sheet	2,233,336	-	-	-	2,233,336
Total On and Off-Balance Sheet	7,547,122	886,415	884,137	793,987	10,111,662
Bank					
Securities held-for-trading	110,083	-	-	-	110,083
Securities available-for-sale	896,309	-	10,624	-	906,933
Securities held-to-maturity	46,266	-	-	-	46,266
Financing, advances and other receivables	4,049,357	886,415	873,513	793,987	6,603,272
Other assets	6,403	-	-	-	6,403
Hedging financial instruments	77,796	-	-	-	77,796
Total On-Balance Sheet	5,186,214	886,415	884,137	793,987	7,750,753
Financial guarantees	644,403	-	-	-	644,403
Contingent liabilities	345,931	-	-	-	345,931
Commitments	1,243,002	-	-	-	1,243,002
Total Off-Balance Sheet	2,233,336	-	-	-	2,233,336
Total On and Off-Balance Sheet	7,419,549	886,415	884,137	793,987	9,984,089

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A22. FINANCIAL RISK MANAGEMENT (Cont'd.)

(a) CREDIT RISK (Cont'd.)

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

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

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

Group and Bank	30 June 2011	31 Dec 2010
	RM'000	RM'000
Corporate & Commercial		
Excellent	103,313	173,871
Strong	488,551	758,980
Minimum	1,028,825	1,563,632
Pass with condition	964,018	1,186,932
Early care	1,550,644	1,104,259
Impaired	780,803	793,987
New/SPV	112,245	480,536
Unrated	497,144	520,025
	5,525,544	6,582,222
SME		
Strong	4,290	5,158
Good	2,466	-
Very High Satisfactory	2,874	-
Upper Medium Satisfactory	1,255	-
Very Low Satisfactory	9,680	-
Marginal/ Watchlist	1,346	-
Minimum	-	5,254
Weak/pass with condition	-	10,638
	21,911	21,050
Total	5,547,455	6,603,272

* Unrated segment includes retail consumer credit exposures

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A22. FINANCIAL RISK MANAGEMENT (Cont'd.)

(a) CREDIT RISK (Cont'd.)

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

30 June 2011

Securities

Moodys	Aaa to Aa3	A1 to A3	Baa1 to Ba3	B+ to C	Unrated	Government - guaranteed	Total RM'000
S&P	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D			
Fitch	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D			
RAM	AAA to AA3	A to A3	BBB to BB	B to D			
MARC	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
Group							
Securities held-for-trading	6,368	15,552	104,683	-	-	-	126,603
Securities available-for-sale	100,578	364,180	252,228	-	102,696	195,548	1,015,230
Securities held-to-maturity		45,604					45,604
Bank							
Securities held-for-trading	6,368	15,552	104,683	-	-	-	126,603
Securities available-for-sale	100,578	364,180	230,538	-	10,977	182,856	889,129
Securities held-to-maturity		45,604					45,604

31 Dec 2010

Securities

Moodys	Aaa to Aa3	A1 to A3	Baa1 to Ba3	B+ to C	Unrated	Government - guaranteed	Total RM'000
S&P	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D			
Fitch	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D			
RAM	AAA to AA3	A to A3	BBB to BB	B to D			
MARC	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
Group							
Securities held-for-trading	-	3,197	106,886	-	-	-	110,083
Securities available-for-sale	84,519	432,345	90,504	-	123,897	303,240	1,034,506
Securities held-to-maturity	-	-	-	-	46,266	-	46,266
Bank							
Securities held-for-trading	-	3,197	106,886	-	-	-	110,083
Securities available-for-sale	72,324	419,100	90,504	-	21,765	303,240	906,933
Securities held-to-maturity	-	-	-	-	46,266	-	46,266

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A22. FINANCIAL RISK MANAGEMENT (Cont'd.)

(a) CREDIT RISK (Cont'd.)

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

30 June 2011 Group and Bank	Less than 30 days	31 to 60 days	61 to 90 days	Total
	RM'000	RM'000	RM'000	RM'000
Financing and advances to customers				
Corporate financing	2,918	21,226	22,595	46,739
Commercial financing	77,771	24,569	187,452	289,792
Retail & Consumer financing	65,913	2,447	40	68,400
	146,602	48,243	210,087	404,932

31 Dec 2010 Group and Bank	Less than 30 days	31 to 60 days	61 to 90 days	Total
	RM'000	RM'000	RM'000	RM'000
Financing and advances to customers				
Corporate financing	-	-	-	-
Commercial financing	401,655	127,435	301,210	830,300
Retail & Consumer financing	55,874	240	-	56,114
	457,529	127,675	301,210	886,415

Impaired and past due financing by geographical regions

30 June 2011 Group and Bank	Impaired	Past due but not impaired	Individual impairment	Collective impairment	Write-off
	RM'000	RM'000	RM'000	RM'000	RM'000
Malaysia	634,745	401,452	271,436		-
Middle East	85,013	2,871	85,576	98,052	-
Others	61,045	608	1,765		-
Total	780,803	404,932	358,777	98,052	-

31 Dec 2010 Group and Bank	Impaired	Past due but not impaired	Individual impairment	Collective impairment	Write-off
	RM'000	RM'000	RM'000	RM'000	RM'000
Malaysia	615,147	880,737	293,522		-
Middle East	117,713	3,830	116,428	118,773	-
Others	61,127	1,848	1,765		-
Total	793,987	886,415	411,715	118,773	-

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A22. FINANCIAL RISK MANAGEMENT (Cont'd.)

(a) CREDIT RISK (Cont'd.)

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

Impaired and past due financing by industry sector

30 June 2011 Group and Bank	Impaired RM'000	Past due but not impaired RM'000	Individual impairment RM'000	Collective impairment RM'000	Write-off RM'000
Trading and manufacturing	233,237	90,232	136,895		-
Banks and financial institutions	40,582	26,099	38,225		-
Construction and real estate	184,591	65,434	52,434	98,052	-
Transportation, storage and communication	147,299	31,187	9,862		-
Government	-	-	-		-
Others	175,095	191,979	121,361		-
Total	780,803	404,932	358,777	98,052	-

31 Dec 2010 Group and Bank	Impaired RM'000	Past due but not impaired RM'000	Individual impairment RM'000	Collective impairment RM'000	Write-off RM'000
Trading and manufacturing	64,763	305,768	45,505		-
Banks and financial institutions	76,663	125,717	72,034		-
Construction and real estate	228,084	91,005	105,657	118,773	-
Transportation, storage and communication	175,430	57,317	7,000		-
Government	-	-	-		-
Others	249,046	306,608	181,518		-
Total	793,987	886,415	411,715	118,773	-

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A22. FINANCIAL RISK MANAGEMENT (Cont'd.)

(a) CREDIT RISK (Cont'd.)

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

	30 June 2011	31 Dec 2010
	Total	Total
	RM'000	RM'000
Group and Bank		
Financing and advances to customers		
Corporate financing	640,759	570,920
Commercial financing	341,703	301,529
Retail & Consumer financing	841	1,064
	983,304	873,513

Collateral

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

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

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

The fair value of collateral that the Bank holds relating to finance facilities individually determined to be impaired at 31 December 2010 amounts to RM304,006,233.

The fair value of collateral that the Bank holds relating to finance facilities past due but not impaired as at 31 December 2010 is RM251,660,707. The collateral consists of mainly real estate assets.

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A22. FINANCIAL RISK MANAGEMENT (Cont'd.)

(b) LIQUIDITY RISK

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

Group 30 June 2011	Up to 6 months	>6 - 12 months	>1 - 5 years	Over 5 years	Not on demand & no maturity date	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
ASSETS						
Cash and short-term funds	2,402,592	-	-	-	57,848	2,460,440
Deposits and placements with banks and other financial institutions	761,040	226,481	6,698	-	-	994,220
Securities held-for-trading	-	-	126,603	-	-	126,603
Securities available-for-sale	246,817	95,105	552,783	121,417	18,108	1,034,230
Securities held-to-maturity	-	15,250	30,354	-	-	45,604
Financing, advances and receivables	3,255,808	99,917	1,037,912	696,988	-	5,090,626
Murabahah trading automobile	-	-	-	-	32	32
Musarakah capital investment	-	-	-	-	5,898	5,898
Other assets	-	-	-	-	660,618	660,618
Total Assets	6,666,258	436,753	1,754,351	818,405	742,504	10,418,271

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A22. FINANCIAL RISK MANAGEMENT (Cont'd.)

(b) LIQUIDITY RISK (Cont'd.)

Group	Up to 6 months	>6 - 12 months	>1 - 5 years	Over 5 years	Not on demand & no maturity date	Total
30 June 2011	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
LIABILITIES AND SHAREHOLDER'S EQUITY						
Deposits from customers	3,720,688	228,864	-	-	445,397	4,394,948
Deposits and placements of banks and other financial institutions	3,236,211	25,000	-	-	-	3,261,211
Subordinated Murabahah Tawarruq	-	-	348,565	-	-	348,565
Murabahah bank financing	-	-	-	-	-	-
Other liabilities	-	-	-	-	344,754	344,754
Total Liabilities	6,956,898	253,864	348,565	-	790,150	8,349,478
Shareholder's equity	-	-	-	-	2,068,793	2,068,793
Total Liabilities and Shareholder's equity	6,956,898	253,864	348,565	-	2,858,943	10,418,271
OFF-BALANCE SHEET LIABILITIES						
Commitments & contingencies	636,347	33,769	277,610	195,546	159,688	1,302,960
Net maturity mismatch	(926,987)	149,120	1,128,175	622,859	(2,276,127)	(1,302,960)

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A22. FINANCIAL RISK MANAGEMENT (Cont'd.)

(b) LIQUIDITY RISK (Cont'd.)

Group	Up to 6 months	>6 - 12 months	>1 - 5 years	Over 5 years	Not on demand & no maturity date	Total
31 Dec 2010	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
ASSETS						
Cash and short-term funds	2,369,107	-	-	-	280,855	2,649,962
Deposits and placements with banks and other financial institutions	266,561	-	6,698	-	-	273,259
Securities held-for-trading	-	-	110,083	-	-	110,083
Securities available-for-sale	160,967	236,600	516,970	119,969	19,000	1,053,506
Securities held-to-maturity	-	-	46,266	-	-	46,266
Financing, advances and receivables	2,399,906	239,898	2,346,475	1,086,505	-	6,072,784
Murabahah trading automobile	-	-	-	-	32	32
Musarakah capital investment	-	-	-	-	5,898	5,898
Other assets	-	-	-	-	704,414	704,414
Total Assets	5,196,541	476,498	3,026,492	1,206,474	1,010,199	10,916,204
LIABILITIES AND SHAREHOLDER'S EQUITY						
Deposits from customers	3,860,113	281,307	-	-	405,089	4,546,509
Deposits and placements of banks and other financial institutions	3,371,534	40,767	53,577	-	-	3,465,878
Subordinated Murabahah Tawarruq	-	-	349,655	-	-	349,655
Murabahah bank financing	23,139	-	-	-	-	23,139
Other liabilities	-	-	-	-	477,428	477,428
Total Liabilities	7,254,786	322,074	403,232	-	882,517	8,862,609
Shareholder's equity	-	-	-	-	2,053,595	2,053,595
Total Liabilities and Shareholder's equity	7,254,786	322,074	403,232	-	2,936,112	10,916,204
OFF-BALANCE SHEET LIABILITIES						
Commitments & contingencies	387,073	58,048	306,924	72,272	616,864	1,441,181
Net maturity mismatch	(2,445,318)	96,376	2,316,336	1,134,202	(2,542,777)	(1,441,181)

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A22. FINANCIAL RISK MANAGEMENT (Cont'd.)

(b) LIQUIDITY RISK (Cont'd.)

Bank	Up to 6 months	>6 - 12 months	>1 - 5 years	Over 5 years	Not on demand & no maturity date	Total
30 June 2011	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
ASSETS						
Cash and short-term funds	2,490,971	-	-	-	57,294	2,548,265
Deposits and placements with banks and other financial institutions	761,040	226,481	6,698	-	-	994,220
Securities held-for-trading	-	-	126,603	-	-	126,603
Securities available-for-sale	160,401	95,105	512,206	121,417	18,108	907,237
Securities held-to-maturity	-	15,250	30,354	-	-	45,604
Financing, advances and receivables	3,255,808	99,917	1,037,912	696,988	-	5,090,626
Murabahah trading automobile	-	-	-	-	32	32
Musarakah capital investment	-	-	-	-	5,898	5,898
Other assets	-	-	-	-	674,535	674,535
Total Assets	6,668,221	436,753	1,713,773	818,405	755,867	10,393,019
LIABILITIES AND SHAREHOLDER'S EQUITY						
Deposits from customers	3,720,688	228,864	-	-	446,223	4,395,775
Deposits and placements of banks and other financial institutions	3,238,664	25,000	-	-	-	3,263,664
Subordinated Murabahah Tawarruq	-	-	348,565	-	-	348,565
Murabahah bank financing	-	-	-	-	-	-
Other liabilities	-	-	-	-	343,818	343,818
Total Liabilities	6,959,351	253,864	348,565	-	790,041	8,351,822
Shareholder's equity	-	-	-	-	2,041,197	2,041,197
Total Liabilities and Shareholder's equity	6,959,351	253,864	348,565	-	2,831,238	10,393,019
OFF-BALANCE SHEET LIABILITIES						
Commitments & contingencies	636,347	33,769	277,610	195,546	159,688	1,302,960
Net maturity mismatch	(927,478)	149,120	1,087,598	622,859	(2,235,059)	(1,302,960)

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A22. FINANCIAL RISK MANAGEMENT (Cont'd.)

(b) LIQUIDITY RISK (Cont'd.)

Bank	Up to 6 months	>6 - 12 months	>1 - 5 years	Over 5 years	Not on demand & no maturity date	Total
31 Dec 2010	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
ASSETS						
Cash and short-term funds	2,463,569	-	-	-	279,079	2,742,648
Deposits and placements with banks and other financial institutions	266,561	-	6,698	-	-	273,259
Securities held-for-trading	-	-	110,083	-	-	110,083
Securities available-for-sale	136,365	174,895	475,704	119,969	19,000	925,933
Securities held-to-maturity	-	-	46,266	-	-	46,266
Financing, advances and receivables	2,399,906	239,898	2,346,475	1,086,505	-	6,072,784
Murabahah trading automobile	-	-	-	-	32	32
Musarakah capital investment	-	-	-	-	5,898	5,898
Other assets	-	-	-	-	715,874	715,874
Total Assets	5,266,401	414,793	2,985,226	1,206,474	1,019,883	10,892,777
LIABILITIES AND SHAREHOLDER'S EQUITY						
Deposits from customers	3,861,686	281,307	-	-	405,089	4,548,082
Deposits and placements of banks and other financial institutions	3,379,434	40,767	53,577	-	-	3,473,778
Subordinated Murabahah Tawarruq	-	-	349,655	-	-	349,655
Murabahah bank financing	23,139	-	-	-	-	23,139
Other liabilities	-	-	-	-	476,412	476,412
Total Liabilities	7,264,259	322,074	403,232	-	881,501	8,871,066
Shareholder's equity	-	-	-	-	2,021,711	2,021,711
Total Liabilities and Shareholder's equity	7,264,259	322,074	403,232	-	2,903,212	10,892,777
OFF-BALANCE SHEET LIABILITIES						
Commitments & contingencies	387,073	58,048	306,924	72,272	616,864	1,441,181
Net maturity mismatch	(2,384,931)	34,671	2,275,070	1,134,202	(2,500,193)	(1,441,181)

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A22. FINANCIAL RISK MANAGEMENT (Cont'd.)

(b) LIQUIDITY RISK (Cont'd.)

The following table summarises the maturity analysis for financial liabilities that shows the remaining contractual maturities based on position as at 30 June 2011:

30 June 2011 Group	Up to 6 months	> 6 -12 months	> 1 – 5 years	Over 5 years	Not on demand & no maturity	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Deposits from customers	3,720,688	228,864	-	-	445,397	4,394,948
Deposit and placements of banks and other financial institutions	3,236,211	25,000	-	-	-	3,261,211
Subordinated Murabahah Tawarruq	-	-	348,565	-	-	348,565
Murabahah bank financing	-	-	-	-	-	-
Other liabilities	-	-	-	-	338,265	338,265
Total	6,956,898	253,864	348,565	-	783,662	8,342,990
Bank						
Deposits from customers	3,720,688	228,864	-	-	446,223	4,395,775
Deposit and placements of banks and other financial institutions	3,238,664	25,000	-	-	-	3,263,664
Subordinated Murabahah Tawarruq	-	-	348,565	-	-	348,565
Murabahah bank financing	-	-	-	-	-	-
Other liabilities	-	-	-	-	337,329	337,329
Total	6,959,351	253,864	348,565	-	783,553	8,345,334

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

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

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A22. FINANCIAL RISK MANAGEMENT (Cont'd.)

(b) LIQUIDITY RISK (Cont'd.)

The following table summarises the maturity analysis for financial liabilities that shows the remaining contractual maturities based on the position as at 31 December 2010.

31 Dec 2010 Group	Up to 6 months RM'000	> 6 -12 months RM'000	> 1 – 5 years RM'000	Over 5 years RM'000	Not on demand & no maturity RM'000	Total RM'000
Deposits from customers	3,860,114	281,307		-	405,089	4,546,509
Deposit and placements of banks and other financial institutions	3,371,534	40,767	53,577	-	-	3,465,878
Subordinated Murabahah Tawarruq	-	-	349,655	-	-	349,655
Murabahah bank financing	23,139	-	-	-	-	23,139
Other liabilities	-	-	-	-	469,106	469,106
Total	7,254,787	322,073	403,232	-	874,194	8,854,286
Bank						
Deposits from customers	3,861,687	281,307		-	405,089	4,548,082
Deposit and placements of banks and other financial institutions	3,379,434	40,767	53,577	-	-	3,473,778
Subordinated Murabahah Tawarruq	-	-	349,655	-	-	349,655
Murabahah bank financing	23,139	-	-	-	-	23,139
Other liabilities	-	-	-	-	468,090	468,090
Total	7,264,260	322,073	403,232	-	873,179	8,862,744

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

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

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A22. FINANCIAL RISK MANAGEMENT (Cont'd.)

(c) MARKET RISK

Trading

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

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

(i) Benchmark Rate Risk

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

The Bank's exposures to benchmark rate risk comprise of exposures in Held-for-Trading (HTM) sukuks, ijarah rental swap (IRS) and cross currency ijarah rental swap (CCIRS). As at 30 June 2011, the total risk weighted assets for exposures with benchmark rate risk was RM39.413 million (31 December 2010: RM31.350 million) with a total capital charge of RM3.153 million (31 December 2010: RM2.508 million).

All positions in IRS and CCIRS were fully squared (31 December 2010: Squared). The table below indicates the Basis Point Value ("BPV") sensitivity analysis of the securities held-for-trading against the movement in market benchmark rates.

Securities held-for-trading

	30 June 2011			31 Dec 2010		
	Nominal amount RM	Modified duration	BPV	Nominal amount RM	Modified duration	BPV
Group and Bank						
US Dollar (USD)	123,809,750	0.65	8,181	107,983,750	0.12	1,314

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A22. FINANCIAL RISK MANAGEMENT (Cont'd.)

(c) MARKET RISK (Cont'd.)

(ii) Foreign exchange risk

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

As at 30 June 2011, the total risk weighted assets for exposures with foreign exchange rate risk was RM46.60 million (31 December 2010: RM148.190 million) with a total capital charge of RM3.728 million (31 December 2010: RM11.966 million).

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

Group	30 June 2011		31 Dec 2010	
	Change in exchange rate %	Effect on Income Statements / Equity RM	Change in exchange rate %	Effect on Income Statements / Equity RM
Singapore Dollar (SGD)	1	(228,453)	1	(92,000)
US Dollar (USD)	1	82,036	1	(323,000)
Euro (EUR)	1	(793,701)	1	(1,651,000)
Bank				
Singapore Dollar (SGD)	1	(228,453)	1	(92,000)
US Dollar (USD)	1	(1,084,027)	1	(1,328,000)
Euro (EUR)	1	(793,701)	1	(817,000)

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A22. FINANCIAL RISK MANAGEMENT (Cont'd.)

(c) MARKET RISK (Cont'd.)

(iii) Inventory risk

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

A vehicle held in inventory under sale or return basis carries risk weight similar to normal financing as it is considered as a financing of an inventory item. As at 30 June 2011, the total risk weighted assets for exposures with inventory risk was RM0.032 million (31 December 2010: RM0.032 million) with total capital charge of RM0.005 million (31 December 2010: RM0.005 million).

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

Group and Bank

Type of Inventory	30 June 2011	31 Dec 2010
	RM	RM
Held under resale or return basis	-	-
Not held under resale or return basis	32,000	32,000

Non-Trading

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

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

Securities available-for-sale

Group	30 June 2011			31 Dec 2010		
	Nominal amount RM	Modified duration	BPV	Nominal amount RM	Modified duration	BPV
Ringgit Malaysia	250,000,000	4.00	95,937	385,000,000	2.90	107,683
US Dollar	694,542,500	1.50	104,059	566,802,375	1.01	56,879
Bank						
Ringgit Malaysia	250,000,000	4.00	95,937	385,000,000	2.90	107,683
US Dollar	649,246,250	1.37	88,706	553,802,375	0.81	42,124

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A22. FINANCIAL RISK MANAGEMENT (Cont'd.)

(d) RATE OF RETURN RISK

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

Group	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			
30 June 2011	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	%
ASSETS									
Cash and short-term funds	2,402,592	-	-	-	-	57,848	-	2,460,440	2.74
Deposits and placements with banks and other financial institutions	-	712,040	275,481	6,698	-	-	-	994,220	2.42
Securities held-for-trading	-	-	-	-	-	-	126,603	126,603	2.37
Securities available-for-sale	307,771	81,934	238,229	296,256	91,932	18,108	-	1,034,230	2.49
Securities held-to-maturity	30,354	-	15,250	-	-	-	-	45,604	3.37
Financing, advances and receivables	1,849,687	2,303,226	45,826	730,240	161,648	-	-	5,090,626	5.78
Murabahah trading automobiles	-	-	-	-	-	-	32	32	-
Musarakah capital investment	-	-	-	-	-	5,898	-	5,898	-
Other assets	-	-	-	-	-	660,618	-	660,618	-
TOTAL ASSETS	4,590,404	3,097,201	574,785	1,033,194	253,580	742,471	126,636	10,418,271	
LIABILITIES AND SHAREHOLDER'S EQUITY									
Deposits from customers	2,700,327	582,455	666,770	-	-	445,397	-	4,394,948	2.71
Deposits and placements of banks and other financial institutions	1,905,911	1,052,343	302,957	-	-	-	-	3,261,211	2.74
Subordinated Murabahah Tawarruq	-	-	-	-	-	348,565	-	348,565	3.50
Murabahah bank financing	-	-	-	-	-	-	-	-	-
Other liabilities	-	-	-	-	-	344,754	-	344,754	-
Total Liabilities	4,606,238	1,634,797	969,727	-	-	1,138,716	-	8,349,478	
Shareholder's equity	-	-	-	-	-	2,068,793	-	2,068,793	-
Total Liabilities and Shareholder's equity	4,606,238	1,634,797	969,727	-	-	3,207,508	-	10,418,271	
On-balance sheet profit sensitivity gap	(15,834)	1,462,403	(394,942)	1,033,194	253,580	(2,465,037)	126,636	-	-
Off-balance sheet profit sensitivity gap	-	-	-	-	-	-	-	-	-
Total profit sensitivity gap	(15,834)	1,462,403	(394,942)	1,033,194	253,580	(2,465,037)	126,636	-	-

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A22. FINANCIAL RISK MANAGEMENT (Cont'd.)

(d) 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			
31 Dec 2010	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	%	
ASSETS									
Cash and short-term funds	2,369,107	-	-	-	-	280,855	-	2,649,962	2.34
Deposits and placements with banks and other financial institutions	-	228,394	38,167	6,698	-	-	-	273,259	1.87
Securities held-for-trading	-	-	-	-	-	-	110,083	110,083	2.39
Securities available-for-sale	131,076	278,115	157,447	376,792	91,076	19,000	-	1,053,506	2.42
Securities held-to-maturity	31,016	-	-	15,250	-	-	-	46,266	3.33
Financing, advances and receivables	2,217,532	2,595,022	362,754	869,421	28,055	-	-	6,072,784	5.08
Murabahah trading automobiles	-	-	-	-	-	-	32	32	-
Musyarakah capital investment	-	-	-	-	-	5,898	-	5,898	-
Other assets	-	-	-	-	-	704,414	-	704,414	-
TOTAL ASSETS	4,748,731	3,101,531	558,368	1,268,161	119,131	1,010,167	110,115	10,916,204	
LIABILITIES AND SHAREHOLDER'S EQUITY									
Deposits from customers	2,438,054	1,181,052	523,887	-	-	403,516	-	4,546,509	2.66
Deposits and placements of banks and other financial institutions	2,806,296	498,672	107,333	53,577	-	-	-	3,465,878	2.63
Subordinated Murabahah Tawarruq	-	-	-	349,655	-	-	-	349,655	3.63
Murabahah bank financing	-	-	23,139	-	-	-	-	23,139	1.59
Other liabilities	-	-	-	-	-	477,428	-	477,428	-
Total Liabilities	5,244,350	1,679,724	654,359	403,232	-	880,944	-	8,862,609	
Shareholder's equity	-	-	-	-	-	2,053,595	-	2,053,595	
Total Liabilities and Shareholder's equity	5,244,350	1,679,724	654,359	403,232	-	2,934,539	-	10,916,204	
On-balance sheet profit sensitivity gap	(495,619)	1,421,807	(95,991)	864,929	119,131	(1,924,372)	110,115	-	
Off-balance sheet profit sensitivity gap	-	-	-	-	-	-	-	-	
Total profit sensitivity gap	(495,619)	1,421,807	(95,991)	864,929	119,131	(1,924,372)	110,115	-	

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A22. FINANCIAL RISK MANAGEMENT (Cont'd.)

(d) 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			
30 June 2011	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	%	
ASSETS									
Cash and short-term funds	2,490,971	-	-	-	-	57,294	-	2,548,265	2.69
Deposits and placements with banks and other financial institutions	-	712,040	275,481	6,698	-	-	-	994,220	2.42
Securities held-for-trading	-	-	-	-	-	-	126,603	126,603	2.37
Securities available-for-sale	227,394	81,934	232,189	255,679	91,932	18,108	-	907,237	2.50
Securities held-to-maturity	30,354	-	15,250	-	-	-	-	45,604	3.37
Financing, advances and receivables	1,849,687	2,303,226	45,826	730,240	161,648	-	-	5,090,626	5.78
Murabahah trading automobiles	-	-	-	-	-	-	32	32	-
Musyarakah capital investment	-	-	-	-	-	5,898	-	5,898	-
Other assets	-	-	-	-	-	674,535	-	674,535	-
TOTAL ASSETS	4,598,406	3,097,201	568,746	992,617	253,580	755,835	126,636	10,393,019	
LIABILITIES AND SHAREHOLDER'S EQUITY									
Deposits from customers	2,700,327	582,455	666,770	-	-	446,223	-	4,395,775	2.71
Deposits and placements of banks and other financial institutions	1,908,364	1,052,343	302,957	-	-	-	-	3,263,664	2.74
Subordinated Murabahah Tawarruq	-	-	-	-	-	348,565	-	348,565	3.50
Murabahah bank financing	-	-	-	-	-	-	-	-	-
Other liabilities	-	-	-	-	-	343,818	-	343,818	-
Total Liabilities	4,608,691	1,634,797	969,727	-	-	1,138,607	-	8,351,822	
Shareholder's equity	-	-	-	-	-	2,041,197	-	2,041,197	
Total Liabilities and Shareholder's equity	4,608,691	1,634,797	969,727	-	-	3,179,804	-	10,393,019	
On-balance sheet profit sensitivity gap	(10,285)	1,462,403	(400,981)	992,617	253,580	(2,423,969)	126,636	-	
Off-balance sheet profit sensitivity gap	-	-	-	-	-	-	-	-	
Total profit sensitivity gap	(10,285)	1,462,403	(400,981)	992,617	253,580	(2,423,969)	126,636	-	

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A22. FINANCIAL RISK MANAGEMENT (Cont'd.)

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

Bank 31 Dec 2010	Non-trading book						Trading book	Total	Effective profit rate
	Up to 1 month	>1 - 3 months	>3 - 12 months	>1 - 5 years	Over 5 years	Non- profit sensitive			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
ASSETS									
Cash and short-term funds	2,463,569	-	-	-	-	279,079	-	2,742,648	2.30
Deposits and placements with banks and other financial institutions	-	228,394	38,167	6,698	-	-	-	273,259	1.85
Securities held-for-trading	-	-	-	-	-	-	110,083	110,083	2.39
Securities available-for-sale	131,076	278,115	71,141	335,525	91,076	19,000	-	925,933	2.39
Securities held-to-maturity	31,016	-	-	15,250	-	-	-	46,266	3.33
Financing, advances and receivables	2,217,532	2,595,022	362,754	869,421	28,055	-	-	6,072,784	5.08
Murabahah trading automobiles	-	-	-	-	-	-	32	32	-
Musyarakah capital investment	-	-	-	-	-	5,898	-	5,898	-
Other assets	-	-	-	-	-	715,874	-	715,874	-
TOTAL ASSETS	4,843,193	3,101,531	472,062	1,226,894	119,131	1,019,851	110,115	10,892,777	
LIABILITIES AND SHAREHOLDER'S EQUITY									
Deposits from customers	2,438,054	1,181,052	523,887	-	-	405,089	-	4,548,082	2.66
Deposits and placements of banks and other financial institutions	2,809,196	498,672	112,333	53,577	-	-	-	3,473,778	2.63
Subordinated Murabahah Tawarruq	-	-	-	349,655	-	-	-	349,655	3.63
Murabahah bank financing	-	-	23,139	-	-	-	-	23,139	1.59
Other liabilities	-	-	-	-	-	476,412	-	476,412	-
Total Liabilities	5,247,250	1,679,724	659,359	403,232	-	881,501	-	8,871,066	
Shareholder's equity	-	-	-	-	-	2,021,711	-	2,021,711	
Total Liabilities and Shareholder's equity	5,247,250	1,679,724	659,359	403,232	-	2,903,212	-	10,892,777	
On-balance sheet profit sensitivity gap	(404,057)	1,421,807	(187,297)	823,662	119,131	(1,883,361)	110,115	-	
Off-balance sheet profit sensitivity gap	-	-	-	-	-	-	-	-	
Total profit sensitivity gap	(404,057)	1,421,807	(187,297)	823,662	119,131	(1,883,361)	110,115	-	

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A22 FINANCIAL RISK MANAGEMENT (Cont'd.)

(e) FOREIGN EXCHANGE RISK

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

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

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

Group
30 June 2011

ASSETS

Cash and short-term funds
Deposits and placements with banks and
other financial institutions
Securities held-for-trading
Securities available-for-sale
Securities held-to-maturity
Financing, advances and receivables
Murabahah trading automobile
Musyarakah capital investment
Other assets
Total Assets

	MYR	SGD	USD	EUR	KWD	Others	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cash and short-term funds	2,231,848	87,248	126,830	-	-	14,514	2,460,440
Deposits and placements with banks and other financial institutions	405,698	120,427	443,903	-	-	24,191	994,220
Securities held-for-trading	-	-	126,603	-	-	-	126,603
Securities available-for-sale	257,685	-	750,524	26,021	-	-	1,034,230
Securities held-to-maturity	15,250	-	30,354	-	-	-	45,604
Financing, advances and receivables	4,161,951	13,061	915,614	-	-	-	5,090,626
Murabahah trading automobile	32	-	-	-	-	-	32
Musyarakah capital investment	5,898	-	-	-	-	-	5,898
Other assets	660,618	-	-	-	-	-	660,618
Total Assets	7,738,980	220,737	2,393,828	26,021	-	38,705	10,418,271

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A22 FINANCIAL RISK MANAGEMENT (Cont'd.)

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

Group
30 June 2011 (Cont'd.)

LIABILITIES AND SHAREHOLDER'S EQUITY

Deposits from customers
Deposits and placements with banks and
other financial institutions
Subordinated Murabahah Tawarruq
Murabahah bank financing
Other liabilities

Total Liabilities

Shareholder's equity

Total Liabilities and Shareholder's equity

On-balance sheet open position

Off-balance sheet open position

Net open position

	MYR	SGD	USD	EUR	KWD	Others	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Deposits from customers	3,765,686	193,166	436,096	-	-	-	4,394,948
Deposits and placements with banks and other financial institutions	2,288,315	36,866	853,155	44,170	-	38,705	3,261,211
Subordinated Murabahah Tawarruq	-	-	348,565	-	-	-	348,565
Murabahah bank financing	-	-	-	-	-	-	-
Other liabilities	344,754	-	-	-	-	-	344,754
Total Liabilities	6,398,754	230,032	1,637,817	44,170	-	38,705	8,349,478
Shareholder's equity	2,068,793	-	-	-	-	-	2,068,793
Total Liabilities and Shareholder's equity	8,467,547	230,032	1,637,817	44,170	-	38,705	10,418,271
On-balance sheet open position	(728,567)	(9,295)	756,011	(18,149)	-	-	-
Off-balance sheet open position	769,818	-	(753,294)	-	-	-	16,524
Net open position	41,252	(9,295)	2,717	(18,149)	-	-	16,524

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A22 FINANCIAL RISK MANAGEMENT (Cont'd.)

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

Group	MYR	SGD	USD	EUR	KWD	Others	Total
31 December 2010	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
ASSETS							
Cash and short-term funds	2,389,754	44,131	209,797	-	-	6,280	2,649,962
Deposits and placements with banks and other financial institutions	76,698	196,561	-	-	-	-	273,259
Securities held-for-trading	-	-	110,083	-	-	-	110,083
Securities available-for-sale	394,564	-	658,942	-	-	-	1,053,506
Securities held-to-maturity	15,250	-	31,016	-	-	-	46,266
Financing, advances and receivables	4,818,264	14,746	1,197,170	-	-	42,604	6,072,784
Murabahah trading automobile	32	-	-	-	-	-	32
Musarakah capital investment	5,898	-	-	-	-	-	5,898
Other assets	704,414	-	-	-	-	-	704,414
Total Assets	8,404,874	255,438	2,207,008	-	-	48,884	10,916,204
LIABILITIES AND SHAREHOLDER'S EQUITY							
Deposits from customers	4,047,974	259,302	239,233	-	-	-	4,546,509
Deposits and placements with banks and other financial institutions	2,571,362	-	815,834	40,425	-	38,257	3,465,878
Subordinated Murabahah Tawarruq	-	-	349,655	-	-	-	349,655
Murabahah bank financing	-	-	23,139	-	-	-	23,139
Other liabilities	477,428	-	-	-	-	-	477,428
Total Liabilities	7,096,764	259,302	1,427,861	40,425	-	38,257	8,862,609
Shareholder's equity	2,053,595	-	-	-	-	-	2,053,595
Total Liabilities and Shareholder's equity	9,150,359	259,302	1,427,861	40,425	-	38,257	10,916,204
On-balance sheet open position	(745,485)	(3,864)	779,147	(40,425)	-	10,627	-
Off-balance sheet open position	791,635	11	(768,679)	-	-	-	22,967
Net open position	46,150	(3,853)	10,468	(40,425)	-	10,627	22,967

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A22 FINANCIAL RISK MANAGEMENT (Cont'd.)

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

Bank	MYR	SGD	USD	EUR	KWD	Others	Total
30 June 2011	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
ASSETS							
Cash and short-term funds	2,231,294	87,248	189,187	26,021	-	14,514	2,548,265
Deposits and placements with banks and other financial institutions	405,698	120,427	443,903	-	-	24,191	994,220
Securities held-for-trading	-	-	126,603	-	-	-	126,603
Securities available-for-sale	257,685	-	649,551	-	-	-	907,237
Securities held-to-maturity	15,250	-	30,354	-	-	-	45,604
Financing, advances and receivables	4,161,951	13,061	915,614	-	-	-	5,090,626
Murabahah trading automobile	32	-	-	-	-	-	32
Musarakah capital investment	5,898	-	-	-	-	-	5,898
Other assets	674,535	-	-	-	-	-	674,535
Total Assets	7,752,344	220,737	2,355,213	26,021	-	38,705	10,393,019
LIABILITIES AND SHAREHOLDER'S EQUITY							
Deposits from customers	3,766,513	193,166	436,096	-	-	-	4,395,775
Deposits and placements with banks and other financial institutions	2,290,768	36,866	853,155	44,170	-	38,705	3,263,664
Subordinated Murabahah Tawarruq	-	-	348,565	-	-	-	348,565
Murabahah bank financing	-	-	-	-	-	-	-
Other liabilities	343,818	-	-	-	-	-	343,818
Total Liabilities	6,401,099	230,032	1,637,817	44,170	-	38,705	8,351,822
Shareholder's equity	2,041,197	-	-	-	-	-	2,041,197
Total Liabilities and Shareholder's equity	8,442,296	230,032	1,637,817	44,170	-	38,705	10,393,019
On-balance sheet open position	(689,952)	(9,295)	717,396	(18,149)	-	-	-
Off-balance sheet open position	769,818	-	(753,294)	-	-	-	16,524
Net open position	79,866	(9,295)	(35,898)	(18,149)	-	-	16,524

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A22 FINANCIAL RISK MANAGEMENT (Cont'd.)

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

Bank	MYR	SGD	USD	EUR	KWD	Others	Total
31 December 2010	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
ASSETS							
Cash and short-term funds	2,387,977	44,131	283,843	20,417	-	6,280	2,742,648
Deposits and placements with banks and other financial institutions	76,698	196,561	-	-	-	-	273,259
Securities held-for-trading	-	-	110,083	-	-	-	110,083
Securities available-for-sale	394,564	-	531,369	-	-	-	925,933
Securities held-to-maturity	15,250	-	31,016	-	-	-	46,266
Financing, advances and receivables	4,818,264	14,746	1,197,170	-	-	42,604	6,072,784
Murabahah trading automobile	32	-	-	-	-	-	32
Musarakah capital investment	5,898	-	-	-	-	-	5,898
Other assets	715,874	-	-	-	-	-	715,874
Total Assets	8,414,557	255,438	2,153,481	20,417	-	48,884	10,892,777
LIABILITIES AND SHAREHOLDER'S EQUITY							
Deposits from customers	4,049,547	259,302	239,233	-	-	-	4,548,082
Deposits and placements with banks and other financial institutions	2,579,262	-	815,834	40,425	-	38,257	3,473,778
Subordinated Murabahah Tawarruq	-	-	349,655	-	-	-	349,655
Murabahah bank financing	-	-	23,139	-	-	-	23,139
Other liabilities	476,412	-	-	-	-	-	476,412
Total Liabilities	7,105,221	259,302	1,427,861	40,425	-	38,257	8,871,066
Shareholder's equity	2,021,711	-	-	-	-	-	2,021,711
Total Liabilities and Shareholder's equity	9,126,932	259,302	1,427,861	40,425	-	38,257	10,892,777
On-balance sheet open position	(712,375)	(3,864)	725,620	(20,008)	-	10,627	-
Off-balance sheet open position	791,635	11	(768,679)	-	-	-	22,967
Net open position	79,260	(3,853)	(43,059)	(20,008)	-	10,627	22,967

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A22. FINANCIAL RISK MANAGEMENT (Cont'd.)

(f) PROFIT RATE RISK

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

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

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

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

The following table summarises the Bank's exposures to profit rate risk as at 30 June 2011. The assets and liabilities at carrying amount are categorised by the earlier of the next contractual repricing dates and maturity dates. All retail deposits (liabilities) are assumed to be re-priced immediately when the market profit rate changes.

Exposures to profit rate risk

30 June 2011

Group

<i>RM million</i>	1-3 months	4-6 months	7-12 months	Over 12 months	Non-sensitive	Total
Rate sensitive assets	7,559	412	279	1,870	291	10,412
Rate sensitive liabilities	6,241	716	254	349	784	8,343
Monthly mismatch	1,318	(304)	25	1,522	(492)	
Cumulative mismatch	1,699	3,216	5,610	2,561	2,069	
Bank						
Rate sensitive assets	7,567	406	279	1,830	305	10,387
Rate sensitive liabilities	6,243	716	254	349	784	8,345
Monthly mismatch	1,324	(310)	25	1,481	(479)	
Cumulative mismatch	1,716	3,220	5,607	2,520	2,041	

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

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A22. FINANCIAL RISK MANAGEMENT (Cont'd.)

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

The following table summarises the Bank's exposures to profit rate risk as at 31 December 2010. The assets and liabilities at carrying amount are categorised by the earlier of the next contractual repricing dates and maturity dates. All retail deposits (liabilities) are assumed to be re-priced immediately when the market profit rate changes.

Exposures to profit rate risk

31 December 2010

Group

<i>RM million</i>	1-3 months	4-6 months	7-12 months	Over 12 months	Non-sensitive	Total
Rate sensitive assets	7,850	494	64	1,504	1,010	10,922
Rate sensitive liabilities	6,924	309	322	54	1,245	8,854
Monthly mismatch	926	185	(258)	1,451	(236)	
Cumulative mismatch	926	1,111	853	2,304	2,068	
Bank						
Rate sensitive assets	8,273	314	3	1,204	1,105	10,899
Rate sensitive liabilities	6,927	314	322	54	1,246	8,863
Monthly mismatch	1,346	-	(319)	1,150	(141)	
Cumulative mismatch	1,346	1,346	1,026	2,177	2,036	

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

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

Profit rate risk simulation sensitivity analysis (%)

30 June 2011

Group

	Movement in market profit rate (%)					
	(2.00)	(1.00)	(0.50)	0.50	1.00	2.00
Change in Net Revenue	(2.48)	(1.20)	(0.58)	0.55	1.11	2.21
Change in Economic Value of Equity	5.48	2.62	1.28	(1.23)	(2.41)	(4.64)
Bank						
Change in Net Revenue	(2.50)	(1.22)	(0.58)	0.56	1.12	2.24
Change in Economic Value of Equity	5.49	2.62	1.28	(1.23)	(2.41)	(4.64)

31 December 2010

Group

	Movement in market profit rate (%)					
	(2.00)	(1.00)	(0.50)	0.50	1.00	2.00
Change in Net Revenue	(2.80)	(1.37)	(0.66)	0.83	1.66	3.32
Change in Economic Value of Equity	3.47	1.68	0.83	(0.80)	(1.58)	(3.07)
Bank						
Change in Net Revenue	(2.25)	(1.09)	(0.52)	0.69	1.39	2.78
Change in Economic Value of Equity	3.21	1.55	0.76	(0.74)	(1.46)	(2.83)

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A22. FINANCIAL RISK MANAGEMENT (Cont'd.)

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

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

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

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

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

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

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

30 June 2011

Exposure class	Rating of Corporates by approved ECAIs					
	Moody's	Aaa to Aa3	A1 to A3	Baa1 to Ba3	B+ to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	RAM	AAA to AA3	A to A3	BBB to BB	B to D	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	Rating & Investment Inc	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
On and Off-Balance Sheet Exposures	RM '000	RM '000	RM '000	RM '000	RM '000	
Credit exposures (using corporate risk-weights)						
Group and Bank						
Public sector entities (applicable for entities risk-weighted based on their external ratings as corporates)	-	-	-	-	92,687	
Insurance companies, securities firms and fund managers	-	-	-	-	-	
Corporates	111,305	106,972	21,386	-	5,946,645	
	111,305	106,972	21,386	-	6,039,332	

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A22. FINANCIAL RISK MANAGEMENT (Cont'd.)

**(g) Credit Risk Disclosures for portfolios under the Standardised Approach (Cont'd.)
30 June 2011**

Exposure class	Rating of Sovereigns and Central Banks by approved ECAs						
	Moody's	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to B3	Caa1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	Rating & Investment Inc	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to C	Unrated
On and Off-Balance Sheet Exposures		RM '000	RM '000	RM '000	RM '000	RM '000	RM '000
Group Sovereigns/Central Banks			54,329				1,771,984
Bank Sovereigns/Central Banks			41,637				1,771,984

Exposure class	Rating of Banking Institutions by approved ECAs						
	Moody's	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to B3	Caa1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	RAM	AAA to AA3	A to A3	BBB1 to BBB3	BB1 to B3	C1 to D	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	C+ to D	Unrated
	Rating & Investment Inc	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to C	Unrated
On and Off-Balance Sheet Exposures		RM '000	RM '000	RM '000	RM '000	RM '000	RM '000
Group Banks, MDBs and FDIs		34,768	319,705	451,486	36,321		1,567,890
Bank Banks, MDBs and FDIs		34,768	319,705	429,797	36,321		1,643,846

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A22. FINANCIAL RISK MANAGEMENT (Cont'd.)

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

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

31 December 2010

Exposure class	Rating of Corporates by approved ECAIs					
	Moodys	Aaa to Aa3	A1 to A3	Baa1 to Ba3	B+ to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	RAM	AAA to AA3	A to A3	BBB to BB	B to D	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	Rating & Investment Inc	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
On and Off-Balance Sheet Exposures	RM '000	RM '000	RM '000	RM '000	RM '000	
Credit exposures (using corporate risk-weights)						
Group and Bank						
Public sector entities (applicable for entities risk-weighted based on their external ratings as corporates)	-	-	-	-	95,704	
Insurance companies	-	-	-	-	-	
securities firms and fund managers	-	-	-	-	-	
Corporates	129,068	101,658	13,523	-	6,992,463	
	129,068	101,658	13,523	-	7,088,167	

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A22. FINANCIAL RISK MANAGEMENT (Cont'd.)

**(g) Credit Risk Disclosures for portfolios under the Standardised Approach (Cont'd.)
31 December 2010**

Exposure class	Rating of Sovereigns and Central Banks by approved ECAIs						
	Moody's	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to B3	Caa1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	Rating & Investment Inc	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to C	Unrated
On and Off-Balance Sheet Exposures		RM '000	RM '000	RM '000	RM '000	RM '000	RM '000
Group Sovereigns/Central Banks		-	13,245	-	-	-	2,195,026
Bank Sovereigns/Central Banks		-	-	-	-	-	2,181,781

Exposure class	Rating of Banking Institutions by approved ECAIs						
	Moody's	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to B3	Caa1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	RAM	AAA to AA3	A to A3	BBB1 to BBB3	BB1 to B3	C1 to D	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	C+ to D	Unrated
On and Off-Balance Sheet Exposures		RM '000	RM '000	RM '000	RM '000	RM '000	RM '000
Group Banks, MDBs and FDIs		87,515	330,118	214,742	62	-	877,857
Bank Banks, MDBs and FDIs		73,600	330,118	214,742	62	-	956,494

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A22. FINANCIAL RISK MANAGEMENT (Cont'd.)

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

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

30 June 2011

Group	Exposures before CRM	Exposures Covered by Guarantees	Exposures Covered by Eligible Financial Collateral
	RM'000	RM'000	RM'000
(i) Credit Risk			
(a) On-Balance Sheet Exposures			
Sovereigns/Central Banks	1,826,313	-	
Public Sector Entities	91,932	91,932	
Banks, Development Financial Institutions & MDBs	2,292,025		
Corporates	3,355,284	90,924	81,531
Residential Mortgages	14,015		
Higher Risk Assets	268,393		150
Equity Exposure	80,705		
Other Assets	379,056		
Defaulted Exposures	1,900,557		69,187
Total On Balance Sheet Exposures	10,208,280	182,856	150,868
(b) Off-Balance Sheet Exposures			
OTC Derivatives	95,474		-
Off-balance sheet exposures other than OTC derivatives	1,181,554	450,000	-
Defaulted Exposures	25,933		-
Total Off-Balance Sheet Exposures	1,302,961	450,000	-
Total On and Off-Balance Sheet Exposures	11,511,242	632,856	150,868

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

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A22. FINANCIAL RISK MANAGEMENT (Cont'd.)

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

30 June 2011

Bank	Exposures before CRM	Exposures Covered by Guarantees	Exposures Covered by Eligible Financial Collateral
	RM'000	RM'000	RM'000
(i) Credit Risk			
(a) On-Balance Sheet Exposures			
Sovereigns/Central Banks	1,813,621	-	-
Public Sector Entities	91,932	91,932	-
Banks, Development Financial Institutions & MDBs	2,346,292	-	-
Corporates	3,355,284	90,924	81,531
Residential Mortgages	14,015	-	-
Higher Risk Assets	268,279	-	150
Other Assets	361,318	-	-
Defaulted Exposures	1,900,557	-	69,187
Total On-Balance Sheet Exposures	10,151,298	182,856	150,868
(b) Off-Balance Sheet Exposures			
OTC Derivatives	95,474	-	-
Off-balance sheet exposures other than OTC derivatives	1,181,554	450,000	-
Defaulted Exposures	25,933	-	-
Total Off Balance Sheet Exposures	1,302,961	450,000	-
Total On and Off-Balance Sheet Exposures	11,454,259	632,856	150,868

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

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A22. FINANCIAL RISK MANAGEMENT (Cont'd.)

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

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

31 December 2010

Group	Exposures before CRM	Exposures Covered by Guarantees	Exposures Covered by Eligible Financial Collateral	Exposures Covered by Other Eligible Collateral
	RM'000	RM'000	RM'000	RM'000
(i) Credit Risk				
(a) On-Balance Sheet Exposures				
Sovereigns/Central Banks	2,195,026	-	-	-
Public Sector Entities	91,076	91,076	-	-
Banks, Development Financial Institutions & MDBs	1,314,937	-	-	-
Corporates	4,637,334	91,059	329,118	-
Higher Risk Assets	142,035	-	1,778	-
Equity Exposure	86,307	-	-	-
Other Assets	459,734	-	-	-
Defaulted Exposures	1,786,739	-	18,450	-
Total On Balance Sheet Exposures	10,713,188	182,135	349,346	-
(b) Off-Balance Sheet Exposures				
OTC Derivatives	133,199	-	-	-
Off-balance sheet exposures other than OTC derivatives	1,258,345	450,000	-	-
Defaulted Exposures	49,637	-	-	-
Total Off-Balance Sheet Exposures	1,441,182	450,000	-	-
Total On and Off-Balance Sheet Exposures	12,154,369	632,135	349,346	-

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

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A22. FINANCIAL RISK MANAGEMENT (Cont'd.)

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

31 December 2010

Bank	Exposures before CRM	Exposures Covered by Guarantees	Exposures Covered by Eligible Financial Collateral	Exposures Covered by Other Eligible Collateral
	RM'000	RM'000	RM'000	RM'000
(i) Credit Risk				
(a) On-Balance Sheet Exposures				
Sovereigns/Central Banks	2,181,781	-	-	-
Public Sector Entities	91,076	91,076	-	-
Banks, Development Financial Institutions & MDBs	1,379,659	-	-	-
Corporates	4,637,334	91,059	329,118	-
Higher Risk Assets	141,920	-	1,778	-
Other Assets	439,237	-	-	-
Defaulted Exposures	1,786,739	-	18,450	-
Total On-Balance Sheet Exposures	10,657,746	182,135	349,346	-
(b) Off-Balance Sheet Exposures				
OTC Derivatives	133,199	-	-	-
Off-balance sheet exposures other than OTC derivatives	1,258,345	450,000	-	-
Defaulted Exposures	49,637	-	-	-
Total Off Balance Sheet Exposures	1,441,182	450,000	-	-
Total On and Off-Balance Sheet Exposures	12,098,927	632,135	349,346	-

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

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A22. FINANCIAL RISK MANAGEMENT (Cont'd.)

(i) General Disclosure for Off-Balance Sheet exposures and Counterparty Credit Risk

Off-Balance Sheet exposures and Counterparty Credit Risk ("CCR") are as follows:

Group and Bank	Principal Amount	Positive Fair Value of Derivative Contracts	Credit Equivalent Amount	Risk-Weighted Assets
	RM'000	RM'000	RM'000	RM'000
30 June 2011				
Direct credit substitutes	646,735		646,735	425,159
Transaction related contingent Items	146,675		73,337	58,132
Short-term self liquidating trade related contingencies	48,076		9,615	7,664
Foreign exchange related contracts	1,159,811	36,737	40,413	19,944
- One year or less	866,828	12,606	13,352	6,779
- Over one year to five years	193,122	24,131	15,132	9,736
- Over five years	99,860	-	11,929	3,429
Profit rate related contracts	319,172	20,065	55,174	41,130
- Over five years	319,172	20,065	55,174	41,130
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	781,845		390,922	425,450
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	433,819		86,764	84,409
	3,536,133	56,802	1,302,961	1,061,888
Group and Bank	Principal Amount	Positive Fair Value of Derivative Contracts	Credit Equivalent Amount	Risk-Weighted Assets
	RM'000	RM'000	RM'000	RM'000
31 December 2010				
Direct credit substitutes	644,403		644,403	424,463
Transaction related contingent Items	268,240		134,120	127,233
Short-term self liquidating trade related contingencies	77,691		15,538	13,542
Foreign exchange related contracts				
- One year or less	1,128,680	35,924	46,946	21,775
- Over one year to five years	250,219	12,856	27,870	16,654
- Over five years	99,748	9,313	15,298	5,568
Profit rate related contracts				
- Over five years	340,262	19,702	43,520	33,993
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	882,953		441,476	481,752
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	360,049		72,010	71,291
	4,052,244	77,796	1,441,182	1,196,271

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A22. FINANCIAL RISK MANAGEMENT (Cont'd.)

(j) Equities (Disclosure for banking book positions)

30 June 2011
Group and Bank

Equity

(i) Privately Held

(a) Subsidiaries

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

(b) Associate

Intrared Sdn Bhd (formerly known as Reetaj
City Centre Sdn Bhd)

(c) Musyarakah Capital Investment

(ii) Publicly traded

	Amount	Unrealised Gain/(Loss)	Risk-Weighted Assets
	RM	RM	RM
	46,193,036	(14,000,000)	Capital Deduction
	10,199,750	-	Capital Deduction
	2	-	Capital Deduction
	20,000,000	-	Capital Deduction
	15,993,284	-	Capital Deduction
	-	-	Capital Deduction
	19,000,000		28,500,000
	5,898,000	-	8,847,000
	-	-	-

31 December 2010
Group and Bank

Equity

(i) Privately Held

(a) Subsidiaries

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

(b) Associate

Reetaj City Centre Sdn Bhd

(c) Musyarakah Capital Investment

(ii) Publicly traded

	Amount	Unrealised Gain/(Loss)	Risk-Weighted Assets
	RM	RM	RM
	67,896,836	(35,413,611)	Capital Deduction
	10,199,750	-	Capital Deduction
	2	-	Capital Deduction
	20,000,000	-	Capital Deduction
	21,703,800	-	Capital Deduction
	15,993,284	-	Capital Deduction
	19,000,000		28,500,000
	5,898,000	-	8,847,000
	-	-	-

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**Part B - 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 2010. 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 2010.

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 2010 except for the following Financial Reporting Standards ("FRSs"), amendments to FRSs, IC Interpretations and Technical Release that have been issued by the MASB:

FRSs, Amendments to FRSs and Interpretations

FRS 1 *First Time Adoption of Financial Reporting Standards*

FRS 3 *Business Combinations (revised)*

Amendments to FRS 2 *Share-based Payment*

Amendments to FRS 5 *Non-current Assets Held for Sale and Discontinued Operations*

Amendments to FRS 127 *Consolidated and Separate Financial Statements*

Amendments to FRS 138 *Intangible Assets*

Amendments to IC Interpretation 9 *Reassessment of Embedded Derivatives*

IC Interpretation 12 *Service Concession Arrangements*

IC Interpretation 15 *Agreements for the Construction of Real Estate*

IC Interpretation 16 *Hedges of a Net Investment in a Foreign Operation*

IC Interpretation 17 *Distributions of Non-cash Assets to Owners*

Amendments to FRS 132 *Classification of Rights Issues*

Amendments to FRS 1 *Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters*

Amendments to FRS 7 *Improving Disclosures about Financial Instruments*

Amendments to FRS 7 *Financial Instruments: Disclosure*

Amendments to FRS 101 *Presentation of Financial Statements*

Amendments to FRS 121 *The Effects of Changes in Foreign Exchange Rates*

Amendments to FRS 128 *Investments in Associates*

Amendments to FRS 131 *Interests in Joint Ventures*

Amendments to FRS 132 *Financial Instruments: Presentation*

Amendments to FRS 134 *Interim Financial Reporting*

Amendments to FRS 139 *Financial Instruments: Recognition and Measurement*

IC Interpretation 4 *Determining Whether an Arrangement Contains a Lease*

IC Interpretation 18 *Transfers of Assets from Customers*

Amendments to IC Interpretation 13 *Customer Loyalty Programmes*

TR 3 *Guidance on Disclosures of Transition to IFRSs*

TR i-4 *Shariah Compliant Sale Contracts*

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.

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**Part B - Explanatory Notes Pursuant to Financial Reporting Standard ("FRS 134")
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B2. Accounting Policies (cont'd.)

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

FRSs, Amendments to FRSs and Interpretations	Effective for financial period beginning on or after
IC Interpretation 19 <i>Extinguishing Financial Liabilities with Equity Instruments</i>	1 July 2011
Amendments to IC Interpretation 14 <i>Prepayments of a Minimum Funding Requirement</i>	1 July 2011
FRS 124 <i>Related Party Disclosures</i>	1 January 2012
IC Interpretation 15 <i>Agreements for the Construction of Real Estate</i>	1 January 2012

B3. Auditors' Report on Preceding Annual Financial Statements

The auditors' report on the audited financial statements for the financial year ended 31 December 2010 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 six-months ended 30 June 2011.

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 six-months ended 30 June 2011.

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 six-months ended 30 June 2011.

B7. Debt and Equity Securities

There were no issuances, cancellation, repurchases, resales or repayments of debt and equity securities during the six-months ended 30 June 2011.

B8. Dividends Paid

There were no dividends paid during the six-months ended 30 June 2011.

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**Part B - Explanatory Notes Pursuant to Financial Reporting Standard ("FRS 134")
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B9. Segment Information on Operating Revenue, Profit/(Loss) Before Zakat & Taxation and Total Assets

(i) By Business Segment

	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 June 2011					
Retail banking	7,042	(6,770)	12,157	(9,511)	680,088
Treasury and capital market operations	27,235	(168)	50,149	(1,958)	4,652,137
Corporate banking	35,392	11,199	66,753	18,800	3,115,658
Commercial banking	32,888	(19,567)	78,513	(1,624)	1,566,570
	102,556	(15,307)	207,571	5,706	10,014,452
Inter-segment elimination	4,552	-	5,728	-	-
	107,109	(15,307)	213,300	5,706	10,014,452
Unallocated expenses	-	19,965	-	-	-
Unallocated assets	-	-	-	-	403,818
	107,109	4,658	213,300	5,706	10,418,271
30 June 2010					
Retail banking	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

Inter-segment pricing is based on negotiated basis.

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**Part B - Explanatory Notes Pursuant to Financial Reporting Standard ("FRS 134")
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B9. 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 June 2011					
Malaysia	107,108	5,948	213,299	6,997	10,417,039
Outside Malaysia	1	(1,290)	1	(1,291)	1,232
	107,109	4,658	213,300	5,706	10,418,271
30 June 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

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 2010.

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 2010.

B13. Changes In Contingent Liabilities and Contingent Assets

There were no significant changes in the contingent liabilities and contingent assets since the last annual statements of financial position as at 31 December 2010 other than those as disclosed in note A19.

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B14. Capital Commitments

The capital commitments not provided for in the interim financial statements as at 30 June 2011 are as follows:

Capital expenditure

Authorised and contracted for:

- renovation
- purchase of equipment

Authorised and not contracted for:

- renovation
- purchase of equipment

Group RM'000	Bank RM'000
1,469	1,469
5,276	5,276
6,745	6,744
-	-
88	88

B15. Significant Event During Previous Financial Year

In 2010, the Bank had entered into a Specific Profit Sharing Investment Accounts ("SPSIA" or "the Fund") arrangement with the holding company to acquire and/or invest in certain identified financing assets ("underlying assets" or "SPSIA financing") of the Bank for a consideration amounting to RM542.8 million, which represents the net book value of the underlying assets as at the transaction date. Subsequent to this SPSIA arrangement, the underlying assets have been de-recognised by the Bank as all risks and rewards have been effectively transferred and borne by the fund provider. Under the SPSIA, no premature/early withdrawal is permitted and the Fund are to remain administered by the Bank until fully repaid from the revenue streams generated by the underlying assets.