

KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

Interim Report for the Period Ended 30 June 2013

Interim Condensed Statements of Financial Position	1
Interim Condensed Consolidated Income Statements	2
Interim Condensed Consolidated Statements of Comprehensive Income	3
Interim Condensed Income Statements	4
Interim Condensed Statements of Comprehensive Income	5
Interim Condensed Statements of Changes in Equity	6
Interim Condensed Statements of Cash Flows	7
Selected Explanatory Notes to the Condensed Financial Statements	8 - 93

KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

INTERIM CONDENSED STATEMENTS OF FINANCIAL POSITION

	Note	Group		Bank	
		30 Jun 2013 RM'000	31 Dec 2012 RM'000	30 Jun 2013 RM'000	31 Dec 2012 RM'000
ASSETS					
Cash and short-term funds		1,430,760	1,400,684	1,414,464	1,370,167
Deposits and placements with banks and other financial institutions	A3	302,429	244,147	302,429	228,838
Securities held-for-trading	A4	-	79,493	-	79,493
Hedging financial instruments	A7	17,091	21,470	17,091	21,470
Securities available-for-sale	A4	1,186,001	955,830	1,076,246	846,614
Securities held-to-maturity	A4	81,474	81,493	81,474	81,493
Financing, advances and other receivables	A5	5,271,497	5,288,745	5,271,497	5,288,745
Other assets	A6	174,503	481,381	173,937	481,255
Statutory deposits with Bank Negara Malaysia		174,000	191,717	174,000	191,717
Musarakah capital investment	A8	5,898	5,898	5,898	5,898
Investment in subsidiaries		-	-	30,952	30,952
Property and equipment		35,972	37,352	35,427	36,491
Intangible assets		17,751	21,840	16,886	21,169
Deferred tax assets		265,179	286,641	265,097	286,538
		8,962,555	9,096,691	8,865,398	8,970,840
LIABILITIES					
Deposits from customers	A9	5,277,927	5,370,265	5,271,410	5,377,039
Deposits and placements of banks and other financial institutions	A10	1,514,220	1,324,476	1,433,267	1,204,490
Hedging financial instruments	A7	232	16,754	232	16,754
Subordinated Murabahah Tawarruq	A12	393,625	374,054	393,625	374,054
Other liabilities	A11	229,111	491,847	228,284	491,004
		7,415,115	7,577,396	7,326,818	7,463,341
SHAREHOLDER'S EQUITY					
Share capital		1,425,272	2,266,125	1,425,272	2,266,125
Reserves		122,168	(746,830)	113,308	(758,626)
		1,547,440	1,519,295	1,538,580	1,507,499
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY					
		8,962,555	9,096,691	8,865,398	8,970,840
COMMITMENTS AND CONTINGENCIES					
	A17	1,448,606	2,120,234	1,448,606	2,120,234
CAPITAL ADEQUACY					
Core capital ratio	A19	16.59%	15.44%	16.03%	15.41%
Risk-weighted capital ratio	A19	20.78%	19.45%	20.26%	18.89%
NET ASSETS PER SHARE (RM)					
		1.09	0.67	1.08	0.67

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

KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENTS

Group	Note	2nd Quarter ended 30 Jun		Half-year ended 30 Jun	
		2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Continuing operations					
Operating revenue		121,507	115,037	229,684	250,899
Income derived from investment of depositors' funds and others	A13	83,566	94,290	167,194	198,811
Income derived from investment of shareholder's equity	A14	37,941	20,747	62,490	52,088
Total gross income		121,507	115,037	229,684	250,899
Impairment loss on others		(1,409)	-	(1,409)	-
Impairment loss on securities		(6)	(1,387)	(148)	(1,215)
Impairment write-back on financing	A15	43,767	3,396	55,875	8,128
Total distributable income		163,859	117,046	284,002	257,812
Income attributable to the depositors	A16	(46,485)	(49,959)	(88,707)	(109,655)
Total net income		117,374	67,087	195,295	148,157
Personnel expenses		(27,674)	(24,441)	(54,574)	(49,478)
Other overheads and expenditures		(27,237)	(20,268)	(53,192)	(49,904)
Finance cost		(3,486)	(3,392)	(6,910)	(6,666)
Profit before zakat and taxation		58,977	18,986	80,619	42,109
Taxation		(16,569)	(5,650)	(25,558)	(12,232)
Net profit for the period		42,408	13,336	55,061	29,877
Attributable to:					
Equity holders of the Bank		42,408	13,336	55,061	29,877
Earnings per share attributable to equity holders of the Bank					
- Basic/Diluted (sen)		2.47	0.59	3.21	1.32

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

KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Group	2nd Quarter ended 30 Jun		Half-year ended 30 Jun	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Net profit for the period	42,408	13,336	55,061	29,877
Other comprehensive (loss)/income:				
Securities available-for-sale:				
Net (loss)/income taken to equity	(30,522)	(6,332)	(37,049)	7,567
Exchange differences on translation of foreign operations:				
Net gain taken to equity	535	1,094	871	199
Income tax relating to components of other comprehensive income/(loss)	7,630	1,583	9,262	(1,892)
Other comprehensive (loss)/income for the period, net of tax	(22,357)	(3,655)	(26,916)	5,874
Total comprehensive income for the period	20,051	9,681	28,145	35,751
Total comprehensive income for the period attributable to equity holders of the Bank	20,051	9,681	28,145	35,751

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

KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

INTERIM CONDENSED INCOME STATEMENTS

<u>Bank</u>	Note	2nd Quarter ended 30 Jun		Half-year ended 30 Jun	
		2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Continuing operations					
Operating revenue		119,538	113,039	225,377	247,006
Income derived from investment of depositors' funds and others	A13	82,838	93,875	166,034	198,214
Income derived from investment of shareholder's equity	A14	36,700	19,164	59,343	48,792
Total gross income		119,538	113,039	225,377	247,006
Impairment loss on others		(1,409)	-	(1,409)	-
Impairment loss on securities		(6)	(1,387)	(148)	(1,215)
Impairment write-back on financing	A15	43,767	3,396	55,875	8,128
Total distributable income		161,890	115,048	279,695	253,919
Income attributable to the depositors	A16	(46,407)	(49,921)	(88,651)	(109,674)
Total net income		115,483	65,127	191,044	144,245
Personnel expenses		(26,040)	(23,940)	(51,715)	(47,761)
Other overheads and expenditures		(26,102)	(19,181)	(50,794)	(47,967)
Finance cost		(3,486)	(3,393)	(6,910)	(6,667)
Profit before zakat and taxation		59,855	18,613	81,625	41,850
Taxation		(16,545)	(5,632)	(25,516)	(12,195)
Net profit for the period		43,310	12,981	56,109	29,655

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

KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

INTERIM CONDENSED STATEMENTS OF COMPREHENSIVE INCOME

	2nd Quarter ended 30 Jun		Half-year ended 30 Jun	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Bank				
Net profit for the period	43,310	12,981	56,109	29,655
Other comprehensive (loss)/income:				
Securities available-for-sale:				
Net (loss)/income taken to equity	(27,782)	(6,540)	(33,372)	6,749
Income tax relating to components of other comprehensive income/(loss)	6,945	1,635	8,344	(1,688)
Other comprehensive (loss)/income for the period, net of tax	(20,837)	(4,905)	(25,028)	5,061
Total comprehensive income for the period	22,473	8,076	31,081	34,716

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

KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

INTERIM CONDENSED STATEMENTS OF CHANGES IN EQUITY

	Non-distributable			Distributable	Total Equity RM'000	
	Share Capital RM'000	Statutory Reserve RM'000	Translation Reserve RM'000	Retained Earnings/ (Accumulated Losses) RM'000		
Group						
At 1 Jan 2013	2,266,125	66,697	(7,112)	2,574	(808,989)	1,519,295
Effect of capital reduction	(840,853)	-	-	-	840,853	-
Total comprehensive income/(loss)	-	-	871	(27,787)	55,061	28,145
At 30 Jun 2013	1,425,272	66,697	(6,241)	(25,213)	86,925	1,547,440
At 1 Jan 2012						
- As previously stated	2,266,125	34,952	(6,061)	(3,307)	(821,168)	1,470,541
- Effect of adopting FRS 139	-	-	-	-	(16,570)	(16,570)
At 1 January 2012, as restated	2,266,125	34,952	(6,061)	(3,307)	(837,738)	1,453,971
Total comprehensive income	-	-	199	5,675	29,877	35,751
At 30 Jun 2012	2,266,125	34,952	(5,862)	2,368	(807,861)	1,489,722
Bank						
At 1 Jan 2013	2,266,125	66,697	-	355	(825,678)	1,507,499
Effect of capital reduction	(840,853)	-	-	-	840,853	-
Total comprehensive (loss)/income	-	-	-	(25,028)	56,109	31,081
At 30 Jun 2013	1,425,272	66,697	-	(24,673)	71,284	1,538,580
At 1 Jan 2012						
- As previously stated	2,266,125	34,952	-	(4,105)	(840,853)	1,456,119
- Effect of adopting FRS 139	-	-	-	-	(16,570)	(16,570)
At 1 January 2012, as restated	2,266,125	34,952	-	(4,106)	(857,423)	1,439,549
Total comprehensive income	-	-	-	5,061	29,655	34,716
At 30 Jun 2012	2,266,125	34,952	-	955	(827,768)	1,474,265

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

KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

INTERIM CONDENSED STATEMENTS OF CASH FLOWS

	Group		Bank	
	30 Jun 2013 RM'000	30 Jun 2012 RM'000	30 Jun 2013 RM'000	30 Jun 2012 RM'000
Profit before zakat and taxation	80,618	42,109	81,625	41,850
Adjustments for non-cash items	(40,466)	(34,848)	(49,020)	(41,767)
Operating profit before changes in working capital	40,152	7,261	32,605	83
<u>Changes in the working capital</u>				
Net changes in operating assets	344,281	211,079	331,333	207,044
Net changes in operating liabilities	(165,015)	(650,815)	(139,255)	(693,019)
Zakat and taxation paid	-	(3,766)	-	(3,740)
Net cash (used in)/generated from operating activities	179,266	(443,502)	192,078	(489,715)
Net cash (used in)/generated from investing activities	(183,101)	52,874	(180,387)	39,393
	(183,101)	52,874	(180,387)	39,393
Net change in cash and cash equivalents	36,317	(383,367)	44,297	(450,239)
Cash and cash equivalents at beginning of the period	1,400,684	1,973,012	1,370,167	2,076,287
Exchange differences on translation of opening balances	(6,241)	(5,926)	-	-
Cash and cash equivalents at end of the period	1,430,760	1,583,719	1,414,464	1,626,048

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

KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

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

A1 Performance Review

The Group and the Bank recorded a profit before zakat and taxation of RM80.6 million and RM81.6 million respectively for the period ended 30 June 2013.

A2 Prospects for 2013

The Bank is expected to achieve its objectives in 2013 by continuing to focus on the strategic thrusts namely balance sheet realignment, building internal capability, business growth and cost optimization. The vision is that the Bank will be well capitalized, profitable with good quality loan assets leading to long term sustainability. For 2013, the Bank will further build and strengthen its internal capability by introducing new lines, enhancing existing IT infrastructure, core processes and human resource practices. The enhancement of existing IT infrastructure will be done through key initiatives which include upgrading the core banking system through enhancement or implementing new system. The human resource is also set to be enhanced and strengthened within the Bank. With the above, the Bank believes the customers will be better served and further heightened the competitiveness of the Bank.

A3 Deposits and Placements with Banks and Other Financial Institutions

	Group		Bank	
	30 Jun 2013 RM'000	31 Dec 2012 RM'000	30 Jun 2013 RM'000	31 Dec 2012 RM'000
Licensed Islamic banks	155,468	65,365	155,468	50,056
Other financial institutions	146,961	178,782	146,961	178,782
	302,429	244,147	302,429	228,838

KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

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

A4 Securities

i) Securities Held-For-Trading

	Group		Bank	
	30 Jun 2013 RM'000	31 Dec 2012 RM'000	30 Jun 2013 RM'000	31 Dec 2012 RM'000
At fair value				
Unquoted Islamic private debt securities/sukuk	-	79,493	-	79,493

ii) Securities Available-For-Sale

	Group		Bank	
	30 Jun 2013 RM'000	31 Dec 2012 RM'000	30 Jun 2013 RM'000	31 Dec 2012 RM'000
At fair value				
Unquoted securities				
- Islamic private debt securities/sukuks	374,901	425,320	358,509	365,264
- Malaysian Government sukuk	654,415	435,181	598,101	422,143
- Unquoted property funds	37,049	36,122	-	-
	1,066,365	896,623	956,610	787,407
At cost				
Unquoted shares in Malaysia	119,636	59,207	119,636	59,207
	1,186,001	955,830	1,076,246	846,614

iii) Securities Held-To-Maturity

	Group		Bank	
	30 Jun 2013 RM'000	31 Dec 2012 RM'000	30 Jun 2013 RM'000	31 Dec 2012 RM'000
At amortised cost				
Unquoted Islamic private debt securities/sukuk	81,474	81,493	81,474	81,493

KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

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

A5 Financing, Advances and Other Receivables

i) At amortised cost

Group and Bank	
30 Jun 2013	31 Dec 2012
RM'000	RM'000
Term financing	
- House financing	52,221
- Personal financing	1,205,805
- Leasing financing	105,228
- Syndicated financing	320,841
- Hire purchase receivables	125,107
- Other term financing	4,155,913
Staff financing	9,054
	5,974,169
Less: Impairment allowances on financing	
- Collective assessment	(138,600)
- Individual assessment	(546,824)
Net financing, advances and other receivables	5,288,745

ii) By contract

Group and Bank	
30 Jun 2013	31 Dec 2012
RM'000	RM'000
Ijarah Muntahia Bittamlik (lease ended with ownership)	1,696,868
Murabahah (cost-plus)	3,804,411
Mudharabah (profit sharing)	80,814
Qard (benevolent financing)	899
Musarakah (profit and loss sharing)	385,158
Istisna'	6,019
	5,974,169

KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

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

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

iii) By type of customer

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

Group and Bank	
30 Jun 2013 RM'000	31 Dec 2012 RM'000
760,153	767,997
2,726,773	3,002,869
1,979,954	1,679,217
-	121,897
229,278	294,242
102,238	107,947
5,798,396	5,974,169

(iv) By residual contractual maturity

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

Group and Bank	
30 Jun 2013 RM'000	31 Dec 2012 RM'000
3,034,578	3,679,744
242,129	231,391
116,740	93,142
2,404,949	1,969,892
5,798,396	5,974,169

(v) By geographical distribution

Malaysia	
Middle East	
Other countries	

Group and Bank	
30 Jun 2013 RM'000	31 Dec 2012 RM'000
5,694,000	5,832,956
17,997	19,287
86,399	121,926
5,798,396	5,974,169

vi) By profit rate sensitivity

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

Group and Bank	
30 Jun 2013 RM'000	31 Dec 2012 RM'000
12,591	12,547
116,138	84,466
199,978	320,841
3,356,405	3,527,758
306,596	282,899
1,806,688	1,745,658
5,798,396	5,974,169

KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

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

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

vii) By sector

	Group and Bank	
	30 Jun 2013 RM'000	31 Dec 2012 RM'000
Construction	282,234	211,000
Electricity, gas and water	122,790	126,300
Finance, insurance and business services	284,379	263,398
Household	1,998,297	1,698,953
Manufacturing	972,098	959,776
Mining and quarrying	273,143	308,149
Agriculture, hunting, forestry & fishing	58,630	69,674
Real Estate	882,222	1,237,321
Transports, storage and communication	321,940	260,489
Wholesale & retail trade and restaurants & hotels	262,725	358,710
Others	339,938	480,399
	5,798,396	5,974,169

viii) By economic purpose

	Group and Bank	
	30 Jun 2013 RM'000	31 Dec 2012 RM'000
Purchase of securities	139,103	180,234
Purchase of transport vehicles	305,129	287,156
Purchase of landed properties		
- residential	419,434	398,497
- non-residential	250,765	318,278
Purchase of fixed assets	639,496	474,134
Working capital	1,655,487	2,176,891
Construction	526,402	469,266
Personal use	1,445,232	1,198,725
Other purposes	417,348	470,988
	5,798,396	5,974,169

KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

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

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

ix) Movements in impaired financing, advances and other receivables

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

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

Group and Bank	
30 Jun 2013 RM'000	31 Dec 2012 RM'000
933,554	1,493,648
(253,818)	(560,094)
40,097	241,451
(111,549)	(34,483)
(67,854)	(213,608)
(114,512)	(553,454)
679,736	933,554
679,736	933,554
6.01%	7.13%

(x) Movements in impairment and allowance on financing

Collective impairment

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

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

Group and Bank	
30 Jun 2013 RM'000	31 Dec 2012 RM'000
138,600	140,866
36,000	(2,266)
174,600	138,600
3.21%	2.55%

KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

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

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

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

	Group and Bank	
	30 Jun 2013 RM'000	31 Dec 2012 RM'000
Individual impairment		
At 1 Jan	546,824	1,089,878
Allowance (reversed)/charged during the year	(80,013)	3,554
- Allowance made	30,933	134,599
- Allowance written-back	(110,946)	(131,045)
Amount written off	(114,512)	(546,608)
Closing balance 31 December	352,299	546,824

(xi) Impaired financing by sector

	Group and Bank	
	30 Jun 2013 RM'000	31 Dec 2012 RM'000
Agriculture, hunting, forestry and fishing	8,956	39,764
Construction	25,640	31,525
Electricity, gas and water	79	18,646
Finance, insurance and business services	34,240	38,576
Household	17,687	12,445
Manufacturing	181,317	306,950
Mining and quarrying	118,842	119,246
Real Estate	67,571	69,919
Transport, storage and communication	56,320	56,719
Wholesale & retail trade and restaurants & hotels	134,526	129,471
Others	34,558	110,293
	679,736	933,554

KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

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

A6 Other Assets

	Group		Bank	
	30 Jun 2013 RM'000	31 Dec 2012 RM'000	30 Jun 2013 RM'000	31 Dec 2012 RM'000
Deposits and prepayments	15,861	17,672	15,784	17,391
Amount due from holding company	298	294	298	294
Amount due from subsidiaries	-	-	5	425
Amount due from other related parties	615	1,617	615	1,615
Fee receivable	715	2,575	715	2,575
Sundry debtors	2,271	12,408	1,722	12,127
Commodity assets	-	272,499	-	272,499
Tax recoverable	3,083	5,005	3,138	5,018
Gold depository	151,628	169,279	151,628	169,279
Murabahah trading automobile	32	32	32	32
	174,503	481,381	173,937	481,255

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

A7 Hedging Financial Instruments

	Notional Amount RM'000	Fair Value	
		Assets RM'000	Liabilities RM'000
Group and Bank			
At 30 Jun 2013			
Forward foreign exchange related contracts	6,321	10	-
Ijarah rental swap related contracts	271,194	17,081	232
Total	277,515	17,091	232
At 31 Dec 2012			
Ijarah rental swap related contracts	278,339	21,470	16,754
Total	278,339	21,470	16,754

A8 Musyarakah Capital Investment

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

KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

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

A9 Deposits from Customers

(i) By type of deposit

	Group		Bank	
	30 Jun 2013 RM'000	31 Dec 2012 RM'000	30 Jun 2013 RM'000	31 Dec 2012 RM'000
Non Mudharabah				
- Demand deposits	506,766	633,640	500,249	640,414
- Gold deposits	151,730	165,051	151,730	165,051
- Wakalah deposits	1,053,839	834,589	1,053,839	834,589
Mudharabah				
- Savings deposits	61,234	47,267	61,234	47,267
- General investment deposits	226,387	234,199	226,387	234,199
- Negotiable Instrument Deposit	816,463	717,284	816,463	717,284
Murabahah	2,461,508	2,738,235	2,461,508	2,738,235
	5,277,927	5,370,265	5,271,410	5,377,039

(ii) By type of customer

	Group		Bank	
	30 Jun 2013 RM'000	31 Dec 2012 RM'000	30 Jun 2013 RM'000	31 Dec 2012 RM'000
Business enterprises	1,832,560	2,000,432	1,823,217	1,995,175
Individuals	1,045,879	830,156	1,045,879	830,156
Subsidiaries	-	-	2,826	12,117
Government and statutory bodies	1,335,948	1,549,745	1,335,948	1,549,745
Other enterprises	1,063,540	989,932	1,063,540	989,846
	5,277,927	5,370,265	5,271,410	5,377,039

(iii) By contractual maturity

	Group		Bank	
	30 Jun 2013 RM'000	31 Dec 2012 RM'000	30 Jun 2013 RM'000	31 Dec 2012 RM'000
Due within six months	4,102,902	4,105,097	4,096,385	4,111,871
More than six months to one year	372,831	1,172,362	372,831	1,172,362
More than one year to three years	802,194	92,806	802,194	92,806
	5,277,927	5,370,265	5,271,410	5,377,039

KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

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

A10 Deposits and Placements of Banks and Other Financial Institutions

	Group		Bank	
	30 Jun 2013 RM'000	31 Dec 2012 RM'000	30 Jun 2013 RM'000	31 Dec 2012 RM'000
<u>Murabahah</u>				
Licensed Islamic banks	107,510	76,452	145,093	76,452
Other financial institutions	531,917	527,874	494,334	535,485
<u>Wakalah</u>				
Licensed banks	-	30,609	-	-
Licensed Islamic banks	79,095	104,277	63,288	30,109
Licensed investment banks	-	30,590	-	30,590
Other financial institutions	795,698	554,674	730,552	531,854
	1,514,220	1,324,476	1,433,267	1,204,490

A11 Other Liabilities

	Group		Bank	
	30 Jun 2013 RM'000	31 Dec 2012 RM'000	30 Jun 2013 RM'000	31 Dec 2012 RM'000
Sundry creditors	210,986	192,968	210,806	192,923
Amount due to agent from the purchase of commodity assets	19	272,499	19	272,499
Accrued restoration cost	3,064	3,496	2,884	3,313
Provision for tax	-	13	-	-
Other provisions and accruals	15,042	22,871	14,575	22,269
	229,111	491,847	228,284	491,004

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

A12 Subordinated Murabahah Tawarruq

The principal of subordinated Murabahah Tawarruq is a facility agreement with the holding company of the Bank, Kuwait Finance House K.S.C. The facility with principal and profit amount of USD124,552,932 or equivalent RM393,624,631 (2012: USD122,319,817 or equivalent RM374,054,000) is unsecured with a tenure of five years and forms part of the Bank's Tier-2 capital. The Murabahah profit is determined with reference to London Interbank Offer Rate ("LIBOR").

KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

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

A13 Income derived from Investment of Depositors' Funds and Others

Group

Income derived from investment of:

- General investment deposits
- Other deposits

Bank

Income derived from investment of:

- General investment deposits
- Other deposits

2nd Quarter ended 30 Jun		Half-year ended 30 Jun	
2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
2,627	3,336	5,422	6,502
80,939	90,954	161,772	192,309
83,566	94,290	167,194	198,811
2,619	3,318	5,397	6,477
80,219	90,557	160,637	191,737
82,838	93,875	166,034	198,214

(i) Income derived from investment of general investment deposits

Group

Finance income from financing, advances and other receivables

Finance income from impaired financing

Securities

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

Money at call and deposits with financial institutions

Amortisation of premium less accretion of discounts

Total finance income and hibah

Gain arising from sale of securities

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

Foreign exchange gain

- Realised

(Loss)/gain on Ijarah rental swap obligation

2nd Quarter ended 30 Jun		Half-year ended 30 Jun	
2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
1,925	2,291	4,040	4,413
103	51	175	135
2	23	17	40
240	352	477	669
27	6	56	16
301	305	560	800
2,598	3,028	5,324	6,073
(30)	(51)	(59)	(93)
2,568	2,977	5,265	5,980
13	12	37	24
21	250	30	318
61	87	116	161
(36)	10	(27)	19
2,627	3,336	5,422	6,502

KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

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

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

(i) Income derived from investment of general investment deposits

	2nd Quarter ended 30 Jun		Half-year ended 30 Jun	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Bank				
Finance income from financing, advances and other receivables	1,933	2,292	4,050	4,416
Finance income from impaired financing	103	51	175	135
Securities				
- Held-for-trading	2	17	17	34
- Available-for-sale	224	334	443	636
- Held-to-maturity	27	7	56	16
Money at call and deposits with financial institutions	300	309	558	810
	2,589	3,010	5,299	6,046
Amortisation of premium less accretion of discounts	(30)	(51)	(59)	(93)
Total finance income and hibah	2,559	2,959	5,240	5,954
Gain arising from sale of securities				
- Held-for-trading	13	11	37	23
- Available-for-sale	22	250	31	318
Foreign exchange gain				
- Realised	61	88	116	163
(Loss)/gain on Ijarah rental swap obligation	(36)	10	(27)	19
	2,619	3,318	5,397	6,477

KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

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

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

(ii) Income derived from investment of other deposits

<u>Group</u>	2nd Quarter ended 30 Jun		Half-year ended 30 Jun	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Finance income from financing, advances and other receivables	59,205	62,336	120,371	130,186
Finance income from impaired financing	3,186	1,467	5,284	4,127
Securities				
- Held-for-trading	75	613	497	1,153
- Available-for-sale	7,391	9,595	14,242	19,842
- Held-to-maturity	833	173	1,663	465
Money at call and deposits with financial institutions	9,260	8,355	16,766	24,157
	79,950	82,539	158,823	179,930
Amortisation of premium less accretion of discounts	(914)	(1,400)	(1,774)	(2,754)
Total finance income and hibah	79,036	81,139	157,049	177,176
Gain arising from sale of securities				
- Held-for-trading	405	300	1,098	663
- Available-for-sale	663	6,877	929	9,158
Foreign exchange gain				
- Realised	1,887	2,362	3,499	4,752
(Loss)/gain on Ijarah rental swap obligation	(1,052)	276	(803)	560
	80,939	90,954	161,772	192,309

KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

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

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

(ii) Income derived from investment of other deposits

	2nd Quarter ended 30 Jun		Half-year ended 30 Jun	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Bank				
Finance income from financing, advances and other receivables	59,103	62,443	120,360	130,348
Finance income from impaired financing	3,181	1,470	5,283	4,132
Securities				
- Held-for-trading	75	463	497	1,010
- Available-for-sale	6,866	9,114	13,218	18,871
- Held-to-maturity	831	173	1,663	465
Money at call and deposits with financial institutions	9,176	8,466	16,666	24,494
	79,232	82,129	157,687	179,320
Amortisation of premium less accretion of discounts	(913)	(1,403)	(1,773)	(2,757)
Total finance income and hibah	78,319	80,726	155,914	176,563
Gain arising from sale of securities				
- Held-for-trading	404	300	1,098	684
- Available-for-sale	663	6,888	928	9,170
Foreign exchange gain				
- Realised	1,884	2,366	3,499	4,758
(Loss)/gain on Ijarah rental swap obligation	(1,051)	277	(802)	562
	80,219	90,557	160,637	191,737

KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

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

A14 Income derived from Investment of Shareholder's Equity

<u>Group</u>	2nd Quarter ended 30 Jun		Half-year ended 30 Jun	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Finance income from financing, advances and other receivables	13,161	12,678	27,214	23,758
Finance income from impaired financing	706	286	1,190	721
Securities				
- Held-for-trading	16	126	113	215
- Available-for-sale	1,643	1,946	3,218	3,607
- Held-to-maturity	185	35	376	83
Money at call and deposits with financial institutions	2,057	1,690	3,782	4,268
	17,768	16,761	35,893	32,652
Amortisation of premium less accretion of discounts	(203)	(284)	(401)	(501)
Total finance income and hibah	17,565	16,477	35,492	32,151
Fee income				
- Commission	845	487	1,834	1,476
- Other fee income	16,309	3,761	20,073	7,031
- Fund management fee	688	871	1,468	1,716
Gain arising from sale of securities				
- Held-for-trading	89	61	248	121
- Available-for-sale	146	1,381	207	1,739
Unrealised (loss)/gain on revaluation of securities held-for-trading and Ijarah rental swap (net)	337	(141)	23	(498)
Foreign exchange gain/(loss)				
- Realised	416	(6,165)	801	(3,283)
- Unrealised	1,416	3,598	1,792	10,851
(Loss)/gain on Ijarah rental swap obligation	(241)	56	(184)	103
Other income	72	68	141	89
Gross dividend from property funds	299	293	595	592
	37,941	20,747	62,490	52,088

KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

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

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

	2nd Quarter ended 30 Jun		Half-year ended 30 Jun	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Bank				
Finance income from financing, advances and other receivables	13,256	12,566	27,216	23,590
Finance income from impaired financing	710	283	1,191	716
Securities				
- Held-for-trading	17	93	113	182
- Available-for-sale	1,539	1,829	2,988	3,401
- Held-to-maturity	186	35	376	83
Money at call and deposits with financial institutions	2,055	1,695	3,762	4,294
	17,763	16,501	35,646	32,266
Amortisation of premium less accretion of discounts	(205)	(281)	(401)	(497)
Total finance income and hibah	17,558	16,220	35,245	31,769
Fee income				
- Commission	845	490	1,836	1,479
- Other fee income	16,174	3,760	19,937	7,028
Gain arising from sale of securities				
- Held-for-trading	90	60	247	123
- Available-for-sale	147	1,370	208	1,727
Unrealised (loss)/gain on revaluation of securities held-for-trading and Ijarah rental swap (net)	337	48	23	(315)
Foreign exchange gain/(loss)				
- Realised	419	(6,169)	801	(3,289)
- Unrealised	1,400	3,426	1,736	10,809
Management fee	(29)	(97)	(505)	(641)
(Loss)/gain on Ijarah rental swap obligation	(241)	56	(184)	102
	36,700	19,164	59,343	48,792

KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

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

A15 Impairment and Allowance on Financing, Advances and Other Receivables

Group

Impairment and allowance on financing

- Collective impairment (net)
- Individual write-back (net)
- Allowance charge during the period
- Allowance written-back during the period
- Bad debt recovered on financing

Bank

Impairment and allowance on financing

- Collective impairment (net)
- Individual write-back (net)
- Allowance charge during the period
- Allowance written-back during the period
- Bad debt recovered on financing

2nd Quarter ended 30 Jun		Half-year ended 30 Jun	
2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
32,300	2,514	36,000	12,379
(64,652)	(5,910)	(80,013)	(20,507)
26,024	16,193	30,933	20,164
(90,676)	(22,103)	(110,946)	(40,671)
(11,415)	-	(11,862)	-
(43,767)	(3,396)	(55,875)	(8,128)
32,300	2,514	36,000	12,379
(64,652)	(5,910)	(80,013)	(20,507)
30,933	16,193	30,933	20,164
(110,946)	(22,103)	(110,946)	(40,671)
(11,415)	-	(11,862)	-
(43,767)	(3,396)	(55,875)	(8,128)

A16 Income Attributable to the Depositors

Group

Deposits from customers

- Mudharabah
- Murabahah
- Wakalah
- Negotiable Instrument Deposit

Deposits and placements of banks and other financial institutions

- Murabahah and Wakalah

Others

Bank

Deposits from customers

- Mudharabah
- Murabahah
- Wakalah
- Negotiable Instrument Deposit

Deposits and placements of banks and other financial institutions

- Murabahah and Wakalah

Others

2nd Quarter ended 30 Jun		Half-year ended 30 Jun	
2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
1,954	2,223	3,919	4,495
22,769	17,729	45,442	40,832
6,474	1,585	13,511	4,970
7,067	5,697	13,429	11,563
8,180	22,711	12,262	47,770
41	14	144	25
46,485	49,959	88,707	109,655
1,954	2,223	3,919	4,495
22,769	17,729	45,442	40,832
6,474	1,585	13,512	4,970
7,067	5,697	13,429	11,563
8,102	22,673	12,205	47,789
41	14	144	25
46,407	49,921	88,651	109,674

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

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

A17 Commitments and Contingencies

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

	As at 30 Jun 2013			As at 31 Dec 2012		
	Principal amount RM'000	Credit equivalent amount** RM'000	Risk weighted amount** RM'000	Principal amount RM'000	Credit equivalent amount** RM'000	Risk weighted amount** RM'000
Group and Bank						
Direct credit substitutes	30,023	30,023	27,906	448,398	448,398	297,589
Transaction related contingencies	118,031	59,016	36,059	130,067	65,032	46,302
Trade related contingencies	54,962	10,992	10,969	28,653	5,731	5,687
Irrevocable commitments to extend credit						
- maturity less than one year	729,086	145,817	105,185	372,828	74,566	70,448
- maturity more than one year	238,989	119,497	116,992	861,949	430,975	416,934
Foreign exchange related contracts *						
- less than one year	6,321	10	10	-	-	-
Profit rate related contracts (Ijarah rental swap obligation) *						
- five years and above	271,194	30,497	25,073	278,339	35,216	29,649
	1,448,606	395,852	322,194	2,120,234	1,059,918	866,609

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

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

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

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

A18 Credit transactions and exposures with connected parties

As at 30 Jun 2013			
Total outstanding value RM'000	Total number of accounts	Total exposure * RM'000	Total non- performing credit exposure RM'000
Bank			
Financing, credit facility and leasing (except guarantee)	6	358,628	-
Equities and Islamic Private Debt Securities held	1	15,802	-
Off-balance sheet exposures	-	-	-
	7	374,430	-
Total exposure to connected parties as % capital base		25.8%	0.0%
Total exposure to connected parties as % of total outstanding credit exposures		5.3%	0.0%

As at 31 Dec 2012			
Total outstanding value RM'000	Total number of accounts	Total exposure * RM'000	Total non- performing credit exposure RM'000
Bank			
Financing, credit facility and leasing (except guarantee)	6	513,221	-
Equities and Islamic Private Debt Securities held	1	15,290	-
Off-balance sheet exposures	2	1,258	-
	9	529,769	-
Total exposure to connected parties as % capital base		35.4%	0.0%
Total exposure to connected parties as % of total outstanding credit exposures		7.1%	0.0%

* Included total outstanding and unutilised limit.

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

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

A19 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.

For the purpose of the computation of capital adequacy ratios, the Group has adopted the Standardised Approach for Credit Risk and Market Risk, and the Basic Indicator Approach for Operational Risk. The definition and classification of the counterparty, exposure and asset types applied for the purpose of Capital Adequacy's reports are as per the Bank Negara Malaysia's CAFIB.

In addition, the Bank has also provided detailed Capital Adequacy disclosures as per the requirements stipulated in Bank Negara Malaysia CAFIB - Disclosures Requirements (Pillar 3) guidelines, as set out in Notes A19 (c), (d), (e), (f) and (g).

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

	Group		Bank	
	30 Jun 2013	31 Dec 2012	30 Jun 2013	31 Dec 2012
Core capital ratio				
Credit risk	18.12%	16.76%	17.48%	16.72%
Credit, market, operational and large exposure risks	16.59%	15.44%	16.03%	15.41%
Risk-weighted capital ratio				
Credit risk	22.70%	21.12%	22.10%	20.49%
Credit, market, operational and large exposure risks	20.78%	19.45%	20.26%	18.89%

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

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

A19 Capital Adequacy (Cont' d.)

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

	Group		Bank	
	30 Jun 2013 RM'000	31 Dec 2012 RM'000	30 Jun 2013 RM'000	31 Dec 2012 RM'000
<u>Tier I capital</u>				
Paid-up share capital	1,425,272	2,266,125	1,425,272	2,266,125
Statutory reserve	66,697	66,697	66,697	66,697
Other reserves	411	(808,989)	(9,498)	(825,678)
	1,492,380	1,523,833	1,482,471	1,507,144
Less: Investment in subsidiaries	-	-	(46,193)	-
Less: Deferred tax assets (net)	(286,641)	(286,641)	(286,538)	(286,538)
Total Tier I capital	1,205,739	1,237,192	1,149,740	1,220,606
<u>Tier II capital</u>				
Subordinated Murabahah Tawarruq	221,221	183,480	221,221	183,480
Collective impairment on financing	83,162	137,944	82,209	137,944
Total Tier II capital	304,383	321,424	303,430	321,424
Less: Investment in subsidiaries	-	-	-	(46,193)
Capital base	1,510,122	1,558,616	1,453,170	1,495,837

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

	Group		Bank	
	30 Jun 2013 RM'000	31 Dec 2012 RM'000	30 Jun 2013 RM'000	31 Dec 2012 RM'000
Computation of Total Risk-Weighted Assets (RWA)				
Total Credit RWA	6,652,938	7,381,070	6,576,743	7,298,865
Total Market RWA	83,882	136,716	83,882	136,716
Total Operational RWA	484,399	482,289	468,585	468,619
Large Exposure Risk RWA for Equity Hldgs	44,490	14,790	44,490	14,790
Total Risk-Weighted Assets	7,265,709	8,014,865	7,173,700	7,918,990
Computation of Capital Ratios				
Core Capital	1,205,739	1,237,192	1,149,740	1,220,606
Capital Base	1,510,122	1,558,616	1,453,170	1,495,837
Core Capital Ratio	16.59%	15.44%	16.03%	15.41%
Risk-Weighted Capital Ratio	20.78%	19.45%	20.26%	18.89%

KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

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

A19 Capital Adequacy (Cont'd)

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

Group	Gross Exposures		Net Exposures **		Risk Weighted Assets	Total Risk Weighted Assets After Effects of PSIA	Capital Requirement
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
As at 30 Jun 2013							
(i) Credit Risk							
(a) On-Balance Sheet Exposures							
Sovereigns/Central Banks	1,280,861	1,280,861	55,931	55,931	4,474		
Banks, Development Financial Institutions & MDBs	1,288,570	1,288,570	330,216	330,216	26,417		
Corporates	2,437,942	2,437,942	2,193,455	2,193,455	175,476		
Regulatory Retail	1,811,917	1,811,917	1,349,435	1,349,435	107,955		
Residential Mortgages	166,224	166,224	60,244	60,244	4,819		
Higher Risk Assets ¹	366,999	366,999	550,498	550,498	44,040		
Other Assets	310,987	310,987	135,481	135,481	10,839		
Defaulted Exposures ²	1,191,353	1,191,353	1,655,485	1,655,485	132,439		
	8,854,853	8,854,853	6,330,745	6,330,745	506,459		
(b) Off-Balance Sheet Exposures*							
OTC Hedging Financial Instruments ³	30,507	30,507	25,083	25,083	2,007		
Off balance sheet exposures other than OTC hedging financial instruments ⁴	365,345	365,345	297,110	297,110	23,769		
	395,852	395,852	322,193	322,193	25,776		
Total On and Off-Balance Sheet Exposures	9,250,705	9,250,705	6,652,938	6,652,938	532,235		
(ii) Large Exposures Risk Requirement	93,598	93,598	44,490	44,490	3,559		
	Long Position	Short Position					
(iii) Market Risk							
Benchmark Rate Risk	192,643	175,907	16,737	47,237	3,779		
Foreign Currency Risk ⁵	19,295	36,551	(17,256)	36,583	2,927		
Inventory Risk	32	-	32	62	5		
			(487)	83,882	6,711		
(iv) Operational Risk				484,399	38,752		
(v) Total RWA and Capital Requirements		9,343,816	7,265,709	7,265,709	581,257		

Note:

* Credit equivalent of off-balance sheet items

** After netting and credit risk mitigation

1

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

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

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

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

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

KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

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

A19 Capital Adequacy (Cont'd)

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

Group	Gross Exposures	Net Exposures **	Risk Weighted Assets	Total Risk Weighted Assets After Effects of PSIA	Capital Requirement
As at 31 Dec 2012	RM'000	RM'000	RM'000	RM'000	RM'000
(i) Credit Risk					
(a) On-Balance Sheet Exposures					
Sovereigns/Central Banks	1,264,875	1,264,875	1,473	1,473	119
Banks, Development Financial Institutions & MDBs	1,182,527	1,182,527	331,083	331,083	26,487
Corporates	2,338,820	2,338,820	2,145,452	2,145,452	171,635
Regulatory Retail	1,553,064	1,553,064	1,164,798	1,164,798	93,184
Residential Mortgages	161,339	161,339	58,904	58,904	4,712
Higher Risk Assets ¹	346,112	346,112	519,169	519,169	41,533
Other Assets	624,019	624,019	428,548	428,548	34,284
Defaulted Exposures ²	1,376,898	1,376,898	1,865,034	1,865,034	149,203
	8,847,654	8,847,654	6,514,461	6,514,461	521,157
(b) Off-Balance Sheet Exposures*					
OTC Hedging Financial Instruments ³	35,216	35,216	29,649	29,649	2,372
Off balance sheet exposures other than OTC hedging financial instruments ⁴	1,024,702	1,024,702	836,960	836,960	66,957
	1,059,918	1,059,918	866,609	866,609	69,329
Total On and Off-Balance Sheet Exposures	9,907,572	9,907,572	7,381,070	7,381,070	590,486
(ii) Large Exposures Risk Requirement	30,898	30,898	14,790	14,790	1,183
	Long Position	Short Position			
(iii) Market Risk					
Benchmark Rate Risk	378,189	294,988	83,201	65,391	5,231
Foreign Currency Risk ⁵	71,059	70,907	152	71,264	5,701
Inventory Risk	32	-	32	61	5
			83,385	136,716	10,937
(iv) Operational Risk				482,289	38,583
(v) Total RWA and Capital Requirements				8,014,865	641,189

Note:

* Credit equivalent of off-balance sheet items

** After netting and credit risk mitigation

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

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

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

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

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

KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

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

A19 Capital adequacy (Cont'd.)

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

Bank			Risk Weighted Assets	Total Risk Weighted Assets After Effects of PSIA	Capital Requirement
As at 30 Jun 2013	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	1,252,427	1,252,427	40,540	40,540	3,243
Banks, Development Financial Institutions & MDBs	1,243,311	1,243,311	323,744	323,744	25,900
Corporates	2,443,946	2,443,946	2,199,460	2,199,460	175,957
Regulatory Retail	1,811,917	1,811,917	1,349,435	1,349,435	107,955
Residential Mortgages	166,224	166,224	60,244	60,244	4,819
Higher Risk Assets ¹	366,999	366,999	550,498	550,498	44,040
Other Assets	250,649	250,649	75,144	75,144	6,011
Defaulted Exposures ²	1,191,353	1,191,353	1,655,485	1,655,485	132,439
	8,726,826	8,726,826	6,254,550	6,254,550	500,364
(b) Off-Balance Sheet Exposures*					
OTC Hedging Financial Instruments ³	30,507	30,507	25,083	25,083	2,007
Off balance sheet exposures other than OTC hedging financial instruments ⁴	365,345	365,345	297,110	297,110	23,769
	395,852	395,852	322,193	322,193	25,776
Total On and Off-Balance Sheet Exposures	9,122,678	9,122,678	6,576,743	6,576,743	526,140
(ii) Large Exposures Risk Requirement	93,598	93,598	44,490	44,490	3,559
	Long Position	Short Position			
(iii) Market Risk					
Benchmark Rate Risk	192,643	175,907	16,737	47,237	3,779
Foreign Currency Risk ⁵	19,295	36,551	(17,256)	36,583	2,927
Inventory Risk	32	-	32	62	5
			(487)	83,882	6,711
(iv) Operational Risk			468,585	468,585	37,487
(v) Total RWA and Capital Requirements			9,215,789	7,173,700	573,897

Note:

* Credit equivalent of off-balance sheet items

** After netting and credit risk mitigation

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

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

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

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

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

KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

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

A19 Capital adequacy (Cont'd.)

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

Bank As at 31 Dec 2012	Gross Exposures	Net Exposures **	Risk Weighted Assets	Total Risk Weighted Assets After Effects of PSIA	Capital Requirement
	RM'000	RM'000	RM'000	RM'000	RM'000
(i) Credit Risk					
(a) On-Balance Sheet Exposures					
Sovereigns/Central Banks	1,251,837	1,251,837	1,265	1,265	101
Banks, Development Financial Institutions & MDBs	1,108,585	1,108,585	318,808	318,808	25,505
Corporates	2,327,727	2,327,727	2,134,359	2,134,359	170,749
Regulatory Retail	1,553,065	1,553,065	1,164,798	1,164,798	93,184
Residential Mortgages	161,339	161,339	58,904	58,904	4,712
Higher Risk Assets ¹	346,113	346,113	519,169	519,169	41,533
Other Assets	565,391	565,391	369,920	369,920	29,593
Defaulted Exposures ²	1,376,897	1,376,897	1,865,033	1,865,033	149,203
	8,690,954	8,690,954	6,432,256	6,432,256	514,580
(b) Off-Balance Sheet Exposures*					
OTC Hedging Financial Instruments ³	35,216	35,216	29,649	29,649	2,372
Off balance sheet exposures other than OTC hedging financial instruments ⁴	1,024,702	1,024,702	836,960	836,960	66,957
	1,059,918	1,059,918	866,609	866,609	69,329
Total On and Off-Balance Sheet Exposures	9,750,872	9,750,872	7,298,865	7,298,865	583,909
(ii) Large Exposures Risk Requirement	30,898	30,898	14,790	14,790	1,183
	Long Position	Short Position			
(iii) Market Risk					
Benchmark Rate Risk	378,189	294,988	83,201	65,391	5,231
Foreign Currency Risk ⁵	71,059	70,907	152	71,264	5,701
Inventory Risk	32	-	32	61	5
			83,385	136,716	10,937
(iv) Operational Risk				468,619	37,490
(v) Total RWA and Capital Requirements			7,918,990	7,918,990	633,519

Note:

* Credit equivalent of off-balance sheet items

** After netting and credit risk mitigation

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

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

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

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

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

KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

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

A19 Capital adequacy (Cont'd.)

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

		Exposures after Netting and Credit Risk Mitigation						Total Exposures after Netting and Credit Risk Mitigation	Total Risk Weighted Assets
		Sovereigns & Central Banks	Banks, MDBs and DFIs	Corporate	Regulatory Retail	Residential Mortgages	Higher Risk Assets		
Group	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
As at 30 Jun 2013									
Risk-Weights									
0%	1,061,921	52,887	194,343	15,492	-	-	175,506	1,500,149	-
20%	203,761	965,532	69,221	-	-	-	-	1,238,514	247,703
35%	-	-	-	-	152,456	-	-	152,456	53,360
50%	-	380,984	105,244	(585)	16,163	-	-	501,806	250,903
75%	-	-	-	1,812,198	-	-	-	1,812,198	1,359,148
100%	15,179	-	2,496,053	3,946	2,438	-	135,481	2,653,097	2,653,097
150%	-	-	883,826	9,897	-	498,762	-	1,392,485	2,088,727
	1,280,861	1,399,403	3,748,687	1,840,948	171,057	498,762	310,987	9,250,705	6,652,938
As at 31 Dec 2012									
Risk-Weights									
0%	1,257,509	52,903	134,208	-	-	-	195,470	1,640,090	-
20%	7,366	786,054	95,175	-	-	-	-	888,595	177,719
35%	-	-	-	-	145,101	-	-	145,101	50,785
50%	-	376,597	560,746	16	17,034	-	-	954,393	477,197
75%	-	-	-	1,565,627	-	-	-	1,565,627	1,174,220
100%	-	-	2,704,004	419	6,030	-	428,548	3,139,001	3,139,001
150%	-	5,254	1,041,240	1,494	-	526,777	-	1,574,765	2,362,148
	1,264,875	1,220,808	4,535,373	1,567,556	168,165	526,777	624,018	9,907,572	7,381,070

KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

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

A19 Capital adequacy (Cont'd.)

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

		Exposures after Netting and Credit Risk Mitigation						Total Exposures after Netting and Credit Risk Mitigation	Total Risk Weighted Assets
Bank	As at 30 Jun 2013	Sovereigns & Central Banks	Banks, MDBs and DFIs	Corporate	Regulatory Retail	Residential Mortgages	Higher Risk Assets		
Risk-Weights		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
0%	1,049,727	39,987	194,343	15,492	-	-	175,506	1,475,055	-
20%	202,700	933,172	69,220	-	-	-	-	1,205,092	241,018
35%	-	-	-	-	152,456	-	-	152,456	53,359
50%	-	380,984	105,244	(585)	16,163	-	-	501,806	250,903
75%	-	-	-	1,812,198	-	-	-	1,812,198	1,359,149
100%	-	-	2,502,057	3,946	2,438	-	75,144	2,583,585	2,583,585
150%	-	-	883,827	9,897	-	498,762	-	1,392,486	2,088,729
	1,252,427	1,354,143	3,754,691	1,840,948	171,057	498,762	250,650	9,122,678	6,576,743
As at 31 Dec 2012									
Risk-Weights									
0%	1,245,515	40,339	134,208	-	-	-	195,470	1,615,532	-
20%	6,323	724,676	95,175	-	-	-	-	826,174	165,235
35%	-	-	-	-	145,101	-	-	145,101	50,785
50%	-	376,597	560,746	16	17,034	-	-	954,393	477,197
75%	-	-	-	1,565,627	-	-	-	1,565,627	1,174,220
100%	-	-	2,692,910	419	6,030	-	369,921	3,069,280	3,069,280
150%	-	5,254	1,041,240	1,494	-	526,777	-	1,574,765	2,362,148
	1,251,838	1,146,866	4,524,279	1,567,556	168,165	526,777	565,391	9,750,872	7,298,865

KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

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

A19 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
30 Jun 2013				
0%	1,500,149	-	1,475,055	-
20%	1,238,514	247,703	1,205,092	241,018
35%	152,456	53,360	152,456	53,359
50%	501,806	250,903	501,806	250,903
75%	1,812,198	1,359,148	1,812,198	1,359,149
100%	2,653,097	2,653,097	2,583,585	2,583,585
150%	1,392,485	2,088,727	1,392,486	2,088,729
Risk-weighted assets for credit risk	9,250,705	6,652,938	9,122,678	6,576,743
Risk-weighted assets for market risk		83,882		83,882
Risk-weighted assets for operational risk		484,399		468,585
Large exposure risk-weighted assets for equity holdings		44,490		44,490
Total risk-weighted assets		7,265,709		7,173,700
31 Dec 2012				
0%	1,640,090	-	1,615,532	-
20%	888,595	177,719	826,174	165,235
35%	145,101	50,785	145,101	50,785
50%	954,393	477,197	954,393	477,197
75%	1,565,627	1,174,220	1,565,627	1,174,220
100%	3,139,001	3,139,001	3,069,280	3,069,280
150%	1,574,765	2,362,148	1,574,765	2,362,148
Risk-weighted assets for credit risk	9,907,572	7,381,070	9,750,872	7,298,865
Risk-weighted assets for market risk		136,716		136,716
Risk-weighted assets for operational risk		482,289		468,619
Large exposure risk-weighted assets for equity holdings		14,790		14,790
Total risk-weighted assets		8,014,865		7,918,990

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

Group and Bank	30 Jun 2013		31 Dec 2012	
	Risk-Weighted Assets Equivalent RM'000	Capital Required RM'000	Risk-Weighted Assets Equivalent RM'000	Capital Required RM'000
Benchmark Rate Risk	47,237	3,779	65,391	5,231
Foreign Exchange Risk	36,583	2,927	71,264	5,701
Inventory Risk	62	5	61	5
Total	83,882	6,711	136,716	10,937

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

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

A20 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.

The main financial risks affecting the Group and the Bank are discussed further as follow:

(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-Jun-13		31-Dec-12	
	Total gross maximum exposure		Total gross maximum exposure	
	Group RM'000	Bank RM'000	Group RM'000	Bank RM'000
Cash and short-term funds	1,430,760	1,414,464	1,400,684	1,370,167
Deposits and placements with banks and other financial institutions	302,429	302,429	244,147	228,838
Securities held-for-trading	-	-	79,493	79,493
Securities available-for-sale	1,186,001	1,076,246	896,623	787,407
Securities held-to-maturity	81,474	81,474	81,493	81,493
Financing, advances and other receivables	5,798,396	5,798,396	5,974,169	5,974,169
Other assets	499,303	528,197	481,381	481,255
Statutory deposits with Bank Negara Malaysia ("BNM")	174,000	174,000	191,717	191,717
Hedging financial instruments - Ijarah rental swap	17,091	17,091	21,470	21,470
Total On-Balance Sheet	9,489,454	9,392,297	9,371,177	9,216,009
Financial guarantees	30,024	30,024	448,398	448,398
Contingent liabilities	70,008	70,008	158,720	158,720
Commitments	265,313	265,313	1,234,777	1,234,777
Total Off-Balance Sheet	365,345	365,345	1,841,895	1,841,895
Total On and Off-Balance Sheet	9,854,799	9,757,642	11,213,072	11,057,904

KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

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

A20 FINANCIAL RISK MANAGEMENT (Cont'd.)

(a) CREDIT RISK (Cont'd.)

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

By geographical segment:

	Geographic region			Total gross maximum exposure
	Malaysia	Middle east	Others	
	RM'000	RM'000	RM'000	RM'000
30 Jun 2013				
Group				
Cash and short-term funds	1,309,579	54,685	66,496	1,430,760
Deposits and placements with banks and other financial institutions	155,468	96,888	50,073	302,429
Securities available-for-sale				
- Unquoted	885,960	247,817	52,224	1,186,001
Securities held-to-maturity				
- Unquoted	30,366	51,108	-	81,474
Financing, advances and other receivables	5,694,000	17,997	86,399	5,798,396
Other assets	499,004	299	-	499,303
Statutory deposits with BNM	174,000	-	-	174,000
Hedging financial instruments				
- Ijarah rental swap	17,091	-	-	17,091
Total On-Balance Sheet	8,765,468	468,794	255,192	9,489,454
Financial guarantees	30,024	-	-	30,024
Contingent liabilities	70,068	-	(60)	70,008
Commitments	265,178	135	-	265,313
Total Off-Balance Sheet	365,270	135	(60)	365,345
Total On and Off-Balance Sheet	9,130,738	468,929	255,132	9,854,799

KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

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

A20 FINANCIAL RISK MANAGEMENT (Cont'd.)

(a) CREDIT RISK (Cont'd.)

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

By geographical segment (Cont'd.)

	Geographic region			Total gross maximum exposure RM'000
	Malaysia RM'000	Middle east RM'000	Others RM'000	
31 Dec 2012				
Group				
Cash and short-term funds	1,277,244	15,307	108,133	1,400,684
Deposits and placements with banks and other financial institutions	65,365	-	178,782	244,147
Securities held-for-trading				
- Unquoted	38,281	41,212	-	79,493
Securities available-for-sale				
- Unquoted	507,592	335,852	53,179	896,623
Securities held-to-maturity				
- Unquoted	30,371	-	51,122	81,493
Financing, advances and other receivables	5,832,956	19,287	121,926	5,974,169
Other assets	481,087	294	-	481,381
Statutory deposits with BNM	191,717	-	-	191,717
Hedging financial instruments				
- Ijarah rental swap	21,470	-	-	21,470
Total On-Balance Sheet	8,446,083	411,952	513,142	9,371,177
Financial guarantees	448,306	92	-	448,398
Contingent liabilities	135,020	23,700	-	158,720
Commitments	1,213,101	6,386	15,290	1,234,777
Total Off-Balance Sheet	1,796,427	30,178	15,290	1,841,895
Total On and Off-Balance Sheet	10,242,510	442,130	528,432	11,213,072

KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

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

A20 FINANCIAL RISK MANAGEMENT (Cont'd.)

(a) CREDIT RISK (Cont'd.)

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

By geographical segment (Cont'd.)

	Geographic region			Total gross maximum exposure
	Malaysia	Middle east	Others	
	RM'000	RM'000	RM'000	RM'000
30 Jun 2013				
Bank				
Cash and short-term funds	1,309,578	38,870	66,016	1,414,464
Deposits and placements with banks and other financial institutions	155,468	96,888	50,073	302,429
Securities available-for-sale - Unquoted	872,704	203,542	-	1,076,246
Securities held-to-maturity - Unquoted	30,366	51,108	-	81,474
Financing, advances and other receivables	5,694,000	17,997	86,399	5,798,396
Other assets	527,898	299	-	528,197
Statutory deposits with BNM	174,000	-	-	174,000
Hedging financial instruments - Ijarah rental swap	17,091	-	-	17,091
Total On-Balance Sheet	8,781,105	408,704	202,488	9,392,297
Financial guarantees	30,024	-	-	30,024
Contingent liabilities	70,068	-	(60)	70,008
Commitments	265,178	135	-	265,313
Total Off-Balance Sheet	365,270	135	(60)	365,345
Total On and Off-Balance Sheet	9,146,375	408,839	202,428	9,757,642

KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

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

A20 FINANCIAL RISK MANAGEMENT (Cont'd.)

(a) CREDIT RISK (Cont'd.)

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

By geographical segment (Cont'd.)

	Geographic region			Total gross maximum exposure RM'000
	Malaysia RM'000	Middle east RM'000	Others RM'000	
31 Dec 2012				
Bank				
Cash and short-term funds	1,276,430	-	93,737	1,370,167
Deposits and placements with banks and other financial institutions	50,056	-	178,782	228,838
Securities held-for-trading				
- Unquoted	38,281	41,212	-	79,493
Securities available-for-sale				
- Unquoted	494,555	292,852	-	787,407
Securities held-to-maturity				
- Unquoted	30,371	-	51,122	81,493
Financing, advances and other receivables	5,832,956	19,287	121,926	5,974,169
Other assets	480,956	294	5	481,255
Statutory deposits with BNM	191,717	-	-	191,717
Hedging financial instruments				
- Ijarah rental swap	21,470	-	-	21,470
Total On-Balance Sheet	8,416,792	353,645	445,572	9,216,009
Financial guarantees	448,306	92	-	448,398
Contingent liabilities	135,020	23,700	-	158,720
Commitments	1,213,101	6,386	15,290	1,234,777
Total Off-Balance Sheet	1,796,427	30,178	15,290	1,841,895
Total On and Off-Balance Sheet	10,213,219	383,823	460,862	11,057,904

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

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

A20 FINANCIAL RISK MANAGEMENT (Cont'd.)

(a) CREDIT RISK (Cont'd.)

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

By Industry sector:

	Industry					Total gross maximum exposure
	Trading and manufacturing	Banks and financial institutions	Construction and real estate	Transportation, storage and communication	Government	
30 Jun 2013	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Group						
Cash and short-term funds	-	1,430,760	-	-	-	1,430,760
Deposits and placements with banks and other financial institutions	-	302,429	-	-	-	302,429
Securities available-for-sale	-	163,290	67,621	10,283	605,602	1,186,001
Securities held-to-maturity	-	56,156	-	5,063	-	81,474
Financing, advances and other receivables	1,234,810	301,535	1,223,193	420,620	-	2,618,238
Other assets	-	-	-	-	-	499,303
Statutory deposits with BNM	-	174,000	-	-	-	174,000
Hedging financial instruments	10	-	-	17,081	-	17,091
Total On-Balance Sheet	1,234,820	2,428,170	1,290,814	453,047	605,602	3,477,001
Financial guarantees	-	161	9,321	545	-	19,997
Contingent liabilities	11,230	2,136	9,638	3,631	-	43,373
Commitments	24,530	-	72,479	2,877	-	165,427
Total Off-Balance Sheet	35,760	2,297	91,438	7,053	-	228,797
Total On and Off-Balance Sheet	1,270,580	2,430,467	1,382,252	460,100	605,602	3,705,798

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

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

A20 FINANCIAL RISK MANAGEMENT (Cont'd.)

(a) CREDIT RISK (Cont'd.)

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

By Industry sector (Cont'd.):

	Industry						Total gross maximum exposure
	Trading and manufacturing	Banks and financial institutions	Construction and real estate	Transportation, storage and communication	Government	Others	
31 Dec 2012 Group	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cash and short-term funds	-	1,400,684	-	-	-	-	1,400,684
Deposits and placements with banks and other financial institutions	-	244,147	-	-	-	-	244,147
Securities held-for-trading	-	-	-	10,541	42,262	26,690	79,493
Securities available-for-sale	-	209,945	30,329	20,554	472,422	163,373	896,623
Securities held-to-maturity	-	56,172	-	5,064	-	20,257	81,493
Financing, advances and other receivables	1,318,485	360,993	1,448,319	432,149	-	2,414,223	5,974,169
Other assets	-	-	-	-	-	481,381	481,381
Statutory deposits with BNM	-	-	-	-	191,717	-	191,717
Hedging financial instruments	-	-	-	21,470	-	-	21,470
Total On-Balance Sheet	1,318,485	2,271,941	1,478,648	489,778	706,401	3,105,924	9,371,177
Financial guarantees	-	92	9,321	420,735	-	18,250	448,398
Contingent liabilities	30,095	51,954	25,145	10,161	-	41,365	158,720
Commitments	264,754	-	401,643	69,378	-	499,002	1,234,777
Total Off-Balance Sheet	294,849	52,046	436,109	500,274	-	558,617	1,841,895
Total On and Off-Balance Sheet	1,613,334	2,323,987	1,914,757	990,052	706,401	3,664,541	11,213,072

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

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

A20 FINANCIAL RISK MANAGEMENT (Cont'd.)

(a) CREDIT RISK (Cont'd.)

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

By Industry sector (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	RM'000
30 Jun 2013							
Bank							
Cash and short-term funds	-	1,414,464	-	-	-	-	1,414,464
Deposits and placements with banks and other financial institutions	-	302,429	-	-	-	-	302,429
Securities available-for-sale	-	134,310	30,572	10,283	577,168	323,913	1,076,246
Securities held-to-maturity	-	56,156	-	5,063	-	20,255	81,474
Financing, advances and other receivables	1,234,810	301,535	1,223,193	420,620	-	2,618,238	5,798,396
Other assets	-	-	-	-	-	528,197	528,197
Statutory deposits with BNM	-	174,000	-	-	-	-	174,000
Hedging financial instruments	10	-	-	17,081	-	-	17,091
Total On-Balance Sheet	1,234,820	2,382,894	1,253,765	453,047	577,168	3,490,603	9,392,297
Financial guarantees	-	161	9,321	545	-	19,997	30,024
Contingent liabilities	11,230	2,136	9,638	3,631	-	43,373	70,008
Commitments	24,530	-	72,479	2,877	-	165,427	265,313
Total Off-Balance Sheet	35,760	2,297	91,438	7,053	-	228,797	365,345
Total On and Off-Balance Sheet	1,270,580	2,385,191	1,345,203	460,100	577,168	3,719,400	9,757,642

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

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

A20 FINANCIAL RISK MANAGEMENT (Cont'd.)

(a) CREDIT RISK (Cont'd.)

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

By Industry sector (Cont'd.):

	Industry					Total gross maximum exposure
	Trading and manufacturing	Banks and financial institutions	Construction and real estate	Transportation, storage and communication	Government	
31 Dec 2012	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Bank						
Cash and short-term funds	-	1,370,167	-	-	-	1,370,167
Deposits and placements with banks and other financial institutions	-	228,838	-	-	-	228,838
Securities held-for-trading	-	-	-	10,541	42,262	26,690
Securities available-for-sale	-	181,746	30,329	20,553	443,938	110,841
Securities held-to-maturity	-	56,172	-	5,064	-	20,257
Financing, advances and other receivables	1,318,485	360,993	1,448,319	432,149	-	2,414,223
Other assets	-	-	-	-	-	481,255
Statutory deposits with BNM	-	-	-	-	191,717	-
Hedging financial instruments	-	-	-	21,470	-	-
Total On-Balance Sheet	1,318,485	2,197,916	1,478,648	489,777	677,917	3,053,266
Financial guarantees	-	92	9,321	420,735	-	18,250
Contingent liabilities	30,095	51,954	25,145	10,161	-	41,365
Commitments	264,754	-	401,643	69,378	-	499,002
Total Off-Balance Sheet	294,849	52,046	436,109	500,274	-	558,617
Total On and Off-Balance Sheet	1,613,334	2,249,962	1,914,757	990,051	677,917	3,611,883

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

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

A20 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:

By residual maturity:

	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 Jun 2013 Group	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cash and short-term funds	1,358,364	-	-	-	72,396	1,430,760
Deposits and placements with banks and other financial institutions	302,429	-	-	-	-	302,429
Securities available-for-sale	368,187	10,283	310,604	496,927	-	1,186,001
Securities held-to-maturity	-	-	56,156	25,318	-	81,474
Financing, advances and other receivables	3,042,729	97,985	358,861	2,298,821	-	5,798,396
Other assets	-	-	-	-	499,303	499,303
Statutory deposits with BNM	-	-	-	-	174,000	174,000
Hedging financial instruments	-	-	-	17,091	-	17,091
Total On-Balance Sheet	5,071,709	108,268	725,621	2,838,157	745,699	9,489,454
Financial guarantees	14,000	12,647	3,216	-	161	30,024
Contingent liabilities	53,422	6,932	6,804	776	2,074	70,008
Commitments	212,230	30,476	8,900	13,707	-	265,313
Total Off-Balance Sheet	279,652	50,055	18,920	14,483	2,235	365,345
Total On and Off-Balance Sheet	5,351,361	158,323	744,541	2,852,640	747,934	9,854,799

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

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

A20 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: (Cont'd.)

By residual maturity: (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		
	RM'000	RM'000	RM'000	RM'000		
31 Dec 2012 Group						
Cash and short-term funds	1,315,832	-	-	-	84,852	1,400,684
Deposits and placements with banks and other financial institutions	151,741	92,406	-	-	-	244,147
Securities held-for-trading	-	-	9,778	69,715	-	79,493
Securities available-for-sale	20,238	232,758	286,292	321,213	36,122	896,623
Securities held-to-maturity	-	-	56,172	25,321	-	81,493
Financing, advances and other receivables	3,342,481	335,670	327,863	1,878,586	89,569	5,974,169
Other assets	-	-	-	-	481,381	481,381
Statutory deposits with BNM	-	-	-	-	191,717	191,717
Hedging financial instruments	-	-	-	21,470	-	21,470
Total On-Balance Sheet	4,830,292	660,834	680,105	2,316,305	883,641	9,371,177
Financial guarantees	423,087	13,032	12,279	-	-	448,398
Contingent liabilities	58,337	55,435	40,699	4,551	(302)	158,720
Commitments	736,925	14,447	243,232	208,073	32,100	1,234,777
Total Off-Balance Sheet	1,218,349	82,914	296,210	212,624	31,798	1,841,895
Total On and Off-Balance Sheet	6,048,641	743,748	976,315	2,528,929	915,439	11,213,072

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

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

A20 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: (Cont'd.)

By residual maturity: (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		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
30 Jun 2013						
Bank						
Cash and short-term funds	1,342,548	-	-	-	71,916	1,414,464
Deposits and placements with banks and other financial institutions	302,429	-	-	-	-	302,429
Securities available-for-sale	315,058	10,283	269,270	481,635	-	1,076,246
Securities held-to-maturity	-	-	56,156	25,318	-	81,474
Financing, advances and other receivables	3,042,729	97,985	358,861	2,298,821	-	5,798,396
Other assets	-	-	-	-	528,197	528,197
Statutory deposits with BNM	-	-	-	-	174,000	174,000
Hedging financial instruments	-	-	-	17,091	-	17,091
Total On-Balance Sheet	5,002,764	108,268	684,287	2,822,865	774,113	9,392,297
Financial guarantees	14,000	12,647	3,216	-	161	30,024
Contingent liabilities	53,422	6,932	6,804	776	2,074	70,008
Commitments	212,230	30,476	8,900	13,707	-	265,313
Total Off-Balance Sheet	279,652	50,055	18,920	14,483	2,235	365,345
Total On and Off-Balance Sheet	5,282,416	158,323	703,207	2,837,348	776,348	9,757,642

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

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

A20 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: (Cont'd.)

By residual maturity: (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		
	RM'000	RM'000	RM'000	RM'000		
31 Dec 2012						
Bank						
Cash and short-term funds	1,370,167	-	-	-	-	1,370,167
Deposits and placements with banks and other financial institutions	137,098	91,740	-	-	-	228,838
Securities held-for-trading	-	-	9,778	69,715	-	79,493
Securities available-for-sale	20,238	217,124	260,690	289,355	-	787,407
Securities held-to-maturity	-	-	56,172	25,321	-	81,493
Financing, advances and other receivables	3,342,481	335,670	327,863	1,878,586	89,569	5,974,169
Other assets	-	-	-	-	481,255	481,255
Statutory deposits with BNM	-	-	-	-	191,717	191,717
Hedging financial instruments	-	-	-	21,470	-	21,470
Total On-Balance Sheet	4,869,984	644,534	654,503	2,284,447	762,541	9,216,009
Financial guarantees	423,087	13,032	12,279	-	-	448,398
Contingent liabilities	58,337	55,435	40,699	4,551	(302)	158,720
Commitments	736,925	14,447	243,232	208,073	32,100	1,234,777
Total Off-Balance Sheet	1,218,349	82,914	296,210	212,624	31,798	1,841,895
Total On and Off-Balance Sheet	6,088,333	727,448	950,713	2,497,071	794,339	11,057,904

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

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

A20 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 not impaired	Restructured & rescheduled	Impaired	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
30 Jun 2013					
Group					
Securities available-for-sale	1,138,649	-	-	47,352	1,186,001
Securities held-to-maturity	81,474	-	-	-	81,474
Financing, advances and other receivables	2,966,885	1,043,741	1,108,034	679,736	5,798,396
Other assets	680	-	-	2,357	3,037
Hedging financial instruments	17,091	-	-	-	17,091
Total On-Balance Sheet	4,204,779	1,043,741	1,108,034	729,445	7,085,999
Financial guarantees	30,024	-	-	-	30,024
Contingent liabilities	70,008	-	-	-	70,008
Commitments	265,313	-	-	-	265,313
Total Off-Balance Sheet	365,345	-	-	-	365,345
Total On and Off-Balance Sheet	4,570,124	1,043,741	1,108,034	729,445	7,451,344
Bank					
Securities available-for-sale	1,065,943	-	-	10,303	1,076,246
Securities held-to-maturity	81,474	-	-	-	81,474
Financing, advances and other receivables	2,966,885	1,043,741	1,108,034	679,736	5,798,396
Other assets	680	-	-	2,357	3,037
Hedging financial instruments	17,091	-	-	-	17,091
Total On-Balance Sheet	4,132,073	1,043,741	1,108,034	692,396	6,976,244
Financial guarantees	30,024	-	-	-	30,024
Contingent liabilities	70,008	-	-	-	70,008
Commitments	265,313	-	-	-	265,313
Total Off-Balance Sheet	365,345	-	-	-	365,345
Total On and Off-Balance Sheet	4,497,418	1,043,741	1,108,034	692,396	7,341,589

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

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

A20 FINANCIAL RISK MANAGEMENT (Cont'd.)

(a) CREDIT RISK (Cont'd.)

(ii) Credit quality per class of financial assets (Cont'd.)

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. (Cont'd.)

	Performing	Unrated	Past due but not impaired	Restructured & rescheduled	Impaired	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
31 Dec 2012						
Group						
Securities held-for-trading	79,493	-	-	-	-	79,493
Securities available-for-sale	850,457	-	-	-	46,166	896,623
Securities held-to-maturity	81,493	-	-	-	-	81,493
Financing, advances and other receivables	2,003,777	918,913	1,171,842	946,083	933,554	5,974,169
Other assets	2,575	-	-	-	-	2,575
Hedging financial instruments	21,470	-	-	-	-	21,470
Total On-Balance Sheet	3,039,265	918,913	1,171,842	946,083	979,720	7,055,823
Financial guarantees	448,398	-	-	-	-	448,398
Contingent liabilities	158,720	-	-	-	-	158,720
Commitments	1,234,777	-	-	-	-	1,234,777
Total Off-Balance Sheet	1,841,895	-	-	-	-	1,841,895
Total On and Off-Balance Sheet	4,881,160	918,913	1,171,842	946,083	979,720	8,897,718
Bank						
Securities held-for-trading	79,493	-	-	-	-	79,493
Securities available-for-sale	777,363	-	-	-	10,044	787,407
Securities held-to-maturity	81,493	-	-	-	-	81,493
Financing, advances and other receivables	2,003,777	918,913	1,171,842	946,083	933,554	5,974,169
Other assets	2,575	-	-	-	-	2,575
Hedging financial instruments	21,470	-	-	-	-	21,470
Total On-Balance Sheet	2,966,171	918,913	1,171,842	946,083	943,598	6,946,607
Financial guarantees	448,398	-	-	-	-	448,398
Contingent liabilities	158,720	-	-	-	-	158,720
Commitments	1,234,777	-	-	-	-	1,234,777
Total Off-Balance Sheet	1,841,895	-	-	-	-	1,841,895
Total On and Off-Balance Sheet	4,808,066	918,913	1,171,842	946,083	943,598	8,788,502

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

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

A20 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 KFHM is to produce accurate quantitative assessment of the credit risk to which the Bank is exposed to. To determine the counterparty risk, KFHM 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, KFHM 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, KFHM 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 Jun 2013 RM'000	31 Dec 2012 RM'000
Corporate & Commercial		
Excellent	62,610	76,315
Strong	919,720	806,036
Minimum	399,993	717,132
Pass with condition	1,160,754	1,124,902
Early care	272,168	315,943
Impaired	679,410	932,829
New/SPV	159,057	121,072
Unrated *	2,124,226	1,855,307
	5,777,938	5,949,536
SME		
Good	325	2,462
Very High Satisfactory	3,785	8,083
High Satisfactory	2,196	3,447
Upper Medium Satisfactory	7,436	250
Lower Medium Satisfactory	-	1,371
Low Satisfactory	2,946	2,084
Very Low Satisfactory	217	2,561
Marginal/ Watchlist	3,227	3,650
Default - Impaired	326	725
Total SME	20,458	24,633
Total	5,798,396	5,974,169

* Unrated segment includes retail consumer credit exposures

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

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

A20 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 Jun 2013

Securities

Moodys	Aaa to Aa3	A1 to A3	Baa1 to Ba3	B+ to C			
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		Government -	Total
MARC	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated	guaranteed	RM'000
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Group							
Securities available-for-sale	158,331	402,629	62,652	-	166,989	395,400	1,186,001
Securities held-to-maturity	81,474	-	-	-	-	-	81,474
Bank							
Securities available-for-sale	145,430	389,374	16,102	-	129,940	395,400	1,076,246
Securities held-to-maturity	81,474	-	-	-	-	-	81,474

31 Dec 2012

Securities

Moodys	Aaa to Aa3	A1 to A3	Baa1 to Ba3	B+ to C			
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		Government -	Total
MARC	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated	guaranteed	RM'000
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Group							
Securities held-for-trading	25,063	54,430	-	-	-	-	79,493
Securities available-for-sale	130,830	264,540	111,978	-	46,166	343,109	896,623
Securities held-to-maturity	81,493	-	-	-	-	-	81,493
Bank							
Securities held-for-trading	25,063	54,430	-	-	-	-	79,493
Securities available-for-sale	118,266	251,502	64,487	-	10,044	343,108	787,407
Securities held-to-maturity	81,493	-	-	-	-	-	81,493

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

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

A20 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 Jun 2013	Less than 30 days	31 to 60 days	61 to 90 days	Total
Group and Bank	RM'000	RM'000	RM'000	RM'000
Financing and advances to customers				
Corporate financing	48,542	-	7,480	56,022
Commercial financing	60,698	565	2,936	64,199
Retail & Consumer financing	362,338	376,672	184,510	923,520
Total	471,578	377,237	194,926	1,043,741

31 Dec 2012	Less than 30 days	31 to 60 days	61 to 90 days	Total
Group and Bank	RM'000	RM'000	RM'000	RM'000
Financing and advances to customers				
Corporate financing	100,030	-	-	100,030
Commercial financing	119,911	13,425	2,856	136,192
Retail & Consumer financing	256,821	669,746	9,053	935,620
Total	476,762	683,171	11,909	1,171,842

Impaired and past due financing by geographical regions

30 Jun 2013	Impaired	Past due but not impaired	Individual impairment	Collective impairment	Write-off
Group and Bank	RM'000	RM'000	RM'000	RM'000	RM'000
Malaysia	615,140	1,039,321	346,977		114,512
Middle East	5,434	1,615	5,322		-
Others	59,162	2,805	-		-
Total	679,736	1,043,741	352,299	174,600	114,512

31 Dec 2012	Impaired	Past due but not impaired	Individual impairment	Collective impairment	Write-off
Group and Bank	RM'000	RM'000	RM'000	RM'000	RM'000
Malaysia	866,307	1,167,753	546,821		407,885
Middle East	5,258	1,203	3		138,723
Others	61,989	2,886	-		-
Total	933,554	1,171,842	546,824	138,600	546,608

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

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

A20 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 Jun 2013	Impaired	Past due but not impaired	Individual impairment	Collective impairment	Write-off
Group and Bank	RM'000	RM'000	RM'000	RM'000	RM'000
Trading and manufacturing	134,526	8,808	226,377		6,413
Banks and financial institutions	34,240	33,630	13,572		-
Construction and real estate	93,211	52,408	13,866		5,040
Transportation, storage and communication	56,320	7,216	3,295		-
Others	361,439	941,679	95,189		103,059
Total	679,736	1,043,741	352,299	174,600	114,512

31 Dec 2012	Impaired	Past due but not impaired	Individual impairment	Collective impairment	Write-off
Group and Bank	RM'000	RM'000	RM'000	RM'000	RM'000
Trading and manufacturing	436,422	177,928	336,316		96,328
Banks and financial institutions	38,575	47,864	3,495		66,370
Construction and real estate	101,444	12,629	18,845		184,346
Transportation, storage and communication	56,719	10,599	3,639		112,265
Others	300,394	922,822	184,529		87,299
Total	933,554	1,171,842	546,824	138,600	546,608

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

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

A20 FINANCIAL RISK MANAGEMENT (Cont'd.)

(a) CREDIT RISK (Cont'd.)

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

	30 Jun 2013	31 Dec 2012
	Total	Total
	RM'000	RM'000
Group and Bank		
Financing and advances to customers		
Corporate financing	968,132	903,906
Commercial financing	139,153	41,403
Retail & Consumer financing	749	774
	1,108,034	946,083

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.

As at 30 June 2013, 85.6% (31 December 2012: 74.1%) of financing, advances and other receivables of the Bank are collateralised.

KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

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

A20 FINANCIAL RISK MANAGEMENT (Cont'd.)

(b) LIQUIDITY RISK

Liquidity risk is defined as the exposure to loss as a result of the inability to meet cash flow obligations in a timely and cost-effective manner. It arises when the Bank does not have sufficient maturing assets to cover maturing liabilities that are not rolled-over. The Bank uses the Bank Negara Malaysia's New Liquidity Framework as a foundation in managing its liquidity.

The objective of liquidity risk management is to ensure that cash needs always can be met at reasonable cost, either by:

- i) maturity or sale of assets, or
- ii) the acquisition of deposits or additional funding from the Islamic money markets.

Liquidity risk management function is overseen by the Asset and Liability Management Committee ("ALCO"), who is guided by the Bank's Asset and Liability Management Policy.

Contractual maturity of total assets and liabilities

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. The disclosure is made in accordance with the requirement of revised BNM's GP8-i "Guidelines on Financial Reporting for Licensed Islamic Banks".

Group	Up to 6 months	>6 - 12 months	>1 - 5 years	Over 5 years	Not on demand & no maturity date	Total
30 Jun 2013	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
ASSETS						
Cash and short-term funds	1,358,364	-	-	-	72,396	1,430,760
Deposits and placements with banks and other financial institutions	302,429	-	-	-	-	302,429
Securities available-for-sale	233,135	859,191	41,334	52,341	-	1,186,001
Securities held-to-maturity	-	-	56,156	25,318	-	81,474
Financing, advances and receivables	2,563,239	28,391	1,040,526	1,639,341	-	5,271,497
Musyarakah capital investment	-	-	-	-	5,898	5,898
Other assets	-	-	-	-	684,496	684,496
Total Assets	4,457,167	887,582	1,138,016	1,717,000	762,790	8,962,555

KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

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

A20 FINANCIAL RISK MANAGEMENT (Cont'd.)

(b) LIQUIDITY RISK (Cont'd.)

Contractual maturity of total assets and liabilities (Cont'd.)

Group	Up to 6 months	>6 - 12 months	>1 - 5 years	Over 5 years	Not on demand & no maturity date	Total
30 Jun 2013	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
LIABILITIES AND SHAREHOLDER'S EQUITY						
Deposits from customers	1,595,275	961,644	1,981,947	80,565	658,496	5,277,927
Deposits and placements of banks and other financial institutions	865,647	199,342	449,231	-	-	1,514,220
Subordinated Murabahah Tawarruq	-	-	393,625	-	-	393,625
Other liabilities	-	-	-	-	229,343	229,343
Total Liabilities	2,460,922	1,160,986	2,824,803	80,565	887,839	7,415,115
Shareholder's equity	-	-	-	-	1,547,440	1,547,440
Total Liabilities and Shareholder's equity	2,460,922	1,160,986	2,824,803	80,565	2,435,279	8,962,555
OFF-BALANCE SHEET LIABILITIES						
Commitments & contingencies	279,653	50,054	18,920	14,483	2,235	365,345
Net maturity mismatch	1,716,592	(323,458)	(1,705,707)	1,621,952	(1,674,724)	(365,345)

KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

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

A20 FINANCIAL RISK MANAGEMENT (Cont'd.)

(b) LIQUIDITY RISK (Cont'd.)

Contractual maturity of total assets and liabilities (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 2012	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
ASSETS						
Cash and short-term funds	1,315,832	-	-	-	84,852	1,400,684
Deposits and placements with banks and other financial institutions	151,741	92,406	-	-	-	244,147
Securities held-for-trading	-	-	24,300	55,193	-	79,493
Securities available-for-sale	10,194	232,758	348,425	259,080	105,373	955,830
Securities held-to-maturity	-	-	56,172	25,321	-	81,493
Financing, advances and receivables	3,646,164	203,739	44,444	1,300,356	94,042	5,288,745
Musarakah capital investment	-	-	-	-	5,898	5,898
Other assets	-	-	-	-	1,040,401	1,040,401
Total Assets	5,123,931	528,903	473,341	1,639,950	1,330,566	9,096,691
LIABILITIES AND SHAREHOLDER'S EQUITY						
Deposits from customers	3,355,692	1,110,096	99,012	-	805,465	5,370,265
Deposits and placements of banks and other financial institutions	1,303,700	20,776	-	-	-	1,324,476
Subordinated Murabahah Tawarruq	374,054	-	-	-	-	374,054
Other liabilities	-	-	-	-	508,601	508,601
Total Liabilities	5,033,446	1,130,872	99,012	-	1,314,066	7,577,396
Shareholder's equity	-	-	-	-	1,519,295	1,519,295
Total Liabilities and Shareholder's equity	5,033,446	1,130,872	99,012	-	2,833,361	9,096,691
OFF-BALANCE SHEET LIABILITIES						
Commitments & contingencies	588,933	42,110	157,082	271,793	-	1,059,918
Net maturity mismatch	(498,448)	(644,079)	217,247	1,368,157	(1,502,795)	(1,059,918)

KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

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

A20 FINANCIAL RISK MANAGEMENT (Cont'd.)

(b) LIQUIDITY RISK (Cont'd.)

Contractual maturity of total assets and liabilities (Cont'd.)

Bank	Up to 6 months	>6 - 12 months	>1 - 5 years	Over 5 years	Not on demand & no maturity date	Total
30 Jun 2013	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
ASSETS						
Cash and short-term funds	1,342,548	-	-	-	71,916	1,414,464
Deposits and placements with banks and other financial institutions	302,429	-	-	-	-	302,429
Securities held-for-trading	-	-	-	-	-	-
Securities available-for-sale	217,055	10,283	848,908	-	-	1,076,246
Securities held-to-maturity	-	-	56,156	25,318	-	81,474
Financing, advances and receivables	2,563,239	28,391	1,040,526	1,639,341	-	5,271,497
Musarakah capital investment	-	-	-	-	5,898	5,898
Other assets	-	-	-	-	713,390	713,390
Total Assets	4,425,271	38,674	1,945,590	1,664,659	791,204	8,865,398
LIABILITIES AND SHAREHOLDER'S EQUITY						
Deposits from customers	3,572,339	966,527	80,565	651,979	-	5,271,410
Deposits and placements of banks and other financial institutions	1,212,878	220,389	-	-	-	1,433,267
Subordinated Murabahah Tawarruq	-	393,625	-	-	-	393,625
Murabahah bank financing	-	-	-	-	-	-
Other liabilities	-	-	-	-	228,516	228,516
Total Liabilities	4,785,217	1,580,541	80,565	651,979	228,516	7,326,818
Shareholder's equity	-	-	-	-	1,538,580	1,538,580
Total Liabilities and Shareholder's equity	4,785,217	1,580,541	80,565	651,979	1,767,096	8,865,398
OFF-BALANCE SHEET LIABILITIES						
Commitments & contingencies	279,653	50,054	18,920	14,483	2,235	365,345
Net maturity mismatch	(639,599)	(1,591,921)	1,846,105	998,197	(978,127)	(365,345)

KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

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

A20 FINANCIAL RISK MANAGEMENT (Cont'd.)

(b) LIQUIDITY RISK (Cont'd.)

Contractual maturity of total assets and liabilities (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 2012	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
ASSETS						
Cash and short-term funds	1,286,130	-	-	-	84,037	1,370,167
Deposits and placements with banks and other financial institutions	137,098	91,740	-	-	-	228,838
Securities held-for-trading	-	-	24,300	55,193	-	79,493
Securities available-for-sale	10,193	217,124	322,823	227,223	69,251	846,614
Securities held-to-maturity	-	-	56,172	25,321	-	81,493
Financing, advances and receivables	3,646,164	203,739	44,444	1,300,356	94,042	5,288,745
Musarakah capital investment	-	-	-	-	5,898	5,898
Other assets	-	-	-	-	1,069,592	1,069,592
Total Assets	5,079,585	512,603	447,739	1,608,093	1,322,820	8,970,840
LIABILITIES AND SHAREHOLDER'S EQUITY						
Deposits from customers	3,362,465	1,110,096	99,013	-	805,465	5,377,039
Deposits and placements of banks and other financial institutions	1,183,714	20,776	-	-	-	1,204,490
Subordinated Murabahah Tawarruq	374,054	-	-	-	-	374,054
Other liabilities	-	-	-	-	507,758	507,758
Total Liabilities	4,920,233	1,130,872	99,013	-	1,313,223	7,463,341
Shareholder's equity	-	-	-	-	1,507,499	1,507,499
Total Liabilities and Shareholder's equity	4,920,233	1,130,872	99,013	-	2,820,722	8,970,840
OFF-BALANCE SHEET LIABILITIES						
Commitments & contingencies	588,933	42,110	157,082	271,793	-	1,059,918
Net maturity mismatch	(429,581)	(660,379)	191,644	1,336,300	(1,497,902)	(1,059,918)

KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

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

A20 FINANCIAL RISK MANAGEMENT (Cont'd.)

(b) LIQUIDITY RISK (Cont'd.)

Contractual maturity of financial liabilities on an undiscounted basis

The table below present the cash flows payable by the Group and the Bank under financial liabilities by remaining contractual maturities at the end of the reporting period. The amounts disclosed in the tables are the contractual undiscounted cash flow. The Group and the Bank manage inherent liquidity risk based on discounted expected cash flows:

	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
30 Jun 2013						
Group						
Deposits from customers	3,572,339	966,527	80,565	651,979	6,517	5,277,927
Deposit and placements of banks and other financial institutions	1,293,822	220,398	-	-	-	1,514,220
Subordinated Murabahah Tawarruq	-	393,625	-	-	-	393,625
Other liabilities	-	-	-	-	229,343	229,343
Total	4,866,161	1,580,550	80,565	651,979	235,860	7,415,115
Bank						
Deposits from customers	1,595,275	961,644	1,981,947	80,565	651,979	5,271,410
Deposit and placements of banks and other financial institutions	809,607	174,443	449,217	-	-	1,433,267
Subordinated Murabahah Tawarruq	-	393,625	-	-	-	393,625
Other liabilities	-	-	-	-	228,516	228,516
Total	2,404,882	1,529,712	2,431,164	80,565	880,495	7,326,818

KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

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

A20 FINANCIAL RISK MANAGEMENT (Cont'd.)

(b) LIQUIDITY RISK (Cont'd.)

Contractual maturity of financial liabilities on an undiscounted basis (Cont'd.)

31 Dec 2012 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	3,377,672	1,131,909	104,200	-	805,465	5,419,246
Deposit and placements of banks and other financial institutions	1,311,620	21,155	-	-	-	1,332,775
Subordinated Murabahah Tawarruq	377,439	-	-	-	-	377,439
Other liabilities	-	-	-	-	508,601	508,601
Total	5,066,731	1,153,064	104,200	-	1,314,066	7,638,061
Bank						
Deposits from customers	3,384,406	1,131,826	104,180	-	805,465	5,425,877
Deposit and placements of banks and other financial institutions	1,191,438	21,340	-	-	-	1,212,778
Subordinated Murabahah Tawarruq	377,439	-	-	-	-	377,439
Other liabilities	-	-	-	-	507,758	507,758
Total	4,953,283	1,153,166	104,180	-	1,313,223	7,523,852

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.

KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

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

A20 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 2013, the total risk weighted assets for exposures with benchmark rate risk was RM47.24 million (31 December 2012: RM61.50 million) with a total capital charge of RM3.78 million (31 December 2012: RM4.93 million).

All positions in IRS and CCIRS were fully squared (31 December 2012: 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 Jun 2013			31 Dec 2012		
	Nominal amount			Nominal amount		
Group and Bank	RM	Modified duration	BPV	RM	Modified duration	BPV
US Dollar (USD)	-	-	-	62,689	6.07	41,858

KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

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

A20 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 2013, the total risk weighted assets for exposures with foreign exchange rate risk was RM36.588 million (31 December 2012: RM75.148 million) with a total capital charge of RM2.927 million (31 December 2012: RM6.012 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.

	30 Jun 2013		31 Dec 2012	
	Change in exchange rate %	Effect on Income Statements / Equity RM	Change in exchange rate %	Effect on Income Statements / Equity RM
Group				
Singapore Dollar (SGD)	1	(171)	1	563
US Dollar (USD)	1	(1,958)	1	(1,610)
Euro (EUR)	1	(1,395)	1	(1,628)
Bank				
Singapore Dollar (SGD)	1	(171)	1	563
US Dollar (USD)	1	(4,390)	1	(473)
Euro (EUR)	1	(383)	1	(659)

KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

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

A20 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 2013, the total risk weighted assets for exposures with inventory risk was RM0.032 million (31 December 2012: RM0.032 million) with total capital charge of RM0.005 million (31 December 2012: 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 Jun 2013	31 Dec 2012
	RM	RM
Not held under resale or return basis	32	32

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 Jun 2013			31 Dec 2012		
	Nominal amount RM	Modified duration	BPV	Nominal amount RM	Modified duration	BPV
Ringgit Malaysia	524,050	3.24	168,897	404,050	2.47	98,781
US Dollar	483,526	5.10	254,279	425,062	8.57	226,388
Bank						
Ringgit Malaysia	524,050	3.24	168,897	404,050	2.47	98,781
US Dollar	410,839	5.53	234,799	354,728	5.37	202,946

KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

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

A20 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 Jun 2013	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	%
ASSETS									
Cash and short-term funds	1,358,364	-	-	-	-	72,396	-	1,430,760	2.62
Deposits and placements with banks and other financial institutions	-	237,947	64,482	-	-	-	-	302,429	2.52
Securities available-for-sale	217,055	16,080	10,283	302,097	640,486	-	-	1,186,001	3.13
Securities held-to-maturity	-	-	-	56,156	25,318	-	-	81,474	5.24
Financing, advances and receivables	1,807,526	1,083,860	317,530	911,364	1,151,217	-	-	5,271,497	5.34
Musarakah capital investment	-	-	-	-	-	5,898	-	5,898	-
Other assets	-	-	-	-	-	684,496	-	684,496	-
TOTAL ASSETS	3,382,945	1,337,887	392,295	1,269,617	1,817,021	762,790	-	8,962,555	
LIABILITIES AND SHAREHOLDER'S EQUITY									
Deposits from customers	1,595,275	961,644	1,981,947	80,565	658,496	-	-	5,277,927	2.90
Deposits and placements of banks and other financial institutions	865,647	199,342	449,231	-	-	-	-	1,514,220	2.04
Subordinated Murabahah Tawarruq	-	-	393,625	-	-	-	-	393,625	3.62
Other liabilities	-	-	-	-	-	229,343	-	229,343	-
Total Liabilities	2,460,922	1,160,986	2,824,803	80,565	658,496	229,343	-	7,415,115	
Shareholder's equity	-	-	-	-	-	1,547,440	-	1,547,440	
Total Liabilities and Shareholder's Equity	2,460,922	1,160,986	2,824,803	80,565	658,496	1,776,783	-	8,962,555	
On-balance sheet profit sensitivity gap	922,023	176,901	(2,432,508)	1,189,052	1,158,525	(1,013,993)	-	-	
Off-balance sheet profit sensitivity gap	-	-	-	-	-	-	-	-	
Total profit sensitivity gap	922,023	176,901	(2,432,508)	1,189,052	1,158,525	(1,013,993)	-	-	

KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

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

A20 FINANCIAL RISK MANAGEMENT (Cont'd.)

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

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

KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

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

A20 FINANCIAL RISK MANAGEMENT (Cont'd.)

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

Bank 30 Jun 2013	Non-trading book					Non-profit sensitive RM'000	Trading book RM'000	Total RM'000	Effective profit rate %
	Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 12 months RM'000	>1 - 5 years RM'000	Over 5 years RM'000				
ASSETS									
Cash and short-term funds	1,342,548	-	-	-	-	71,916	-	1,414,464	2.64
Deposits and placements with banks and other financial institutions	-	237,947	64,482	-	-	-	-	302,429	2.52
Securities available-for-sale	217,055	-	10,283	260,763	588,145	-	-	1,076,246	3.06
Securities held-to-maturity	-	-	-	56,156	25,318	-	-	81,474	5.24
Financing, advances and receivables	1,807,526	1,083,860	317,530	911,364	1,151,217	-	-	5,271,497	5.34
Musarakah capital investment	-	-	-	-	-	5,898	-	5,898	-
Other assets	-	-	-	-	-	713,390	-	713,390	-
TOTAL ASSETS	3,367,129	1,321,807	392,295	1,228,283	1,764,680	791,204	-	8,865,398	
LIABILITIES AND SHAREHOLDER'S EQUITY									
Deposits from customers	1,595,275	961,644	1,981,947	80,565	651,979	-	-	5,271,410	2.90
Deposits and placements of banks and other financial institutions	809,607	174,443	449,217	-	-	-	-	1,433,267	2.14
Subordinated Murabahah Tawarruq	-	-	393,625	-	-	-	-	393,625	3.62
Other liabilities	-	-	-	-	-	228,516	-	228,516	-
Total Liabilities	2,404,882	1,136,087	2,824,789	80,565	651,979	228,516	-	7,326,818	
Shareholder's equity	-	-	-	-	-	1,538,580	-	1,538,580	
Total Liabilities and Shareholder's Equity	2,404,882	1,136,087	2,824,789	80,565	651,979	1,767,096	-	8,865,398	
On-balance sheet profit sensitivity gap	962,247	185,720	(2,432,494)	1,147,718	1,112,701	(975,892)	-	-	
Off-balance sheet profit sensitivity gap	-	-	-	-	-	-	-	-	
Total profit sensitivity gap	962,247	185,720	(2,432,494)	1,147,718	1,112,701	(975,892)	-	-	

KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

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

A20 FINANCIAL RISK MANAGEMENT (Cont'd.)

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

Bank 31 Dec 2012	Non-trading book					Non-profit sensitive	Trading book	Total	Effective profit rate
	Up to 1 month	>1 - 3 months	>3 - 12 months	>1 - 5 years	Over 5 years				
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
ASSETS									
Cash and short-term funds	1,286,130	-	-	-	-	84,037	-	1,370,167	2.46
Deposits and placements with banks and other financial institutions	-	75,938	152,900	-	-	-	-	228,838	2.36
Securities held-for-trading	-	-	-	-	-	-	79,493	79,493	4.12
Securities available-for-sale	-	10,194	217,124	260,690	289,355	69,251	-	846,614	2.99
Securities held-to-maturity	-	-	-	56,172	25,321	-	-	81,493	5.24
Financing, advances and receivables	1,958,525	1,465,717	425,661	44,444	1,300,356	94,042	-	5,288,745	6.38
Musarakah capital investment	-	-	-	-	-	5,898	-	5,898	-
Other assets	-	-	-	-	-	1,069,560	32	1,069,592	-
TOTAL ASSETS	3,244,655	1,551,849	795,685	361,306	1,615,032	1,322,788	79,525	8,970,840	
LIABILITIES AND SHAREHOLDER'S EQUITY									
Deposits from customers	1,862,036	911,370	1,699,156	99,012	-	805,465	-	5,377,039	2.61
Deposits and placements of banks and other financial institutions	748,031	400,782	55,677	-	-	-	-	1,204,490	2.61
Subordinated Murabahah Tawarruq	-	-	-	374,054	-	-	-	374,054	3.62
Other liabilities	-	-	-	-	-	507,758	-	507,758	-
Total Liabilities	2,610,067	1,312,152	1,754,833	473,066	-	1,313,223	-	7,463,341	
Shareholder's equity	-	-	-	-	-	1,507,499	-	1,507,499	
Total Liabilities and Shareholder's Equity	2,610,067	1,312,152	1,754,833	473,066	-	2,820,722	-	8,970,840	
On-balance sheet profit sensitivity gap	634,588	239,697	(959,148)	(111,760)	1,615,032	(1,497,934)	79,525	-	
Off-balance sheet profit sensitivity gap	-	-	-	-	-	-	-	-	
Total profit sensitivity gap	634,588	239,697	(959,148)	(111,760)	1,615,032	(1,497,934)	79,525	-	

KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

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

A20 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 Jun 2013

ASSETS

Cash and short-term funds
Deposits and placements with banks and
other financial institutions
Securities available-for-sale
Securities held-to-maturity
Financing, advances and receivables
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	1,271,655	15,965	100,601	2,887	6,536	33,116	1,430,760
Deposits and placements with banks and other financial institutions	150,107	50,073	96,888	5,361	-	-	302,429
Securities available-for-sale	641,413	-	544,588	-	-	-	1,186,001
Securities held-to-maturity	81,474	-	-	-	-	-	81,474
Financing, advances and receivables	4,844,325	-	427,172	-	-	-	5,271,497
Musyarakah capital investment	5,898	-	-	-	-	-	5,898
Other assets	667,405	-	17,091	-	-	-	684,496
Total Assets	7,662,277	66,038	1,186,340	8,248	6,536	33,116	8,962,555

KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

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

A20 FINANCIAL RISK MANAGEMENT (Cont'd.)

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

Group	MYR	SGD	USD	EUR	KWD	Others	Total
30 Jun 2013 (Cont'd.)	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
LIABILITIES AND SHAREHOLDER'S EQUITY							
Deposits from customers	4,999,559	60,601	217,767	-	-	-	5,277,927
Deposits and placements with banks and other financial institutions	823,197	12,267	636,684	42,072	-	-	1,514,220
Subordinated Murabahah Tawarruq	-	-	393,625	-	-	-	393,625
Other liabilities	229,111	-	232	-	-	-	229,343
Total Liabilities	6,051,867	72,868	1,248,308	42,072	-	-	7,415,115
Shareholder's equity	1,547,440	-	-	-	-	-	1,547,440
Total Liabilities and Shareholder's equity	7,599,307	72,868	1,248,308	42,072	-	-	8,962,555
On-balance sheet open position	(118,162)	22,504	(52,653)	(40,348)	3,724	184,935	(0)
Off-balance sheet open position	-	-	-	-	-	-	-
Net open position	(118,162)	22,504	(52,653)	(40,348)	3,724	184,935	(0)

KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

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

A20 FINANCIAL RISK MANAGEMENT (Cont'd.)

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

Group	MYR	SGD	USD	EUR	KWD	Others	Total
31 Dec 2012	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
ASSETS							
Cash and short-term funds	1,181,198	22,998	176,291	817	3,724	15,656	1,400,684
Deposits and placements with banks and other financial institutions	50,056	25,033	169,058	-	-	-	244,147
Securities held-for-trading	10,541	-	68,952	-	-	-	79,493
Securities available-for-sale	424,242	-	531,588	-	-	-	955,830
Securities held-to-maturity	81,493	-	-	-	-	-	81,493
Financing, advances and receivables	4,728,438	-	560,307	-	-	-	5,288,745
Musarakah capital investment	5,898	-	-	-	-	-	5,898
Other assets	849,652	-	21,470	-	-	169,279	1,040,401
Total Assets	7,331,518	48,031	1,527,666	817	3,724	184,935	9,096,691
LIABILITIES AND SHAREHOLDER'S EQUITY							
Deposits from customers	4,531,132	25,527	813,607	-	-	-	5,370,266
Deposits and placements with banks and other financial institutions	907,406	-	375,904	41,165	-	-	1,324,475
Subordinated Murabahah Tawarruq	-	-	374,054	-	-	-	374,054
Other liabilities	491,847	-	16,754	-	-	-	508,601
Total Liabilities	5,930,385	25,527	1,580,319	41,165	-	-	7,577,396
Shareholder's equity	1,519,295	-	-	-	-	-	1,519,295
Total Liabilities and Shareholder's equity	7,449,680	25,527	1,580,319	41,165	-	-	9,096,691
On-balance sheet open position	(118,162)	22,504	(52,653)	(40,348)	3,724	184,935	-
Off-balance sheet open position	-	-	-	-	-	-	-
Net open position	(118,162)	22,504	(52,653)	(40,348)	3,724	184,935	-

KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

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

A20 FINANCIAL RISK MANAGEMENT (Cont'd.)

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

Bank	MYR	SGD	USD	EUR	KWD	Others	Total
30 Jun 2013	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
ASSETS							
Cash and short-term funds	1,271,655	15,965	84,785	2,887	6,536	32,636	1,414,464
Deposits and placements with banks and other financial institutions	150,107	50,073	96,888	5,361	-	-	302,429
Securities available-for-sale	641,412	-	434,834	-	-	-	1,076,246
Securities held-to-maturity	81,474	-	-	-	-	-	81,474
Financing, advances and receivables	4,844,325	-	427,172	-	-	-	5,271,497
Musyarakah capital investment	5,898	-	-	-	-	-	5,898
Other assets	713,390	-	-	-	-	-	713,390
Total Assets	7,708,261	66,038	1,043,679	8,248	6,536	32,636	8,865,398
LIABILITIES AND SHAREHOLDER'S EQUITY							
Deposits from customers	4,993,042	60,601	217,767	-	-	-	5,271,410
Deposits and placements with banks and other financial institutions	832,508	12,267	570,964	17,528	-	-	1,433,267
Subordinated Murabahah Tawarruq	-	-	393,625	-	-	-	393,625
Murabahah bank financing	-	-	-	-	-	-	-
Other liabilities	228,284	-	232	-	-	-	228,516
Total Liabilities	6,053,834	72,868	1,182,588	17,528	-	-	7,326,818
Shareholder's equity	1,538,580	-	-	-	-	-	1,538,580
Total Liabilities and Shareholder's equity	7,592,414	72,868	1,182,588	17,528	-	-	8,865,398
On-balance sheet open position	(118,162)	22,504	(52,653)	(40,348)	3,724	184,935	-
Off-balance sheet open position	-	-	-	-	-	-	-
Net open position	(118,162)	22,504	(52,653)	(40,348)	3,724	184,935	-

KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

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

A20 FINANCIAL RISK MANAGEMENT (Cont'd.)

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

Bank	MYR	SGD	USD	EUR	KWD	Others	Total
31 Dec 2012	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
ASSETS							
Cash and short-term funds	1,180,383	22,998	146,589	817	3,724	15,656	1,370,167
Deposits and placements with banks and other financial institutions	50,056	25,033	153,749	-	-	-	228,838
Securities held-for-trading	10,541	-	68,952	-	-	-	79,493
Securities available-for-sale	424,242	-	422,372	-	-	-	846,614
Securities held-to-maturity	81,493	-	-	-	-	-	81,493
Financing, advances and receivables	4,728,438	-	560,307	-	-	-	5,288,745
Murabahah trading automobile	-	-	-	-	-	-	-
Musarakah capital investment	5,898	-	-	-	-	-	5,898
Other assets	878,843	-	21,470	-	-	169,279	1,069,592
Total Assets	7,359,894	48,031	1,373,439	817	3,724	184,935	8,970,840
LIABILITIES AND SHAREHOLDER'S EQUITY							
Deposits from customers	4,624,375	25,526	727,138	-	-	-	5,377,039
Deposits and placements with banks and other financial institutions	914,832	-	272,505	17,153	-	-	1,204,490
Subordinated Murabahah Tawarruq	-	-	374,054	-	-	-	374,054
Murabahah bank financing	-	-	-	-	-	-	-
Other liabilities	491,004	-	16,754	-	-	-	507,758
Total Liabilities	6,030,211	25,526	1,390,451	17,153	-	-	7,463,341
Shareholder's equity	1,507,499	-	-	-	-	-	1,507,499
Total Liabilities and Shareholder's equity	7,537,710	25,526	1,390,451	17,153	-	-	8,970,840
On-balance sheet open position	(177,816)	22,505	(17,012)	(16,336)	3,724	184,935	-
Off-balance sheet open position	-	-	1,532	-	-	-	1,532
Net open position	(177,816)	22,505	(15,480)	(16,336)	3,724	184,935	1,532

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

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

A20 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 2013. 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 Jun 2013
Group**

<i>RM million</i>	1-3 months	4-6 months	7-12 months	Over 12 months	Non-sensitive	Total
Rate sensitive assets	4,717	356	35	3,508	346	8,962
Rate sensitive liabilities	3,628	1,242	1,183	81	1,281	7,415
Monthly mismatch	1,090	(886)	(1,148)	3,428	(936)	
Cumulative mismatch	3,084	1,601	(2,386)	2,483	1,547	
Bank						
Rate sensitive assets	4,685	356	35	3,285	504	8,865
Rate sensitive liabilities	3,547	1,242	1,183	81	1,274	7,327
Monthly mismatch	1,139	(886)	(1,148)	3,204	(770)	
Cumulative mismatch	3,198	1,749	(2,091)	2,309	1,538	

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

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

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

A20 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 2012. 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 Dec 2012

Group

<i>RM million</i>	1-3 months	4-6 months	7-12 months	Over 12 months	Non-sensitive	Total
Rate sensitive assets	4,918	283	528	2,799	568	9,096
Rate sensitive liabilities	4,409	624	1,131	99	1,314	7,577
Monthly mismatch	509	(341)	(603)	2,700	(746)	
Cumulative mismatch	1,628	836	(479)	2,265	1,519	
Bank						
Rate sensitive assets	4,795	283	513	2,741	639	8,971
Rate sensitive liabilities	3,922	624	1,131	99	1,687	7,463
Monthly mismatch	873	(341)	(618)	2,642	(1,048)	
Cumulative mismatch	2,363	1,927	1,626	2,556	1,508	

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 Jun 2013

Group

	Movement in market profit rate (%)					
	(2.00)	(1.00)	(0.50)	0.50	1.00	2.00
Change in Net Revenue	(7.02)	(3.50)	(1.75)	1.70	3.40	6.79
Change in Economic Value of Equity	24.21	11.21	5.40	(5.03)	(9.72)	(18.19)
Bank						
Change in Net Revenue	(7.39)	(3.69)	(1.84)	1.79	3.57	7.15
Change in Economic Value of Equity	21.91	10.18	4.91	(4.59)	(8.87)	(16.64)

31 Dec 2012

Group

	Movement in market profit rate (%)					
	(2.00)	(1.00)	(0.50)	0.50	1.00	2.00
Change in Net Revenue	(14.84)	(7.42)	(3.71)	3.48	6.97	13.94
Change in Economic Value of Equity	18.73	8.71	4.21	(3.93)	(7.62)	(14.30)
Bank						
Change in Net Revenue	(17.18)	(8.59)	(4.29)	4.25	8.50	17.00
Change in Economic Value of Equity	18.55	8.63	4.17	(3.89)	(7.54)	(14.15)

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

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

A20 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 risk-weighted assets ("RWA") by exposures in each major risk category for the previous financial year are as follows:

30 Jun 2013

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 Corporates		136,747	16,546	114,063	-	3,487,109
		136,747	16,546	114,063	-	3,487,109

KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

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

A20 FINANCIAL RISK MANAGEMENT (Cont'd.)

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

30 Jun 2013

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		19,055	1,242,551	15,802	(623)	-	4,077
Bank Sovereigns/Central Banks		19,055	1,229,296	-	-	-	4,077

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
	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		182,902	128,315	222,031	152	-	866,004
Bank Banks, MDBs and FDIs		197,063	128,315	205,951	152	-	822,663

KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

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

A20 FINANCIAL RISK MANAGEMENT (Cont'd.)

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

31 Dec 2012

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						
Corporates	95,176	603,258	58,000	-	3,778,939	
	95,176	603,258	58,000	-	3,778,939	
Bank						
Corporates	95,176	603,258	46,906	-	3,778,939	
	95,176	603,258	46,906	-	3,778,939	

KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

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

A20 FINANCIAL RISK MANAGEMENT (Cont'd.)

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

31 Dec 2012

Exposure class	Rating of Sovereigns and Central Banks by approved ECAs						
	Moodys	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		62,133	989,196	-	-	-	213,546
Bank Sovereigns/Central Banks		62,133	976,159	-	-	-	213,546

Exposure class	Rating of Banking Institutions by approved ECAs						
	Moodys	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		27,118	143,631	180,661	5,303	-	864,095
Bank Banks, MDBs and FDIs		13,763	143,631	165,027	5,303	-	819,142

KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

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

A20 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 Jun 2013

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	1,280,861	12,194	-	-
Public Sector Entities	-	-	-	-
Banks, Development Financial Institutions & MDBs	1,288,570	39,987	-	-
Corporates	2,437,942	138,358	52,822	-
Regulatory Retail	1,811,917	-	15,695	-
Residential Mortgages	166,224	-	-	-
Higher Risk Assets ¹	366,999	-	-	-
Other Assets	310,987	-	-	-
Defaulted Exposures	1,191,353	-	3,302	-
Total On Balance Sheet Exposures	8,854,853	190,539	71,819	-
(b) Off-Balance Sheet Exposures				
OTC Derivatives ³	30,507	-	-	-
Off-balance sheet exposures other than OTC derivatives ²	365,345	-	-	-
Total Off-Balance Sheet Exposures	395,852	-	-	-
Total On and Off-Balance Sheet Exposures	9,250,705	190,539	71,819	-

KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

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

A20 FINANCIAL RISK MANAGEMENT (Cont'd.)

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

31 Dec 2012

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	1,264,875	301,831	-	-
Banks, Development Financial Institutions & MDBs	1,182,527	40,339	-	-
Corporates	2,338,820	85,646	23,148	-
Regulatory Retail	1,553,064	-	-	-
Residential Mortgages	161,339	-	-	-
Higher Risk Assets ¹	346,112	-	-	-
Other Assets	624,019	-	-	-
Defaulted Exposures	1,376,898	-	18,241	-
Total On Balance Sheet Exposures	8,847,654	427,816	41,389	-
(b) Off-Balance Sheet Exposures				
OTC Derivatives ³	35,216	-	-	-
Off-balance sheet exposures other than OTC derivatives ²	1,024,702	300,000	7,172	-
Total Off-Balance Sheet Exposures	1,059,918	300,000	7,172	-
Total On and Off-Balance Sheet Exposures	9,907,572	727,816	48,561	-

KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

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

A20 FINANCIAL RISK MANAGEMENT (Cont'd.)

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

30 Jun 2013

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	1,252,427	-	-	-
Banks, Development Financial Institutions & MDBs	1,243,311	39,987	-	-
Corporates	2,443,946	138,358	52,822	-
Regulatory Retail	1,811,917	-	15,695	-
Residential Mortgages	166,224	-	-	-
Higher Risk Assets ¹	366,999	-	-	-
Other Assets	250,649	-	-	-
Defaulted Exposures	1,191,353	-	3,302	-
Total On-Balance Sheet Exposures	8,726,826	178,345	71,819	-
(b) Off-Balance Sheet Exposures				
OTC Derivatives ³	30,507	-	-	-
Off-balance sheet exposures other than OTC derivatives ²	365,345	-	-	-
Total Off Balance Sheet Exposures	395,852	-	-	-
Total On and Off-Balance Sheet Exposures	9,122,678	178,345	71,819	-

KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

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

A20 FINANCIAL RISK MANAGEMENT (Cont'd.)

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

31 Dec 2012

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	1,251,837	289,836	-	-
Banks, Development Financial Institutions & MDBs	1,108,585	40,339	-	-
Corporates	2,327,727	85,646	23,148	-
Regulatory Retail	1,553,065	-	-	-
Residential Mortgages	161,339	-	-	-
Higher Risk Assets ¹	346,113	-	-	-
Other Assets	565,391	-	-	-
Defaulted Exposures	1,376,897	-	18,241	-
Total On Balance Sheet Exposures	8,690,954	415,821	41,389	-
(b) Off-Balance Sheet Exposures				
OTC Derivatives ³	35,216	-	-	-
Off-balance sheet exposures other than OTC derivatives ²	1,024,702	300,000	7,172	-
Total Off-Balance Sheet Exposures	1,059,918	300,000	7,172	-
Total On and Off-Balance Sheet Exposures	9,750,872	715,821	48,561	-

* Credit equivalent of off-balance sheet items

¹ Higher risk assets are defined in CAFIB guidelines issued by Bank Negara Malaysia which comprised of i) exposures structured as Musyarakah and Mudharabah contracts and ii) Investment in equity financial instruments that are non-publicly traded.

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

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

KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

DISCLOSURE REQUIREMENTS UNDER CAPITAL ADEQUACY FRAMEWORK FOR ISLAMIC BANKS (CAFIB)

A20 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) as at 30 June 2013, are as follows:

Group and Bank 30 Jun 2013	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount RM'000	Risk Weighted Assets RM'000
Direct Credit Substitutes	30,023		30,023	27,906
Transaction related contingent Items	118,031		59,016	36,059
Short Term Self Liquidating trade related contingencies	54,962		10,992	10,969
Foreign exchange related contracts				
One year or less	6,321	-	10	10
Profit rate related contracts				
Over five years	271,194	-	30,497	25,073
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	238,989		119,497	116,992
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	729,086		145,817	105,185
	1,448,606	-	395,852	322,194

KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

DISCLOSURE REQUIREMENTS UNDER CAPITAL ADEQUACY FRAMEWORK FOR ISLAMIC BANKS (CAFIB)

A20 FINANCIAL RISK MANAGEMENT (Cont'd.)

(i) General Disclosure for Off-Balance Sheet exposures and Counterparty Credit Risk (Cont'd.)

Off-balance Sheet exposures and Counterparty Credit Risk (CCR) as at 31 December 2012, are as follows:

Group and Bank 31 Dec 2012	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount RM'000	Risk Weighted Assets RM'000
Direct Credit Substitutes	448,398		448,398	297,589
Transaction related contingent Items	130,067		65,033	46,302
Short Term Self Liquidating trade related contingencies	28,653		5,731	5,687
Profit rate related contracts				
Over five years	278,339	21,299	35,216	29,649
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	861,949		430,975	416,934
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	372,828		74,565	70,448
	2,120,234	21,299	1,059,918	866,609

KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

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

A20 FINANCIAL RISK MANAGEMENT (Cont'd.)

(j) Equities (Disclosure for banking book positions)

30 Jun 2013
Group and Bank

Equity	Amount	Unrealised Gain/(Loss)	Risk-Weighted Assets
	RM'000	RM'000	RM'000
(i) Privately Held			
(a) Subsidiaries	46,193	(15,241)	
Kuwait Finance House (Labuan) Berhad	10,200	-	Capital Deduction
KFH Nominees (Tempatan) Sdn. Bhd.	-	-	Capital Deduction
KFH Asset Management Sdn. Bhd.	20,000	-	Capital Deduction
Kuwait Finance House (Australia) Pty Ltd	15,993	(15,241)	Capital Deduction
(b) Investment	119,636	-	179,454
IntraRED Sdn Bhd	87,700	-	131,550
Al Faiz Fund 1	31,936	-	47,904
(c) Musyarakah Capital Investment	5,898	-	8,847

31 Dec 2012
Group and Bank

Equity	Amount	Unrealised Gain/(Loss)	Risk-Weighted Assets
	RM'000	RM'000	RM'000
(i) Privately Held			
(a) Subsidiaries	46,193	(15,241)	
Kuwait Finance House (Labuan) Berhad	10,200	-	Capital Deduction
KFH Nominees (Tempatan) Sdn. Bhd.	-	-	Capital Deduction
KFH Asset Management Sdn. Bhd.	20,000	-	Capital Deduction
Kuwait Finance House (Australia) Pty Ltd	15,993	(15,241)	Capital Deduction
(b) Investment	59,207	-	88,811
IntraRED Sdn Bhd	25,000	-	37,500
Al Faiz Fund 1	34,207	-	51,311
(c) Musyarakah Capital Investment	5,898	-	8,847

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

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

B1 Basis of Preparation of the Financial Statements

The unaudited condensed interim financial statements for the 2nd quarter and six months ended 30 June 2013 of the Group and the Bank have been prepared in accordance with MFRS 134 "Interim Financial Reporting" issued by the Malaysian Accounting Standards Board ("MASB"), BNM's Guidelines on Financial Reporting for Islamic Banking Institutions ("BNM/GP8-i") and Shariah principles.

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2012. The explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Bank since the financial year ended 31 December 2012.

The financial statements are presented in Ringgit Malaysia (RM) and all values are rounded to the nearest thousand (RM'000) except where otherwise indicated.

B2 Significant Accounting Policies

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

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

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

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

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

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

B3 Auditors' Report on Preceding Annual Financial Statements

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

B4 Seasonal or Cyclical Factors Affecting Operations

The operations of the Group and the Bank were not materially affected by any seasonal or cyclical factors in the six-months ended 30 June 2013.

B5 Unusual Items Due to their Nature, Size or Incidence

There were no items of unusual nature, size or incidence affecting the assets, liabilities, equity, net income or cash flows of the Group and the Bank during the six-months ended 30 June 2013 except for the items disclosed in Note B15.

B6 Changes in Estimates

There were no changes in the estimates of amounts reported in prior financial years that have a material effect to the six-months ended 30 June 2013.

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 2013.

B8 Dividends Paid

There were no dividends paid during the six-months ended 30 June 2013.

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

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

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

(i) Primary Segment - By Business Segment

Group	Treasury & Capital Markets	Corporate & Investment Banking	Commercial Banking	Others	Elimination	Total
30 Jun 2013	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
External revenue	42,330	71,936	26,969	88,449		229,684
Revenue from other segments	47,875	1,385	2,938	44,231	(96,429)	-
Total Revenue	90,205	73,321	29,907	132,680	(96,429)	229,684
Segment results	(286)	24,618	106,052	(43)		130,341
Unallocated expenses						(49,722)
Profit from operations						80,619
Taxation						(25,558)
Net profit for the year						55,061
Other information						
Segment assets	2,876,057	2,656,433	688,323	2,267,734	(57,735)	8,430,812
Unallocated corporate assets						531,743
Total assets						8,962,555
Segment liabilities	3,833,537	98,465	128,693	2,775,181	(26,783)	6,809,093
Unallocated corporate liabilities						606,022
Total liabilities						7,415,115
Other segment items						
Purchase of property and equipment	-	-	-	4,609	-	4,609
Purchase of intangible assets	-	-	-	580	-	580
Depreciation of property and equipment	-	-	-	5,989	-	5,989
Amortisation of intangible assets	-	-	-	4,669	-	4,669
Other non-cash expense other than depreciation	(148)	3,759	96,173	(45,466)	-	54,318

(ii) By Geographical Locations

Group	Operating Revenue RM'000	Profit Before Zakat and Taxation RM'000	Total Assets RM'000
30 Jun 2013			
Malaysia	228,530	80,586	8,962,256
Outside Malaysia	1,154	33	299
	229,684	80,619	8,962,555

The Group has funds management operations in Australia.

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

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

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

(i) Primary Segment - By Business Segment

Group	Treasury & Capital Markets	Corporate & Investment Banking	Commercial Banking	Others	Elimination	Total
30 Jun 2012	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
External revenue	71,418	76,533	44,524	58,424	-	250,899
Revenue from other segments	83,055	1,654	3,286	29,436	(117,431)	-
Total Revenue	154,473	78,187	47,810	87,860	(117,431)	250,899
Segment results	12,609	27,006	26,504	22,530	-	88,649
Unallocated expenses						(46,540)
Profit from operations						42,109
Taxation						(12,232)
Net profit for the year						29,877
Other information						
Segment assets	3,265,646	2,898,948	817,256	2,031,243	(89,857)	8,923,236
Unallocated corporate assets						558,780
Total assets						9,482,016
Segment liabilities	5,140,866	95,637	197,618	2,103,341	(58,904)	7,478,558
Unallocated corporate liabilities						513,736
Total liabilities						7,992,294
Other segment items						
Purchase of property and equipment	-	-	-	20,798	-	20,798
Purchase of intangible assets	-	-	-	1,959	-	1,959
Depreciation of property and equipment	-	-	-	6,508	-	6,508
Amortisation of intangible assets	-	-	-	4,190	-	4,190
Other non-cash expense other than depreciation	(1,216)	10,204	12,188	(1,885)	-	19,291

(ii) By Geographical Locations

Group	Operating Revenue RM'000	Profit/(loss) Before Zakat and Taxation RM'000	Total Assets RM'000
30 Jun 2012			
Malaysia	249,786	42,224	9,481,776
Outside Malaysia	1,113	(115)	240
	250,899	42,109	9,482,016

The Group has funds management operations in Australia.

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

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

B10 Valuation of Property and Equipment

There was no change in the valuation of property and equipment that were brought forward from the previous audited financial statements for the year ended 31 December 2012.

B11 Subsequent Events

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

B12 Changes In Composition Of The Group

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

B13 Changes In Contingent Liabilities and Contingent Assets

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

B14 Capital Commitments

The capital commitments not provided for in the interim financial statements as at 30 June 2013 are as follows:

Capital expenditure

Authorised and contracted for:

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

Authorised and not contracted for:

- purchase of IT hardware & software
- purchase of equipment

Group	Bank
RM'000	RM'000
2,485	2,485
2,152	2,152
279	279
4,916	4,916
4	-
5	5
9	5

B15 Significant Event

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

KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

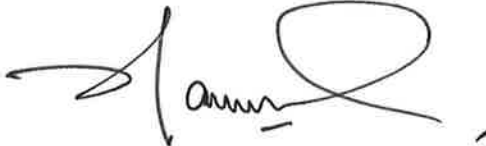
Certification of Financial Statements

I, Mohd Hazran Abd Hadi, being the officer primarily responsible for the financial management of Kuwait Finance House (Malaysia) Berhad, hereby certify that the financial statements are to the best of my knowledge and belief, correct and prepared in accordance to the Company's accounting and other records and are in conformity with the approved accounting standards in Malaysia.



Mohd Hazran Abd Hadi
Head of Finance

I, Dato' Sri Abdul Hamidy Abdul Hafiz, being the Chief Executive Officer of Kuwait Finance House (Malaysia) Berhad, hereby certify that the financial statements are to the best of my knowledge and belief, correct and prepared in accordance to requirements stipulated in Bank Negara Malaysia Capital Adequacy Framework for Islamic Bank (CAFIB) - Disclosures Requirements (Pillar 3) guidelines.



Dato' Sri Abdul Hamidy Abdul Hafiz
Chief Executive Officer