



KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

Interim Report for the First Quarter Ended 31 March 2010

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KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Group	Note	31 Mar 2010 RM'000	31 Dec 2009 RM'000
ASSETS			
Cash and short-term funds		1,996,808	2,877,926
Deposits and placements with banks and other financial institutions	A3	27,750	139,052
Securities held-for-trading	A4	-	16,938
Securities available-for-sale	A4	954,420	1,003,119
Securities held-to-maturity	A4	47,853	59,797
Financing, advances and other receivables	A5	6,732,454	7,072,175
Murabahah trading automobile	A6	31,236	37,429
Other assets	A7	141,587	170,057
Hedging financial instruments	A8	71,218	42,836
Statutory deposits with Bank Negara Malaysia		52,250	49,500
Musarakah capital investment	A9	5,916	5,916
Investment in jointly controlled entities		84	-
Property and equipment		34,378	37,017
Intangible assets		27,799	28,668
Deferred tax assets (net)		125,917	29,876
		10,249,670	11,570,306
LIABILITIES			
Deposits from customers	A10	4,202,824	4,255,068
Deposits and placements of banks and other financial institutions	A11	3,405,879	4,202,349
Other liabilities	A12	147,596	368,826
Hedging financial instruments	A8	26,961	24,869
Provision for zakat and tax		2,657	3,267
Murabahah bank financing	A13	48,956	51,397
Subordinated Murabahah Tawarruq	A14	358,402	374,700
		8,193,275	9,280,477
SHAREHOLDER'S EQUITY			
Share capital		2,266,125	2,266,125
Reserves		(209,730)	23,704
		2,056,395	2,289,829
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY			
		10,249,670	11,570,305
COMMITMENTS AND CONTINGENCIES			
	A20	5,164,653	5,218,410
CAPITAL ADEQUACY			
Core Capital Ratio	A19	18.02%	19.89%
Risk-Weighted Capital Ratio	A19	22.17%	23.79%
NET ASSETS PER SHARE (RM)			
		0.91	1.01

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

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INTERIM CONDENSED STATEMENTS OF FINANCIAL POSITION

Bank	Note	31 Mar 2010 RM'000	31 Dec 2009 RM'000
ASSETS			
Cash and short-term funds		2,049,099	2,933,272
Deposits and placements with banks and other financial institutions	A3	27,750	139,052
Securities held-for-trading	A4	-	16,938
Securities available-for-sale	A4	863,021	904,650
Securities held-to-maturity	A4	47,853	59,797
Financing, advances and other receivables	A5	6,732,454	7,078,663
Murabahah trading automobile	A6	31,236	37,429
Other assets	A7	122,246	148,127
Hedging financial instruments	A8	71,218	42,836
Statutory deposits with Bank Negara Malaysia		52,250	49,500
Musyarakah capital investment	A9	5,916	5,916
Investment in subsidiaries		67,897	66,143
Property and equipment		33,361	35,874
Intangible assets		27,762	28,625
Deferred tax assets (net)		125,554	29,502
		10,257,617	11,576,324
LIABILITIES			
Deposits from customers	A10	4,215,355	4,264,705
Deposits and placements of banks and other financial institutions	A11	3,409,883	4,215,150
Other liabilities	A12	143,843	367,116
Hedging financial instruments	A8	26,961	24,869
Provision for zakat and tax		2,657	3,267
Murabahah bank financing	A13	48,956	51,397
Subordinated Murabahah Tawarruq	A14	358,402	374,700
		8,206,057	9,301,203
SHAREHOLDER'S EQUITY			
Share capital		2,266,125	2,266,125
Reserves		(214,565)	8,995
		2,051,560	2,275,120
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY			
		10,257,617	11,576,323
COMMITMENTS AND CONTINGENCIES			
	A20	5,164,653	5,218,410
CAPITAL ADEQUACY			
Core Capital Ratio	A19	18.21%	19.97%
Risk-Weighted Capital Ratio	A19	21.78%	23.34%
NET ASSETS PER SHARE (RM)			
		0.91	1.00

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

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INTERIM CONDENSED CONSOLIDATED INCOME STATEMENTS

Group	Note	1st Quarter ended 31 March		Three-months ended 31 March	
		2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Continuing operations					
Operating revenue		108,947	140,510	108,947	140,510
Income derived from investment of depositors' funds	A15	87,127	95,956	87,127	95,956
Income derived from investment of shareholder's equity	A16	21,820	44,554	21,820	44,554
Total gross income		108,947	140,510	108,947	140,510
Impairment write-back on Murabahah trading automobile		277	77	277	77
Impairment loss on financing	A17	(103,898)	(30,432)	(103,898)	(30,432)
Total distributable income		5,326	110,155	5,326	110,155
Income attributable to the depositors	A18	(42,228)	(43,879)	(42,228)	(43,879)
Total net income		(36,902)	66,276	(36,902)	66,276
Personnel expenses		(28,188)	(28,325)	(28,188)	(28,325)
Other overheads and expenditures		(15,403)	(14,613)	(15,403)	(14,613)
Finance cost		(3,429)	(3,791)	(3,429)	(3,791)
(Loss)/Profit before zakat and taxation		(83,922)	19,547	(83,922)	19,547
Zakat		-	(590)	-	(590)
Taxation		20,647	(1,274)	20,647	(1,274)
Net (loss)/profit for the period		(63,275)	17,683	(63,275)	17,683
Attributable to:					
Equity holders of the parent		(63,275)	17,683	(63,275)	17,683
Earnings per share attributable to equity holders of the parent					
- Basic/Diluted (sen)		(2.8)	1.0	(2.8)	1.0

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

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INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Group	1st Quarter ended 31 March		Three-months ended 31 March	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Net (loss)/profit for the period	(63,275)	17,683	(63,275)	17,683
Other comprehensive (loss)/income:				
Securities available-for-sale:				
Net gain taken to equity	10,225	19,301	10,225	19,301
Exchange differences on translation of foreign operations:				
Net (loss)/gain taken to equity	(2,731)	2,092	(2,731)	2,092
Income tax relating to components of other comprehensive income	(2,556)	(4,825)	(2,556)	(4,825)
Other comprehensive income for the period, net of tax	4,938	16,568	4,938	16,568
Total comprehensive (loss)/income for the period	(58,337)	34,251	(58,337)	34,251
Total comprehensive (loss)/income for the period attributable to equity holders of the parent	(58,337)	34,251	(58,337)	34,251

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

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INTERIM CONDENSED INCOME STATEMENTS

	Note	1st Quarter ended 31 March		Three-months ended 31 March	
		2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Bank					
Continuing operations					
Operating revenue		108,962	137,597	108,962	137,597
Income derived from investment of depositors' funds	A15	87,452	95,725	87,452	95,725
Income derived from investment of shareholder's equity	A16	21,510	41,872	21,510	41,872
Total gross income		108,962	137,597	108,962	137,597
Impairment write-back on Murabahah trading automobile		277	77	277	77
Impairment loss on financing	A17	(103,898)	(30,432)	(103,898)	(30,432)
Total distributable income		5,341	107,242	5,341	107,242
Income attributable to the depositors	A18	(42,292)	(43,951)	(42,292)	(43,951)
Total net income		(36,951)	63,291	(36,951)	63,291
Personnel expenses		(22,713)	(25,557)	(22,713)	(25,557)
Other overheads and expenditures		(13,694)	(13,145)	(13,694)	(13,145)
Finance cost		(3,429)	(3,791)	(3,429)	(3,791)
(Loss)/Profit before zakat and taxation		(76,787)	20,798	(76,787)	20,798
Zakat		-	(590)	-	(590)
Taxation		20,656	(1,250)	20,656	(1,250)
Net (loss)/profit for the period		(56,131)	18,958	(56,131)	18,958

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

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INTERIM CONDENSED STATEMENTS OF COMPREHENSIVE INCOME

	1st Quarter ended 31 March		Three-months ended 31 March	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Bank				
Net (loss)/profit for the period	(56,131)	18,958	(56,131)	18,958
Other comprehensive income:				
Securities available-for-sale:				
Net gain taken to equity	10,225	19,301	10,225	19,301
Income tax relating to components of other comprehensive income	(2,556)	(4,825)	(2,556)	(4,825)
Other comprehensive income for the period, net of tax	7,669	14,476	7,669	14,476
Total comprehensive (loss)/income for the period	(48,462)	33,434	(48,462)	33,434

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

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INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY

Group	Non-distributable			Distributable	Total Equity RM'000	
	Share Capital RM'000	Statutory Reserve RM'000	Translation Reserve RM'000	Securities Available-for-sale RM'000		Retained Profit RM'000
At 1 January 2010						
- As previously stated	2,266,125	34,952	(2,094)	(34,928)	25,775	2,289,830
- Effect of adopting FRS 139	-	-	-	-	(175,098)	(175,098)
At 1 January 2010, as restated	2,266,125	34,952	(2,094)	(34,928)	(149,323)	2,114,732
Total comprehensive income	-	-	(2,731)	7,669	(63,275)	(58,337)
At 31 March 2010	2,266,125	34,952	(4,825)	(27,259)	(212,598)	2,056,395
At 1 January 2009	1,751,400	34,952	(584)	(63,370)	56,658	1,779,056
Total comprehensive income	-	-	2,092	14,476	17,683	34,251
At 31 March 2009	1,751,400	34,952	1,508	(48,894)	74,341	1,813,307
Bank						
At 1 January 2010						
- As previously stated	2,266,125	34,952	-	(34,928)	8,971	2,275,120
- Effect of adopting FRS 139	-	-	-	-	(175,098)	(175,098)
At 1 January 2010, as restated	2,266,125	34,952	-	(34,928)	(166,127)	2,100,022
Total comprehensive income	-	-	-	7,669	(56,131)	(48,462)
At 31 March 2010	2,266,125	34,952	-	(27,259)	(222,258)	2,051,560
At 1 January 2009	1,751,400	34,952	-	(63,370)	34,948	1,757,930
Total comprehensive income	-	-	-	14,476	18,958	33,434
At 31 March 2009	1,751,400	34,952	-	(48,894)	53,906	1,791,364

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

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INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

Group	31 Mar 2010 RM'000	31 Mar 2009 RM'000
(Loss)/Profit before zakat and taxation	(83,922)	19,547
Adjustments for non-cash items	112,644	30,590
Operating profit before changes in working capital	28,722	50,137
<u>Changes in the working capital</u>		
Net changes in operating assets	104,933	(331,795)
Net changes in operating liabilities	(1,094,983)	393,177
Zakat and taxation paid	(5,139)	(5,879)
Net cash (used in)/generated from operating activities	(995,189)	55,503
Net cash generated from/(used in) investing activities	86,581	(102,767)
Net cash generated from financing activities	1,499	28,706
	88,080	(74,061)
Net change in cash and cash equivalents	(878,387)	31,579
Cash and cash equivalents at beginning of the period	2,877,926	2,077,377
Exchange differences on translation of opening balances	(2,731)	2,092
Cash and cash equivalents at end of the period	1,996,808	2,111,048

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

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INTERIM CONDENSED STATEMENTS OF CASH FLOWS

Bank

(Loss)/Profit before zakat and taxation

Adjustments for non-cash items

Operating profit before changes in working capital

Changes in the working capital

Net changes in operating assets

Net changes in operating liabilities

Zakat and taxation paid

Net cash (used in)/generated from operating activities

Net cash generating from/(used in) investing activities

Net cash generated from financing activities

Net change in cash and cash equivalents

Cash and cash equivalents at beginning of the period

Cash and cash equivalents at end of the period

	31 Mar 2010 RM'000	31 Mar 2009 RM'000
	(76,787)	20,798
	112,465	33,246
	35,678	54,044
	108,802	(334,179)
	(1,102,928)	393,112
	(5,110)	(5,879)
	(999,236)	53,054
	77,886	(103,077)
	1,499	28,706
	79,385	(74,371)
	(884,173)	32,727
	2,933,272	2,140,626
	2,049,099	2,173,353

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

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

A1. Performance Review

The Group and the Bank recorded a loss before zakat and taxation of RM83.9 million and RM76.8 million respectively for the three-months ended 31 March 2010. The Group registered a growth of RM5.3 million in its gross financing, advances and other receivables to RM7,454.7 million as at 31 March 2010 when compared to RM7,449.4 million as at 31 December 2009.

A2. Prospects for 2010

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

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

A3. Deposits and Placements with Banks and Other Financial Institutions

	Group		Bank	
	31 Mar 2010 RM'000	31 Dec 2009 RM'000	31 Mar 2010 RM'000	31 Dec 2009 RM'000
Licensed Islamic banks	6,698	21,698	6,698	21,698
Other financial institutions	21,052	117,354	21,052	117,354
	27,750	139,052	27,750	139,052

A4. Securities

(i) Securities Held-For-Trading

	Group		Bank	
	31 Mar 2010 RM'000	31 Dec 2009 RM'000	31 Mar 2010 RM'000	31 Dec 2009 RM'000
At fair value				
Unquoted Islamic private debt securities/sukuk	-	16,938	-	16,938

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

A4. Securities (cont'd.)

(ii) Securities Available-For-Sale

At fair value

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

	Group		Bank	
	31 Mar 2010 RM'000	31 Dec 2009 RM'000	31 Mar 2010 RM'000	31 Dec 2009 RM'000
Bank Negara Malaysia Sukuk Ijarah	120,318	121,081	120,318	121,081
Unquoted Islamic private debt securities/sukuk	723,703	764,569	723,703	764,569
Unquoted property funds	91,399	98,469	-	-
At cost				
Unquoted shares in Malaysia	19,000	19,000	19,000	19,000
	954,420	1,003,119	863,021	904,650

(iii) Securities Held-To-Maturity

At amortised cost

Unquoted Islamic private debt securities/sukuk

	Group		Bank	
	31 Mar 2010 RM'000	31 Dec 2009 RM'000	31 Mar 2010 RM'000	31 Dec 2009 RM'000
Unquoted Islamic private debt securities/sukuk	47,853	59,797	47,853	59,797

A5. Financing, Advances and Other Receivables

(i) By type

Term financing

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

Staff financing

Less : Unearned income

Gross financing, advances and receivables

Less : Impairment & allowance on financing, advances and other receivables

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

Net financing, advances and other receivables

	Group		Bank	
	31 Mar 2010 RM'000	31 Dec 2009 RM'000	31 Mar 2010 RM'000	31 Dec 2009 RM'000
Term financing				
- Murabahah financing	4,627,867	4,632,625	4,627,867	4,632,625
- Musyarakah financing	385,926	369,457	385,926	369,457
- Ijarah asset financing	2,184,295	2,205,380	2,184,295	2,205,380
- Mudharabah asset financing	127,553	125,767	127,553	125,767
- Musyarakah Mutanaqisah financing	173,307	168,764	173,307	168,764
- Istisna' financing	57,456	61,192	57,456	61,192
- Qard Hassan financing	1,140	2,047	1,140	8,535
Staff financing	18,274	18,364	18,274	18,364
	7,575,818	7,583,596	7,575,818	7,590,084
Less : Unearned income	(121,118)	(134,202)	(121,118)	(134,202)
	7,454,700	7,449,394	7,454,700	7,455,882
Less : Impairment & allowance on financing, advances and other receivables				
- Collective impairment	(123,758)	-	(123,758)	-
- Individual impairment	(598,488)	-	(598,488)	-
- General allowance	-	(108,166)	-	(108,166)
- Specific allowance	-	(269,053)	-	(269,053)
	6,732,454	7,072,175	6,732,454	7,078,663

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

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

(ii) By contract

	Group		Bank	
	31 Mar 2010 RM'000	31 Dec 2009 RM'000	31 Mar 2010 RM'000	31 Dec 2009 RM'000
Ijarah Muntahia Bittamlik (lease ended with ownership)	2,193,988	2,214,293	2,193,988	2,214,293
Murabahah (cost-plus)	4,541,973	4,536,153	4,541,973	4,536,153
Mudharabah (profit sharing)	127,553	125,767	127,553	125,767
Musyarakah (profit and loss sharing)	561,160	540,168	561,160	540,168
Qard (benevolent loan)	1,530	2,450	1,530	8,938
Istisna'	28,496	30,563	28,496	30,563
	7,454,700	7,449,394	7,454,700	7,455,882

(iii) By type of customer

	Group		Bank	
	31 Mar 2010 RM'000	31 Dec 2009 RM'000	31 Mar 2010 RM'000	31 Dec 2009 RM'000
Domestic business enterprises				
- Small medium enterprises	1,786,688	1,779,551	1,786,688	1,779,551
- Others	3,865,738	3,824,447	3,865,738	3,824,447
Individuals	149,623	136,236	149,623	136,236
Other domestic entities	72,655	72,928	72,655	72,928
Foreign entities	1,472,398	1,519,655	1,472,398	1,526,143
Domestic non-bank financial institutions	107,598	116,577	107,598	116,577
	7,454,700	7,449,394	7,454,700	7,455,882

(iv) By profit rate sensitivity

	Group		Bank	
	31 Mar 2010 RM'000	31 Dec 2009 RM'000	31 Mar 2010 RM'000	31 Dec 2009 RM'000
Fixed rate				
- House financing	61,691	52,140	61,691	52,140
- Hire purchase receivables	5,734	5,439	5,734	5,439
- Syndicated financing	65,591	69,058	65,591	69,058
- Term financing	4,806,477	4,839,744	4,806,477	4,846,232
Variable rate				
- House financing	75,604	57,312	75,604	57,312
- Term financing	2,439,603	2,425,701	2,439,603	2,425,701
	7,454,700	7,449,394	7,454,700	7,455,882

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

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

(v) By sector

	Group		Bank	
	31 Mar 2010 RM'000	31 Dec 2009 RM'000	31 Mar 2010 RM'000	31 Dec 2009 RM'000
Agriculture, hunting, forestry & fishing	243,109	277,503	243,109	277,503
Mining and quarrying	373,561	346,990	373,561	346,990
Manufacturing	1,389,825	1,364,037	1,389,825	1,364,037
Electricity, gas and water	166,247	156,310	166,247	156,310
Construction	861,458	809,371	861,458	809,371
Real estate	1,225,341	1,241,599	1,225,341	1,241,599
Purchase of landed property:				
- Residential	163,434	159,059	163,434	159,059
Wholesale & retail trade and restaurant & hotels	699,560	735,557	699,560	735,557
Transport, storage and communication	803,047	816,093	803,047	816,093
Finance, insurance and business services	1,179,318	1,227,637	1,179,318	1,227,637
Purchase of securities	107,174	109,381	107,174	109,381
Purchase of transport vehicles	5,402	5,593	5,402	5,593
Consumption credit	25,895	22,159	25,895	22,159
Others	211,329	178,105	211,329	184,592
	7,454,700	7,449,394	7,454,700	7,455,882

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

	Group		Bank	
	31 Mar 2010 RM'000	31 Dec 2009 RM'000	31 Mar 2010 RM'000	31 Dec 2009 RM'000
At 1 January				
- As previously stated	883,793	58,597	883,793	58,597
- Effect of adopting FRS 139	69,013	-	69,013	-
At 1 January, as restated	952,806	58,597	952,806	58,597
Impaired during the period/year	435,247	840,840	435,247	840,840
Amount recovered	-	(15,644)	-	(15,644)
Closing balance	1,388,053	883,793	1,388,053	883,793
Gross impaired financing as a percentage of gross financing, advances and other receivables	18.62%	11.86%	18.62%	11.85%

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

(vii) Movements in impairment and allowance on financing, advances and other receivables

	Group		Bank	
	31 Mar 2010 RM'000	31 Dec 2009 RM'000	31 Mar 2010 RM'000	31 Dec 2009 RM'000
Collective impairment				
At 1 January				
- As previously stated	-	-	-	-
- Effect of adopting FRS 139	113,701	-	113,701	-
At 1 January, as restated	113,701	-	113,701	-
Impairment made during the period	10,057	-	10,057	-
	123,758	-	123,758	-
Individual impairment				
At 1 January				
- As previously stated	-	-	-	-
- Effect of adopting FRS 139	504,647	-	504,647	-
At 1 January, as restated	504,647	-	504,647	-
Impairment made during the period	93,841	-	93,841	-
	598,488	-	598,488	-
General allowance				
At 1 January				
- As previously stated	108,166	102,962	108,166	102,962
- Effect of adopting FRS 139	(108,166)	-	(108,166)	-
At 1 January, as restated	-	102,962	-	102,962
Allowance made during the year	-	5,204	-	5,204
Closing balance	-	108,166	-	108,166
Specific allowance				
At 1 January				
- As previously stated	269,053	89,582	269,053	89,582
- Effect of adopting FRS 139	(269,053)	-	(269,053)	-
At 1 January, as restated	-	89,582	-	89,582
Allowance made during the year	-	179,471	-	179,471
Closing balance	-	269,053	-	269,053

(viii) Impaired financing by sector

	Group		Bank	
	31 Mar 2010 RM'000	31 Dec 2009 RM'000	31 Mar 2010 RM'000	31 Dec 2009 RM'000
Agriculture, hunting, forestry & fishing	121,304	56,999	121,304	56,999
Mining and quarrying	141,316	141,799	141,316	141,799
Construction	221,181	74,493	221,181	74,493
Manufacturing	311,659	206,040	311,659	206,040
Real estate	36,873	64,870	36,873	64,870
Wholesale & retail trade and restaurant & hotels	77,520	616	77,520	616
Finance, insurance and business services	163,496	111,300	163,496	111,300
Purchase of securities	62,774	-	62,774	-
Purchase of landed property:				
- Residential	2,431	-	2,431	-
Transport, storage and communication	192,261	167,862	192,261	167,862
Others	57,239	59,814	57,239	59,814
	1,388,053	883,793	1,388,053	883,793

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A6. Murabahah Trading Automobile

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

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

A7. Other Assets

	Group		Bank	
	31 Mar 2010 RM'000	31 Dec 2009 RM'000	31 Mar 2010 RM'000	31 Dec 2009 RM'000
Deposits and prepayments	6,320	6,807	5,373	5,688
Amount due from holding company	190	189	190	189
Amount due from subsidiaries	-	-	10,281	11,642
Amount due from other related parties	5,343	8,528	5,343	8,528
Income receivable	4,114	5,244	4,206	5,258
Fee receivable	1,414	1,389	1,414	1,389
Sundry debtors	36,679	40,976	7,832	8,410
Commodity assets	52,085	49,916	52,085	49,916
Tax recoverable	28,431	43,497	28,511	43,596
Underwriting releases	7,011	13,511	7,011	13,511
	141,587	170,057	122,246	148,127

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

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

A8. Hedging Financial Instruments

	Notional Amount RM'000	Fair Value	
		Assets RM'000	Liabilities RM'000
Group and Bank			
At 31 March 2010			
Forward foreign exchange related contracts	1,311,320	40,008	4,143
Ijarah rental swap related contracts	673,999	31,210	22,818
Total	1,985,319	71,218	26,961
At 31 December 2009			
Forward foreign exchange related contracts	1,252,455	14,144	5,513
Ijarah rental swap related contracts	777,680	28,692	19,356
Total	2,030,135	42,836	24,869

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A9. Musyarakah Capital Investment

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

A10. Deposits from Customers

(i) By type of deposit

	Group		Bank	
	31 Mar 2010 RM'000	31 Dec 2009 RM'000	31 Mar 2010 RM'000	31 Dec 2009 RM'000
<u>Qard</u>				
Demand deposits	301,221	237,053	313,752	246,689
Gold deposits	163	-	163	-
<u>Mudharabah</u>				
Savings deposits	25,829	15,713	25,829	15,713
General investment deposits	412,074	468,637	412,074	468,637
<u>Murabahah</u>				
Others	3,463,537	3,533,666	3,463,537	3,533,666
	4,202,824	4,255,068	4,215,355	4,264,705

(ii) By type of customer

	Group		Bank	
	31 Mar 2010 RM'000	31 Dec 2009 RM'000	31 Mar 2010 RM'000	31 Dec 2009 RM'000
Business enterprises	2,841,123	2,691,845	2,840,801	2,691,507
Individuals	199,133	193,582	199,133	193,582
Subsidiaries	-	-	12,853	10,072
Government and statutory bodies	652,653	873,921	652,653	873,921
Others	509,915	495,720	509,915	495,623
	4,202,824	4,255,068	4,215,355	4,264,705

A11. Deposits and Placements of Banks and Other Financial Institutions

	Group		Bank	
	31 Mar 2010 RM'000	31 Dec 2009 RM'000	31 Mar 2010 RM'000	31 Dec 2009 RM'000
<u>Murabahah</u>				
Licensed Islamic banks	274,879	296,759	274,879	296,759
Licensed investment banks	16,511	16,511	16,511	16,511
Other financial institutions	3,114,489	3,889,079	3,118,493	3,901,880
	3,405,879	4,202,349	3,409,883	4,215,150

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A12. Other Liabilities

	Group		Bank	
	31 Mar 2010 RM'000	31 Dec 2009 RM'000	31 Mar 2010 RM'000	31 Dec 2009 RM'000
Income payables	33,533	30,941	33,549	31,011
Sundry creditors	28,399	84,264	28,389	84,255
Project clearing account	9,994	179,949	9,994	179,949
Amount due to agent from the purchase of commodity assets	51,955	50,003	51,955	50,003
Accrued restoration cost	3,076	3,021	2,900	2,900
Other provisions and accruals	20,639	20,648	17,056	18,998
	147,596	368,826	143,843	367,116

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

A13. Murabahah Bank Financing

The Murabahah bank financing of USD15,000,000 or equivalent RM48,956,250 (2009: USD15,000,000 or equivalent RM51,397,500) is an unsecured financing facility obtained in 2008 with a tenure of two years and is repayable in instalments commencing 2009. The Murabahah price is determined based on effective cost of funds.

A14. Subordinated Murabahah Tawarruq

The subordinated Murabahah Tawarruq is a facility agreement with the holding company of the Bank, Kuwait Finance House K.S.C. The facility with principal amount of USD100,000,000 or equivalent RM326,380,000 (2009: USD100,000,000 or equivalent RM342,650,000) is unsecured with a tenure of five years and forms part of the Bank's Tier-2 capital. The Murabahah profit is determined with reference to London Interbank Offer Rate ("LIBOR").

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

	1st Quarter ended 31 Mar		Three-months ended 31 Mar	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Group				
Income derived from investment of:				
- General investment deposits	4,738	3,518	4,738	3,518
- Other deposits	82,389	92,438	82,389	92,438
	87,127	95,956	87,127	95,956
Bank				
Income derived from investment of:				
- General investment deposits	4,747	3,508	4,747	3,508
- Other deposits	82,705	92,217	82,705	92,217
	87,452	95,725	87,452	95,725

(i) Income derived from investment of general investment deposits

	1st Quarter ended 31 Mar		Three-months ended 31 Mar	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Group				
Finance income and hibah				
Financing, advances and other receivables	3,961	2,975	3,961	2,975
Securities				
- Held-for-trading	(4)	1	(4)	1
- Available-for-sale	253	251	253	251
- Held-to-maturity	19	12	19	12
Money at call and deposits with financial institutions	505	227	505	227
	4,734	3,466	4,734	3,466
Amortisation of premium less accretion of discounts	(3)	(5)	(3)	(5)
Total financing income and hibah	4,731	3,461	4,731	3,461
Gain arising from sale of securities				
- Held-for-trading	18	-	18	-
- Available for sale	-	11	-	11
Profit from Murabahah trading on automobile	-	14	-	14
Foreign exchange (loss)/profit				
- Realised	(31)	17	(31)	17
Gain on Ijarah rental swap obligation	20	15	20	15
	4,738	3,518	4,738	3,518

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

(i) Income derived from investment of general investment deposits

	1st Quarter ended 31 Mar		Three-months ended 31 Mar	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Bank				
Finance income and hibah				
Financing, advances and other receivables	3,959	2,975	3,959	2,975
Securities				
- Held-for-trading	(4)	1	(4)	1
- Available-for-sale	253	222	253	222
- Held-to-maturity	19	12	19	12
Money at call and deposits with financial institutions	516	246	516	246
	4,743	3,456	4,743	3,456
Amortisation of premium less accretion of discounts	(3)	(5)	(3)	(5)
Total financing income and hibah	4,740	3,451	4,740	3,451
Gain arising from sale of securities				
- Held-for-trading	18	-	18	-
- Available-for-sale	-	11	-	11
Profit from Murabahah trading on automobile	-	14	-	14
Foreign exchange (loss)/profit				
- Realised	(31)	17	(31)	17
Gain on Ijarah rental swap obligation	20	15	20	15
	4,747	3,508	4,747	3,508

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

(ii) Income derived from investment of other deposits

Group	1st Quarter ended 31 Mar		Three-months ended 31 Mar	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Finance income and hibah				
Financing, advances and other receivables	68,861	78,162	68,861	78,162
Securities				
- Held-for-trading	(64)	27	(64)	27
- Available-for-sale	4,404	6,561	4,404	6,561
- Held-to-maturity	326	321	326	321
Money at call and deposits with financial institutions	8,775	5,969	8,775	5,969
	82,302	91,040	82,302	91,040
Amortisation of premium less accretion of discounts	(47)	(122)	(47)	(122)
Total financing income and hibah	82,255	90,918	82,255	90,918
Gain arising from sale of securities				
- Held-for-trading	305	2	305	2
- Available-for-sale	-	273	-	273
Profit from Murabahah trading on automobile	-	377	-	377
Foreign exchange (loss)/profit				
- Realised	(510)	470	(510)	470
Gain on Ijarah rental swap obligation	339	398	339	398
	82,389	92,438	82,389	92,438

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

(ii) Income derived from investment of other deposits

	1st Quarter ended 31 Mar		Three-months ended 31 Mar	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Bank				
Finance income and hibah				
Financing, advances and other receivables	68,950	78,162	68,950	78,162
Securities				
- Held-for-trading	(64)	27	(64)	27
- Available-for-sale	4,410	5,852	4,410	5,852
- Held-to-maturity	326	321	326	321
Money at call and deposits with financial institutions	8,996	6,457	8,996	6,457
	82,618	90,819	82,618	90,819
Amortisation of premium less accretion of discounts	(47)	(122)	(47)	(122)
Total financing income and hibah	82,571	90,697	82,571	90,697
Gain arising from sale of securities				
- Held-for-trading	305	2	305	2
Unrealised gain on revaluation of securities held-for-trading and ijarah rental swap	-	273	-	273
Profit from Murabahah trading on automobile	-	377	-	377
Foreign exchange (loss)/profit				
- Realised	(510)	470	(510)	470
Gain on Ijarah rental swap obligation	339	398	339	398
	82,705	92,217	82,705	92,217

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A16. Income derived from Investment of Shareholder's Equity

<u>Group</u>	1st Quarter ended 31 Mar		Three-months ended 31 Mar	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Finance income and hibah				
Financing, advances and other receivables	18,869	20,884	18,869	20,884
Securities				
- Held-for-trading	(17)	7	(17)	7
- Available-for-sale	1,207	1,776	1,207	1,776
- Held-to-maturity	89	85	89	85
Money at call and deposits with financial institutions	2,405	1,621	2,405	1,621
	22,553	24,373	22,553	24,373
Amortisation of premium less accretion of discounts	(13)	(32)	(13)	(32)
Total financing income and hibah	22,540	24,341	22,540	24,341
Fee income				
- Commission	1,332	1,090	1,332	1,090
- Other fee income	770	10,641	770	10,641
- Fund management fee	1,145	2,786	1,145	2,786
Gain arising from sale of securities				
- Held-for-trading	83	1	83	1
- Available-for-sale	-	70	-	70
Unrealised (loss)/gain on revaluation of securities held-for-trading and Ijarah rental swap	(945)	65	(945)	65
Profit from Murabahah trading on automobile	-	102	-	102
Foreign exchange profit/(loss)				
- Realised	16,686	130	16,686	130
- Unrealised	(19,885)	5,222	(19,885)	5,222
Gain on disposal of property, plant and equipment	1	-	1	-
Gain on Ijarah rental swap obligation	93	106	93	106
	21,820	44,554	21,820	44,554

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

	1st Quarter ended 31 Mar		Three-months ended 31 Mar	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Bank				
Finance income and hibah				
Financing, advances and other receivables	18,782	20,884	18,782	20,884
Securities				
- Held-for-trading	(17)	7	(17)	7
- Available-for-sale	1,201	1,563	1,201	1,563
- Held-to-maturity	89	85	89	85
Money at call and deposits with financial institutions	2,451	1,728	2,451	1,728
	22,506	24,267	22,506	24,267
Amortisation of premium less accretion of discounts	(13)	(32)	(13)	(32)
Total financing income and hibah	22,493	24,235	22,493	24,235
Fee income				
- Commissions	1,332	1,090	1,332	1,090
- Other fee income	751	10,641	751	10,641
Gain arising from sale of securities				
- Held-for-trading	83	1	83	1
- Available-for-sale	-	70	-	70
Unrealised (loss)/gain on revaluation of securities held-for-trading and Ijarah rental swap	(945)	65	(945)	65
Profit from Murabahah trading on automobile	-	102	-	102
Foreign exchange profit/(loss)				
- Realised	16,686	130	16,686	130
- Unrealised	(19,178)	5,402	(19,178)	5,402
Management fee	195	30	195	30
Gain on Ijarah rental swap obligation	93	106	93	106
	21,510	41,872	21,510	41,872

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

	1st Quarter ended 31 Mar		Three-months ended 31 Mar	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Group				
Impairment and allowance on financing, advances and other receivables				
- Collective impairment (net)	10,057	-	10,057	-
- Individual impairment (net)	93,841	-	93,841	-
- General allowance (net)	-	17,347	-	17,347
- Specific allowance (net)	-	13,085	-	13,085
	103,898	30,432	103,898	30,432
Bank				
Impairment and allowance on financing, advances and other receivables				
- Collective impairment (net)	10,057	-	10,057	-
- Individual impairment (net)	93,841	-	93,841	-
- General allowance (net)	-	17,347	-	17,347
- Specific allowance (net)	-	13,085	-	13,085
	103,898	30,432	103,898	30,432

A18. Income Attributable to the Depositors

	1st Quarter ended 31 Mar		Three-months ended 31 Mar	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Group				
Deposits from customers				
- Mudharabah	2,510	1,861	2,510	1,861
- Murabahah	18,735	27,823	18,735	27,823
Deposits and placements of banks and other financial institutions				
- Murabahah	20,983	14,195	20,983	14,195
	42,228	43,879	42,228	43,879
Bank				
Deposits from customers				
- Mudharabah	2,565	1,861	2,565	1,861
- Murabahah	18,744	27,895	18,744	27,895
Deposits and placements of banks and other financial institutions				
- Murabahah	20,983	14,195	20,983	14,195
	42,292	43,951	42,292	43,951

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A19. Capital Adequacy

	Group		Bank	
	31 Mar 2010 RM'000	31 Dec 2009 RM'000	31 Mar 2010 RM'000	31 Dec 2009 RM'000
Tier I capital				
Paid-up share capital	2,266,125	2,266,125	2,266,125	2,266,125
Statutory reserves	34,952	34,952	34,952	34,952
Other reserves	(219,307)	25,775	(222,258)	8,971
	2,081,770	2,326,851	2,078,819	2,310,048
Less : Deferred tax assets (net)	(125,917)	(29,876)	(125,554)	(29,502)
Total Tier I capital	1,955,853	2,296,975	1,953,265	2,280,546
Tier II Capital				
Subordinated Murabahah Tawarruq	326,380	342,650	326,380	342,650
Collective impairment on financing	123,758	108,166	123,758	108,166
Total Tier II capital	450,138	450,816	450,138	450,816
Total Capital	2,405,991	2,747,791	2,403,403	2,731,362
Less : Investment in subsidiaries	-	-	(67,897)	(66,143)
Capital Base	2,405,991	2,747,791	2,335,506	2,665,219
Core capital ratio	18.02%	19.89%	18.21%	19.97%
Risk-weighted capital ratio	22.17%	23.79%	21.78%	23.34%

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A20. Commitments and Contingencies

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

	As at 31 March 2010			As at 31 December 2009		
	Principal amount RM'000	Credit equivalent amount** RM'000	Risk weighted amount** RM'000	Principal amount RM'000	Credit equivalent amount** RM'000	Risk weighted amount** RM'000
Group and Bank						
Direct credit substitutes	1,233,797	1,233,797	750,316	1,276,312	1,276,312	810,140
Transaction related contingencies	244,697	122,348	117,520	257,737	128,868	101,198
Trade related contingencies	39,719	7,944	3,670	34,982	6,996	6,329
Irrevocable commitments to extend credit						
Maturity not exceeding one year	100,481	20,096	20,096	202,093	40,419	40,419
Maturity exceeding one year	1,560,639	780,320	830,326	1,483,535	741,768	808,731
Foreign exchange related contracts *						
Less than one year	1,311,320	58,836	24,752	1,253,163	24,240	12,000
One year to five years	190,830	24,615	12,970	196,897	23,308	12,371
Five years and above	101,607	14,900	7,427	105,772	14,966	7,468
Profit rate related contracts (Ijarah rental swap obligation) *						
Five years and above	381,563	48,539	36,329	407,919	50,293	37,240
	5,164,653	2,311,395	1,803,406	5,218,410	2,307,170	1,835,896

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

** The credit equivalent and risk-weighted amounts are computed in accordance with Bank Negara Malaysia's Capital Adequacy Framework for Islamic Banks ("CAFIB") effective from 1 January 2008.

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

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

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**Part A - Explanatory Notes Pursuant to Guidelines on Financial Reporting for
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A21. RATE OF RETURN RISK

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

Group	Non-trading book						Trading book	Total	Effective profit rate
	Up to 1 month	>1 - 3 months	>3 - 12 months	>1 - 5 years	Over 5 years	Non-profit sensitive			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000			
As at 31 March 2010									
ASSETS									
Cash and short-term funds	1,815,576	-	-	-	-	181,232	-	1,996,808	2.26
Deposits and placements with banks and other financial institutions	-	2,634	18,418	6,698	-	-	-	27,750	1.26
Securities held-for-trading	-	-	-	-	-	-	-	-	-
Securities available-for-sale	221,362	170,757	152,437	305,003	85,861	19,000	-	954,420	2.37
Securities held-to-maturity	32,799	-	-	15,054	-	-	-	47,853	3.57
Financing, advances and receivables	3,028,808	2,439,721	401,146	763,853	98,926	-	-	6,732,454	5.71
Murabahah trading automobiles	-	-	-	-	-	-	31,236	31,236	-
Musarakah capital investment	-	-	-	-	-	5,916	-	5,916	-
Other assets	-	-	-	-	-	453,233	-	453,233	-
TOTAL ASSETS	5,098,545	2,613,112	572,001	1,090,608	184,787	659,381	31,236	10,249,670	
LIABILITIES AND SHAREHOLDER'S EQUITY									
Deposits from customers	2,171,823	928,627	800,990	-	-	301,384	-	4,202,824	2.28
Deposits and placements of banks and other financial institutions	2,288,836	807,587	267,945	41,511	-	-	-	3,405,879	2.47
Subordinated Murabahah Tawarruq	-	-	-	358,402	-	-	-	358,402	-
Murabahah bank financing	-	-	-	48,956	-	-	-	48,956	-
Other liabilities	-	-	-	-	-	177,214	-	177,214	-
Total Liabilities	4,460,659	1,736,214	1,068,935	448,869	-	478,598	-	8,193,275	
Shareholder's equity	-	-	-	-	-	2,056,395	-	2,056,395	
Total Liabilities and Shareholder's Equity	4,460,659	1,736,214	1,068,935	448,869	-	2,534,993	-	10,249,670	
On-balance sheet profit sensitivity gap	637,886	876,898	(496,934)	641,739	184,787	(1,875,612)	31,236	-	
Off-balance sheet profit sensitivity gap	-	-	-	-	-	-	-	-	
Total profit sensitivity gap	637,886	876,898	(496,934)	641,739	184,787	(1,875,612)	31,236	-	

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A21. RATE OF RETURN RISK (Cont'd.)

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

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A21. RATE OF RETURN RISK (Cont'd.)

Bank	Non-trading book						Trading book	Total	Effective profit rate
	Up to 1 month	>1 - 3 months	>3 - 12 months	>1 - 5 years	Over 5 years	Non-profit sensitive			
As at 31 March 2010	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	%
ASSETS									
Cash and short-term funds	1,874,307	-	-	-	-	174,792	-	2,049,099	2.25
Deposits and placements with banks and other financial institutions	-	2,634	18,418	6,698	-	-	-	27,750	1.26
Securities held-for-trading	-	-	-	-	-	-	-	-	-
Securities available-for-sale	221,362	170,757	152,437	213,604	85,861	19,000	-	863,021	2.38
Securities held-to-maturity	32,799	-	-	15,054	-	-	-	47,853	3.57
Financing, advances and receivables	3,028,808	2,439,721	401,146	763,853	98,926	-	-	6,732,454	5.71
Murabahah trading automobiles	-	-	-	-	-	-	31,236	31,236	-
Musyarakah capital investment	-	-	-	-	-	5,916	-	5,916	-
Other assets	-	-	-	-	-	500,288	-	500,288	-
TOTAL ASSETS	5,157,276	2,613,112	572,001	999,209	184,787	699,996	31,236	10,257,617	
LIABILITIES AND SHAREHOLDER'S EQUITY									
Deposits from customers	2,171,823	928,627	800,990	-	-	313,915	-	4,215,355	2.27
Deposits and placements of banks and other financial institutions	2,292,840	807,587	267,945	41,511	-	-	-	3,409,883	2.45
Subordinated Murabahah Tawarruq	-	-	-	358,402	-	-	-	358,402	-
Murabahah bank financing	-	-	-	48,956	-	-	-	48,956	-
Other liabilities	-	-	-	-	-	173,461	-	173,461	-
Total Liabilities	4,464,663	1,736,214	1,068,935	448,869	-	487,376	-	8,206,057	
Shareholder's equity	-	-	-	-	-	2,051,560	-	2,051,560	
Total Liabilities and Shareholder's Equity	4,464,663	1,736,214	1,068,935	448,869	-	2,538,936	-	10,257,617	
On-balance sheet profit sensitivity gap	692,613	876,898	(496,934)	550,340	184,787	(1,838,940)	31,236	-	
Off-balance sheet profit sensitivity gap	-	-	-	-	-	-	-	-	
Total profit sensitivity gap	692,613	876,898	(496,934)	550,340	184,787	(1,838,940)	31,236	-	

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A21. RATE OF RETURN RISK (Cont'd.)

	Non-trading book						Trading book	Total	Effective profit rate
	Up to 1 month	>1 - 3 months	>3 - 12 months	>1 - 5 years	Over 5 years	Non-profit sensitive			
Bank	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	%
As at 31 December 2009									
ASSETS									
Cash and short-term funds	2,850,204	-	-	-	-	83,068	-	2,933,272	1.94
Deposits and placements with banks and other financial institutions	-	132,354	-	6,698	-	-	-	139,052	1.45
Securities held-for-trading	-	-	-	-	-	-	16,938	16,938	3.88
Securities available-for-sale	142,815	196,670	222,300	238,922	84,942	19,001	-	904,650	2.52
Securities held-to-maturity	34,449	10,140	-	15,208	-	-	-	59,797	3.21
Financing, advances and receivables	2,792,929	2,381,560	924,868	626,419	122,903	229,984	-	7,078,663	5.57
Murabahah trading automobiles	-	-	-	-	-	-	37,429	37,429	-
Musyarakah capital investment	-	-	-	-	-	5,916	-	5,916	-
Other assets	-	-	-	-	-	400,607	-	400,607	-
TOTAL ASSETS	5,820,397	2,720,724	1,147,168	887,247	207,845	738,576	54,367	11,576,324	
LIABILITIES AND SHAREHOLDER'S EQUITY									
Deposits from customers	2,398,536	979,621	639,858	-	-	246,690	-	4,264,705	2.20
Deposits and placements of banks and other financial institutions	2,139,008	1,461,418	573,213	41,511	-	-	-	4,215,150	2.24
Subordinated Murabahah Tawarruq	-	-	-	374,700	-	-	-	374,700	-
Murabahah bank financing	-	-	-	51,397	-	-	-	51,397	-
Other liabilities	-	-	-	-	-	395,252	-	395,252	-
Total Liabilities	4,537,544	2,441,039	1,213,071	467,608	-	641,942	-	9,301,204	
Shareholder's equity	-	-	-	-	-	2,275,120	-	2,275,120	
Total Liabilities and Shareholder's Equity	4,537,544	2,441,039	1,213,071	467,608	-	2,917,062	-	11,576,324	
On-balance sheet profit sensitivity gap	1,282,853	279,685	(65,903)	419,639	207,845	(2,178,486)	54,367	-	
Off-balance sheet profit sensitivity gap	-	-	-	-	-	-	-	-	
Total profit sensitivity gap	1,282,853	279,685	(65,903)	419,639	207,845	(2,178,486)	54,367	-	

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**Part A - Explanatory Notes Pursuant to Financial Reporting Standard ("FRS 134")
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B1. Basis of Preparation

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

The interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2009. The explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group and the Bank since the year ended 31 December 2009.

B2. Accounting Policies

The significant accounting policies applied in the unaudited condensed interim financial statements are consistent with those adopted in the audited financial statements for the financial year ended 31 December 2009 except for the following Financial Reporting Standards ("FRSs"), amendments to FRSs, IC Interpretations and Technical Release that have been issued by the MASB which will be effective during the year:

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

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B2. Accounting Policies (cont'd.)

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

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

B3. Change in Accounting Policies

(a) Impairment of Financing, Advances and Other Receivables

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

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

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

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

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

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

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

(b) Profit Income Recognition

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

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

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

(c) Adjustments due to Change in Accounting Policies

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

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

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

(d) Comparative Figures

(i) FRS 101 Presentation of Financial Statements

As a result of the adoption of the revised FRS 101, income statements of the Group and the Bank for the comparative financial period ended 31 March 2009 have been re-presented as two separate statements, ie. an income statement displaying components of profit or loss and a statement of comprehensive income. All non-owner changes in equity which were previously presented in the statement of changes in equity are now included in the statement of comprehensive income as other comprehensive income. Consequently, components of comprehensive income are not presented in the statement of changes in equity. Since these changes only affect presentation aspects, there is no impact on earnings per ordinary share.

B4. Auditors' Report on Preceding Annual Financial Statements

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

B5. Seasonal or Cyclical Factors Affecting Operations

The operations of the Group and the Bank were not materially affected by any seasonal or cyclical factors in the first quarter ended 31 March 2010.

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

There were no items of unusual nature, size or incidence affecting the assets, liabilities, equity, net income or cash flows of the Group and the Bank during the first quarter ended 31 March 2010.

B7. Changes in Estimates

There were no changes in the estimates of amounts reported in prior financial years that have a material effect to the first quarter ended 31 March 2010.

B8. Debt and Equity Securities

There were no issuances, cancellation, repurchases, resales or repayments of debt and equity securities during the first quarter ended 31 March 2010.

B9. Dividends Paid

There were no dividends paid during the first quarter ended 31 March 2010.

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

(i) **By Business Segment**

	Three-months ended 31 March 2010		Total Assets RM'000
	Operating Revenue	Loss Before Zakat and Taxation	
	RM'000	RM'000	
Group			
Retail operations	8,028	(3,918)	323,382
Treasury and capital market operations	36,858	(1,484)	3,039,047
Corporate banking	41,606	(22,191)	3,209,696
Commercial banking	50,279	(28,882)	3,478,202
	136,771	(56,475)	10,050,327
Inter-segment elimination	(27,824)	-	-
	108,947	(56,475)	10,050,327
Unallocated expenses	-	(27,447)	-
Unallocated assets	-	-	199,343
	108,947	(83,922)	10,249,670

	Three-months ended 31 March 2009		Total Assets RM'000
	Operating Revenue	Profit/(Loss) Before Zakat and Taxation	
	RM'000	RM'000	
Group			
Retail operations	6,242	(4,527)	375,489
Treasury and capital market operations	73,144	29,641	3,367,224
Corporate banking	53,894	25,510	2,815,639
Commercial banking	57,731	27,891	3,312,931
	191,011	78,515	9,871,283
Inter-segment elimination	(50,501)	-	-
	140,510	78,515	9,871,283
Unallocated expenses	-	(58,968)	-
Unallocated assets	-	-	212,534
	140,510	19,547	10,083,817

Inter-segment pricing is based on negotiated basis.

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

(ii) By Geographical Locations

Group

31 March 2010

Malaysia
Outside Malaysia

31 March 2009

Malaysia
Outside Malaysia

	Three-months ended		Total Assets RM'000
	Operating Revenue/ (Loss) RM'000	Profit/(Loss) Before Zakat and Taxation RM'000	
	108,948	(79,556)	10,241,341
	(1)	(4,366)	8,329
	108,947	(83,922)	10,249,670
	140,533	22,896	10,074,698
	(23)	(3,349)	9,119
	140,510	19,547	10,083,817

The Group has funds management operations in Australia and Singapore.

B11. Valuation of Property and Equipment

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

B12. Subsequent Events

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

B13. Changes In Composition Of The Group

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

B14. Changes In Contingent Liabilities and Contingent Assets

There were no significant changes in the contingent liabilities and contingent assets since the last annual balance sheet as at 31 December 2009 other than those as disclosed in note A20.

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

**Part A - Explanatory Notes Pursuant to Financial Reporting Standard ("FRS 134")
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B15. Capital Commitments

The capital commitments not provided for in the interim financial statements as at 31 March 2010 are as follows:

Capital expenditure:

Authorised and contracted for

- renovation
- purchase of equipment

Authorised and not contracted for

- purchase of equipment

Group RM'000	Bank RM'000
974	958
5,737	5,634
6,711	6,592
<hr/>	
979	979