

# KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

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## Interim Report for the Third Quarter Ended 30 September 2010

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# KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

## INTERIM CONDENSED STATEMENTS OF FINANCIAL POSITION

	Note	Group		Bank	
		30 Sep 2010 RM'000	31 Dec 2009 RM'000	30 Sep 2010 RM'000	31 Dec 2009 RM'000
<b>ASSETS</b>					
Cash and short-term funds		2,004,356	2,877,926	2,071,569	2,933,272
Deposits and placements with banks and other financial institutions	A3	183,475	139,052	195,824	139,052
Securities held-for-trading	A4	106,078	16,938	106,078	16,938
Securities available-for-sale	A4	1,023,718	1,003,119	908,245	904,650
Securities held-to-maturity	A4	46,117	59,797	46,117	59,797
Financing, advances and other receivables	A5	6,028,378	7,072,175	6,028,378	7,078,663
Murabahah trading automobile	A6	32	37,429	32	37,429
Other assets	A7	147,049	170,057	127,833	148,127
Hedging financial instruments	A8	85,450	42,836	85,450	42,836
Statutory deposits with Bank Negara Malaysia		48,109	49,500	48,109	49,500
Musarakah capital investment	A9	5,916	5,916	5,916	5,916
Investment in subsidiaries		-	-	67,897	66,143
Investment in jointly controlled entities		84	-	-	-
Property and equipment		30,494	37,017	29,707	35,874
Intangible assets		27,906	28,668	27,879	28,625
Deferred tax assets (net)		112,478	29,876	112,115	29,502
		<b>9,849,640</b>	<b>11,570,306</b>	<b>9,861,149</b>	<b>11,576,324</b>
<b>LIABILITIES</b>					
Deposits from customers	A10	3,991,562	4,255,068	4,002,731	4,264,705
Deposits and placements of banks and other financial institutions	A11	3,208,090	4,202,350	3,208,090	4,215,150
Other liabilities	A12	169,445	368,826	167,393	367,116
Hedging financial instruments	A8	42,450	24,869	42,450	24,869
Provision for zakat and tax		3,350	3,267	3,349	3,267
Murabahah bank financing	A13	46,311	51,397	46,311	51,397
Subordinated Murabahah Tawarruq	A14	345,049	374,700	345,049	374,700
		<b>7,806,257</b>	<b>9,280,477</b>	<b>7,815,373</b>	<b>9,301,204</b>
<b>SHAREHOLDER'S EQUITY</b>					
Share capital		2,266,125	2,266,125	2,266,125	2,266,125
Reserves		(222,742)	23,704	(220,349)	8,995
		<b>2,043,383</b>	<b>2,289,829</b>	<b>2,045,776</b>	<b>2,275,120</b>
<b>TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY</b>					
		<b>9,849,640</b>	<b>11,570,306</b>	<b>9,861,149</b>	<b>11,576,324</b>
<b>COMMITMENTS AND CONTINGENCIES</b>					
	A20	4,666,721	5,218,410	4,666,721	5,218,410
<b>CAPITAL ADEQUACY</b>					
Core capital ratio	A19	18.34%	19.89%	18.48%	19.97%
Risk-weighted capital ratio	A19	22.26%	23.79%	21.79%	23.34%
<b>NET ASSETS PER SHARE (RM)</b>					
		<b>0.90</b>	<b>1.01</b>	<b>0.90</b>	<b>1.00</b>

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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(Incorporated in Malaysia)

## INTERIM CONDENSED CONSOLIDATED INCOME STATEMENTS

Group	Note	3rd Quarter ended 30 Sep		Nine-months ended 30 Sep	
		2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
<b>Continuing operations</b>					
Operating revenue		<b>94,114</b>	110,691	<b>316,896</b>	364,916
Income derived from investment of depositors' funds and others	A15	<b>80,204</b>	60,930	<b>249,771</b>	234,365
Income derived from investment of shareholder's equity	A16	<b>13,910</b>	49,761	<b>67,125</b>	130,551
Total gross income		<b>94,114</b>	110,691	<b>316,896</b>	364,916
Impairment write-back/(loss) on Murabahah trading automobile		<b>(95)</b>	(10)	<b>182</b>	(1,342)
Impairment write-back on securities		-	-	<b>772</b>	-
Impairment write-back/(loss) on financing	A17	<b>(6,300)</b>	(28,987)	<b>(166,106)</b>	(98,125)
Total distributable income		<b>87,719</b>	81,694	<b>151,744</b>	265,449
Income attributable to the depositors	A18	<b>(47,774)</b>	(37,465)	<b>(132,871)</b>	(118,555)
Total net income		<b>39,945</b>	44,229	<b>18,873</b>	146,894
Personnel expenses		<b>(23,621)</b>	(25,095)	<b>(78,233)</b>	(81,589)
Other overheads and expenditures		<b>(17,389)</b>	(13,177)	<b>(49,023)</b>	(41,518)
Finance cost		<b>(3,514)</b>	(3,549)	<b>(10,504)</b>	(11,128)
Profit/(Loss) before zakat and taxation		<b>(4,579)</b>	2,408	<b>(118,887)</b>	12,659
Zakat		<b>(391)</b>	(591)	<b>(1,174)</b>	(1,771)
Taxation		<b>(2,233)</b>	(5,711)	<b>31,669</b>	(6,269)
Net profit/(loss) for the period		<b>(7,203)</b>	(3,894)	<b>(88,392)</b>	4,619
Attributable to:					
Equity holders of the parent		<b>(7,203)</b>	(3,894)	<b>(88,392)</b>	4,619
Earnings/(Loss) per share attributable to equity holders of the parent					
- Basic/Diluted (sen)		<b>(0.3)</b>	<b>(0.2)</b>	<b>(3.9)</b>	0.3

*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.*

# KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

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## INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	3rd Quarter ended 30 Sep		Nine-months ended 30 Sep	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
<b>Group</b>				
Net profit/(loss) for the period	(7,203)	(3,894)	(88,392)	4,619
Other comprehensive income/(loss):				
Securities available-for-sale:				
Net gain taken to equity	11,307	5,558	29,944	27,349
Exchange differences on translation of foreign operations:				
Net loss taken to equity	(1,869)	(939)	(5,415)	(971)
Income tax relating to components of other comprehensive income	(2,827)	(1,390)	(7,486)	(6,837)
Other comprehensive income for the period, net of tax	6,611	3,229	17,043	19,541
Total comprehensive income/(loss) for the period	(592)	(665)	(71,349)	24,160
Total comprehensive income/(loss) for the period attributable to equity holders of the parent	(592)	(665)	(71,349)	24,160

*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

<b>Bank</b>	<b>Note</b>	<b>3rd Quarter ended</b>		<b>Nine-months ended</b>	
		<b>30 Sep</b>		<b>30 Sep</b>	
		<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
		<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Continuing operations</b>					
Operating revenue		<b>92,754</b>	106,409	<b>314,849</b>	354,309
Income derived from investment of depositors' funds and others	A15	<b>79,547</b>	62,110	<b>249,667</b>	234,823
Income derived from investment of shareholder's equity	A16	<b>13,207</b>	44,299	<b>65,182</b>	119,486
Total gross income		<b>92,754</b>	106,409	<b>314,849</b>	354,309
Impairment write-back/(loss) on Murabahah trading automobile		<b>(95)</b>	(10)	<b>182</b>	(1,342)
Impairment write-back on securities		-	-	<b>772</b>	-
Impairment write-back/(loss) on financing	A17	<b>(6,300)</b>	(28,987)	<b>(166,106)</b>	(98,125)
Total distributable income		<b>86,359</b>	77,412	<b>149,697</b>	254,842
Income attributable to the depositors	A18	<b>(47,832)</b>	(37,503)	<b>(133,066)</b>	(118,719)
Total net income		<b>38,527</b>	39,909	<b>16,631</b>	136,123
Personnel expenses		<b>(21,051)</b>	(21,650)	<b>(68,064)</b>	(71,752)
Other overheads and expenditures		<b>(16,032)</b>	(11,460)	<b>(44,428)</b>	(36,625)
Finance cost		<b>(3,514)</b>	(3,549)	<b>(10,504)</b>	(11,128)
Profit/(Loss) before zakat and taxation		<b>(2,070)</b>	3,250	<b>(106,365)</b>	16,618
Zakat		<b>(391)</b>	(591)	<b>(1,174)</b>	(1,771)
Taxation		<b>(2,180)</b>	(5,706)	<b>31,508</b>	(6,231)
Net profit/(loss) for the period		<b>(4,641)</b>	(3,047)	<b>(76,031)</b>	8,616

*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

	3rd Quarter ended 30 Sep		Nine-months ended 30 Sep	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
<b>Bank</b>				
Net profit/(loss) for the period	(4,641)	(3,047)	(76,031)	8,616
Other comprehensive income:				
Securities available-for-sale:				
Net gain taken to equity	10,684	5,558	29,047	27,349
Income tax relating to components of other comprehensive income	(2,671)	(1,390)	(7,262)	(6,837)
Other comprehensive income for the period, net of tax	8,013	4,168	21,785	20,512
Total comprehensive income/(loss) for the period	3,372	1,121	(54,246)	29,128

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

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## INTERIM CONDENSED STATEMENTS OF CHANGES IN EQUITY

Group	Non-distributable			Distributable	Total Equity RM'000	
	Share Capital RM'000	Statutory Reserve RM'000	Translation Reserve RM'000	Securities Available-for-sale RM'000		Retained (Loss)/Profit RM'000
<b>At 1 Jan 2010</b>						
- 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)
<b>At 1 Jan 2010, as restated</b>	2,266,125	34,952	(2,094)	(34,928)	(149,323)	2,114,732
Total comprehensive (loss)/income	-	-	(5,415)	22,458	(88,392)	(71,349)
<b>At 30 Sep 2010</b>	<b>2,266,125</b>	<b>34,952</b>	<b>(7,509)</b>	<b>(12,470)</b>	<b>(237,715)</b>	<b>2,043,383</b>
<b>At 1 Jan 2009</b>	1,751,400	34,952	(584)	(63,370)	56,658	1,779,056
Total comprehensive (loss)/income	-	-	(971)	20,512	4,619	24,160
<b>At 30 Sep 2009</b>	<b>1,751,400</b>	<b>34,952</b>	<b>(1,555)</b>	<b>(42,858)</b>	<b>61,277</b>	<b>1,803,216</b>
<b>Bank</b>						
<b>At 1 Jan 2010</b>						
- As previously stated	2,266,125	34,952	-	(34,928)	8,971	2,275,120
- Effect of adopting FRS 139	-	-	-	-	(175,098)	(175,098)
<b>At 1 Jan 2010, as restated</b>	2,266,125	34,952	-	(34,928)	(166,127)	2,100,022
Total comprehensive income/(loss)	-	-	-	21,785	(76,031)	(54,246)
<b>At 30 Sep 2010</b>	<b>2,266,125</b>	<b>34,952</b>	<b>-</b>	<b>(13,143)</b>	<b>(242,158)</b>	<b>2,045,776</b>
<b>At 1 Jan 2009</b>	1,751,400	34,952	-	(63,370)	34,948	1,757,930
Total comprehensive income	-	-	-	20,512	8,616	29,128
<b>At 30 Sep 2009</b>	<b>1,751,400</b>	<b>34,952</b>	<b>-</b>	<b>(42,858)</b>	<b>43,564</b>	<b>1,787,058</b>

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 STATEMENTS OF CASH FLOWS

	Group		Bank	
	30 Sep 2010 RM'000	30 Sep 2009 RM'000	30 Sep 2010 RM'000	30 Sep 2009 RM'000
Profit/(Loss) before zakat and taxation	(118,887)	12,659	(106,365)	16,618
Adjustments for non-cash items	149,387	102,530	148,863	110,169
Operating profit before changes in working capital	30,500	115,189	42,498	126,787
<u>Changes in the working capital</u>				
Net changes in operating assets	919,505	(940,385)	910,635	(946,536)
Net changes in operating liabilities	(1,742,218)	416,713	(1,754,502)	421,240
Zakat and taxation paid	(10,214)	(17,009)	(10,092)	(16,989)
Net cash (used in)/generated from operating activities	(832,927)	(540,681)	(853,959)	(542,285)
Net cash generated from/(used in) investing activities	(73,159)	(210,626)	(57,673)	(225,695)
Net cash generated from financing activities	7,431	26,044	7,431	26,044
	(65,728)	(184,582)	(50,242)	(199,651)
Net change in cash and cash equivalents	(868,155)	(610,074)	(861,703)	(615,149)
Cash and cash equivalents at beginning of the period	2,877,926	2,077,377	2,933,272	2,140,626
Exchange differences on translation of opening balances	(5,415)	(971)	-	-
Cash and cash equivalents at end of the period	2,004,356	1,466,332	2,071,569	1,525,477

*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.*



# KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

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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 RM118.9 million and RM106.4 million respectively for the nine-months ended 30 September 2010. The Group recorded a decrease in gross financing, advances and other receivables of RM908.9 million or 12.2% to RM6,540.5 million as at 30 September 2010 when compared to RM7,449.4 million as at 31 December 2009.

### A2. Prospects for 2010

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

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

### A3. Deposits and Placements with Banks and Other Financial Institutions

	Group		Bank	
	30 Sep 2010 RM'000	31 Dec 2009 RM'000	30 Sep 2010 RM'000	31 Dec 2009 RM'000
Licensed Islamic banks	56,698	21,698	56,698	21,698
Other financial institutions	126,777	117,354	139,126	117,354
	<b>183,475</b>	<b>139,052</b>	<b>195,824</b>	<b>139,052</b>

### A4. Securities

#### (i) Securities Held-For-Trading

	Group		Bank	
	30 Sep 2010 RM'000	31 Dec 2009 RM'000	30 Sep 2010 RM'000	31 Dec 2009 RM'000
<u>At fair value</u>				
Unquoted Islamic private debt securities/sukuk	106,078	16,938	106,078	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

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

#### (ii) By contract

	Group		Bank	
	30 Sep 2010 RM'000	31 Dec 2009 RM'000	30 Sep 2010 RM'000	31 Dec 2009 RM'000
Ijarah Muntahia Bittamlik (lease ended with ownership)	2,018,466	2,214,293	2,018,466	2,214,293
Murabahah (cost-plus)	3,879,159	4,536,153	3,879,159	4,536,153
Mudharabah (profit sharing)	133,296	125,767	133,296	125,767
Musyarakah (profit and loss sharing)	457,744	540,168	457,744	540,168
Qard (benevolent loan)	32,582	2,450	32,582	8,938
Istisna'	19,257	30,563	19,257	30,563
	<b>6,540,504</b>	<b>7,449,394</b>	<b>6,540,504</b>	<b>7,455,882</b>

#### (iii) By type of customer

	Group		Bank	
	30 Sep 2010 RM'000	31 Dec 2009 RM'000	30 Sep 2010 RM'000	31 Dec 2009 RM'000
Domestic business enterprises				
- Small medium enterprises	1,074,162	1,287,786	1,074,162	1,287,786
- Others	3,752,102	4,316,212	3,752,102	4,316,212
Individuals	176,067	136,236	176,067	136,236
Other domestic entities	87,732	72,928	87,732	72,928
Foreign entities	1,357,229	1,519,655	1,357,229	1,526,143
Domestic non-bank financial institutions	93,212	116,577	93,212	116,577
	<b>6,540,504</b>	<b>7,449,394</b>	<b>6,540,504</b>	<b>7,455,882</b>

#### (iv) By profit rate sensitivity

	Group		Bank	
	30 Sep 2010 RM'000	31 Dec 2009 RM'000	30 Sep 2010 RM'000	31 Dec 2009 RM'000
Fixed rate				
- House financing	159,408	52,140	159,408	52,140
- Hire purchase receivables	5,218	5,439	5,218	5,439
- Syndicated financing	465,248	69,058	465,248	69,058
- Term financing	3,765,265	4,839,744	3,765,265	4,846,232
Variable rate				
- House financing	108,607	57,312	108,607	57,312
- Term financing	2,036,758	2,425,701	2,036,758	2,425,701
	<b>6,540,504</b>	<b>7,449,394</b>	<b>6,540,504</b>	<b>7,455,882</b>

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

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

#### (v) By sector

	Group		Bank	
	30 Sep 2010 RM'000	31 Dec 2009 RM'000	30 Sep 2010 RM'000	31 Dec 2009 RM'000
Agriculture, hunting, forestry & fishing	192,073	277,503	192,073	277,503
Mining and quarrying	452,041	346,990	452,041	346,990
Manufacturing	1,097,057	1,364,037	1,097,057	1,364,037
Electricity, gas and water	266,587	156,310	266,587	156,310
Construction	445,152	809,371	445,152	809,371
Real estate	1,549,107	1,307,118	1,549,107	1,307,118
Purchase of landed property:				
- Residential	150,607	159,059	150,607	159,059
Wholesale & retail trade and restaurant & hotels	621,630	735,557	621,630	735,557
Transport, storage and communication	752,492	816,093	752,492	816,093
Finance, insurance and business services	667,016	1,227,637	667,016	1,227,637
Purchase of securities	45,531	43,862	45,531	43,862
Purchase of transport vehicles	5,371	5,593	5,371	5,593
Consumption credit	3,946	22,159	3,946	22,159
Others	291,894	178,105	291,894	184,592
	<b>6,540,504</b>	<b>7,449,394</b>	<b>6,540,504</b>	<b>7,455,882</b>

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

	Group		Bank	
	30 Sep 2010 RM'000	31 Dec 2009 RM'000	30 Sep 2010 RM'000	31 Dec 2009 RM'000
At 1 Jan				
- As previously stated	883,793	58,597	883,793	58,597
- Effect of adopting FRS 139	69,013	-	69,013	-
At 1 Jan, as restated	952,806	58,597	952,806	58,597
Impaired during the period/year	544,679	840,840	544,679	840,840
Amount recovered during the period/year	(686,570)	(15,644)	(686,570)	(15,644)
Closing balance	810,915	883,793	810,915	883,793
Gross impaired financing as a percentage of gross financing, advances and other receivables	12.40%	11.86%	12.40%	11.85%

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

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

#### (vii) Movements in impairment and allowance on financing

	Group		Bank	
	30 Sep 2010 RM'000	31 Dec 2009 RM'000	30 Sep 2010 RM'000	31 Dec 2009 RM'000
<b>Collective impairment</b>				
At 1 Jan				
- As previously stated	-	-	-	-
- Effect of adopting FRS 139	113,701	-	113,701	-
At 1 Jan, as restated	113,701	-	113,701	-
Impairment write-back during the period	(5,559)	-	(5,559)	-
Closing balance	108,142	-	108,142	-
As % of total gross financing, advances and other receivables less individual impairment	1.76%	-	1.76%	-
<b>Individual impairment</b>				
At 1 Jan				
- As previously stated	-	-	-	-
- Effect of adopting FRS 139	504,647	-	504,647	-
At 1 Jan, as restated	504,647	-	504,647	-
Impairment made during the period	171,665	-	171,665	-
Amount written-off	(272,328)	-	(272,328)	-
Closing balance	403,984	-	403,984	-
<b>General allowance</b>				
At 1 Jan				
- As previously stated	108,166	102,962	108,166	102,962
- Effect of adopting FRS 139	(108,166)	-	(108,166)	-
At 1 Jan, as restated	-	102,962	-	102,962
Allowance made during the year	-	5,204	-	5,204
Closing balance	-	108,166	-	108,166
As % of total gross financing, advances and other receivables less specific allowances	-	1.51%	-	1.51%
<b>Specific allowance</b>				
At 1 Jan				
- As previously stated	269,053	89,582	269,053	89,582
- Effect of adopting FRS 139	(269,053)	-	(269,053)	-
At 1 Jan, as restated	-	89,582	-	89,582
Allowance made during the year	-	179,471	-	179,471
Closing balance	-	269,053	-	269,053

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

#### (viii) Impaired financing by sector

	Group		Bank	
	30 Sep 2010 RM'000	31 Dec 2009 RM'000	30 Sep 2010 RM'000	31 Dec 2009 RM'000
Agriculture, hunting, forestry & fishing	42,852	56,999	42,852	56,999
Mining and quarrying	140,612	141,799	140,612	141,799
Construction	98,724	74,493	98,724	74,493
Manufacturing	48,872	206,040	48,872	206,040
Real estate	121,008	64,870	121,008	64,870
Wholesale & retail trade and restaurant & hotels	3,168	616	3,168	616
Transport, storage and communication	174,367	167,862	174,367	167,862
Finance, insurance and business services	147,728	111,300	147,728	111,300
Others	33,584	59,814	33,584	59,814
	<b>810,915</b>	<b>883,793</b>	<b>810,915</b>	<b>883,793</b>

### A6. Murabahah Trading Automobile

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

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

### A7. Other Assets

	Group		Bank	
	30 Sep 2010 RM'000	31 Dec 2009 RM'000	30 Sep 2010 RM'000	31 Dec 2009 RM'000
Deposits and prepayments	12,873	6,807	12,109	5,688
Amount due from holding company	674	189	674	189
Amount due from subsidiaries	-	-	9,501	11,642
Amount due from other related parties	2,120	8,528	2,120	8,528
Income receivable	5,197	5,244	5,308	5,258
Fee receivable	2,334	1,389	2,334	1,389
Sundry debtors	34,676	40,976	6,571	8,410
Commodity assets	29,609	49,916	29,609	49,916
Tax recoverable	52,555	43,497	52,596	43,596
Underwriting releases	7,011	13,511	7,011	13,511
	<b>147,049</b>	<b>170,057</b>	<b>127,833</b>	<b>148,127</b>

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

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

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### A8. Hedging Financial Instruments

#### Group and Bank

##### At 30 Sep 2010

Forward foreign exchange related contracts

Ijarah rental swap related contracts

Total

##### At 31 Dec 2009

Forward foreign exchange related contracts

Ijarah rental swap related contracts

Total

Notional Amount RM'000	Fair Value	
	Assets RM'000	Liabilities RM'000
969,901	38,043	2,599
695,865	47,407	39,851
<b>1,665,766</b>	<b>85,450</b>	<b>42,450</b>
1,252,455	14,144	5,513
777,680	28,692	19,356
<b>2,030,135</b>	<b>42,836</b>	<b>24,869</b>

### A9. Musyarakah Capital Investment

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

### A10. Deposits from Customers

#### (i) By type of deposit

##### Qard

Demand deposits

Gold deposits

##### Mudharabah

Savings deposits

General investment deposits

Murabahah

Group		Bank	
30 Sep 2010 RM'000	31 Dec 2009 RM'000	30 Sep 2010 RM'000	31 Dec 2009 RM'000
221,907	237,053	233,076	246,689
7,659	-	7,659	-
35,024	15,713	35,024	15,713
405,067	468,637	405,067	468,637
3,321,905	3,533,666	3,321,905	3,533,666
<b>3,991,562</b>	<b>4,255,068</b>	<b>4,002,731</b>	<b>4,264,705</b>

#### (ii) By type of customer

Business enterprises

Individuals

Subsidiaries

Government and statutory bodies

Other enterprises

Group		Bank	
30 Sep 2010 RM'000	31 Dec 2009 RM'000	30 Sep 2010 RM'000	31 Dec 2009 RM'000
2,529,664	2,691,845	2,529,360	2,691,507
182,101	193,582	182,101	193,582
-	-	11,473	10,072
691,688	873,921	691,688	873,921
588,109	495,720	588,109	495,623
<b>3,991,562</b>	<b>4,255,068</b>	<b>4,002,731</b>	<b>4,264,705</b>

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### A11. Deposits and Placements of Banks and Other Financial Institutions

	Group		Bank	
	30 Sep 2010 RM'000	31 Dec 2009 RM'000	30 Sep 2010 RM'000	31 Dec 2009 RM'000
<u>Murabahah</u>				
Licensed Islamic banks	358,905	296,759	358,905	296,759
Bank Negara Malaysia	61,748	-	61,748	-
Licensed investment banks	26,433	16,511	26,433	16,511
Other financial institutions	2,761,004	3,889,080	2,761,004	3,901,880
	<b>3,208,090</b>	<b>4,202,350</b>	<b>3,208,090</b>	<b>4,215,150</b>

### A12. Other Liabilities

	Group		Bank	
	30 Sep 2010 RM'000	31 Dec 2009 RM'000	30 Sep 2010 RM'000	31 Dec 2009 RM'000
Income payables	31,850	30,941	31,981	31,011
Sundry creditors	69,332	84,264	69,327	84,255
Project clearing account	16,282	179,949	16,282	179,949
Amount due to agent from the purchase of commodity assets	29,627	50,003	29,627	50,003
Accrued restoration cost	3,078	3,021	2,900	2,900
Other provisions and accruals	19,276	20,648	17,276	18,998
	<b>169,445</b>	<b>368,826</b>	<b>167,393</b>	<b>367,116</b>

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 RM46,311,000 (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 RM308,740,000 (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

	3rd Quarter ended 30 Sep		Nine-months ended 30 Sep	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
<b>Group</b>				
Income derived from investment of:				
- General investment deposits	4,208	3,599	13,275	11,079
- Other deposits	75,996	57,331	236,496	223,286
	<b>80,204</b>	<b>60,930</b>	<b>249,771</b>	<b>234,365</b>
<b>Bank</b>				
Income derived from investment of:				
- General investment deposits	4,215	3,654	13,298	11,101
- Other deposits	75,332	58,456	236,369	223,722
	<b>79,547</b>	<b>62,110</b>	<b>249,667</b>	<b>234,823</b>

#### (i) Income derived from investment of general investment deposits

	3rd Quarter ended 30 Sep		Nine-months ended 30 Sep	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
<b>Group</b>				
<b>Finance income and hibah</b>				
Financing, advances and other receivables	3,218	3,149	10,820	9,960
Securities				
- Held-for-trading	51	2	47	8
- Available-for-sale	242	192	739	758
- Held-to-maturity	16	18	51	54
Money at call and deposits with financial institutions	420	175	1,340	666
	<b>3,947</b>	<b>3,536</b>	<b>12,997</b>	<b>11,446</b>
Amortisation of premium less accretion of discounts	(3)	(3)	(8)	(10)
Total financing income and hibah	<b>3,944</b>	<b>3,533</b>	<b>12,989</b>	<b>11,436</b>
Gain arising from sale of securities				
- Held-for-trading	5	23	23	39
- Available-for-sale	-	1	-	1
Profit from Murabahah trading on automobile	8	5	17	26
Foreign exchange gain/(loss)	233	20	191	(477)
Gain on Ijarah rental swap obligation	18	17	55	54
	<b>4,208</b>	<b>3,599</b>	<b>13,275</b>	<b>11,079</b>

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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

	3rd Quarter ended 30 Sep		Nine-months ended 30 Sep	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
<b>Bank</b>				
<b>Finance income and hibah</b>				
Financing, advances and other receivables	3,233	3,149	10,827	9,960
Securities				
- Held-for-trading	26	2	23	8
- Available-for-sale	243	235	740	735
- Held-to-maturity	17	18	51	54
Money at call and deposits with financial institutions	435	187	1,377	711
	<b>3,954</b>	<b>3,591</b>	<b>13,018</b>	<b>11,468</b>
Amortisation of premium less accretion of discounts	(3)	(3)	(8)	(10)
Total financing income and hibah	<b>3,951</b>	<b>3,588</b>	<b>13,010</b>	<b>11,458</b>
Gain arising from sale of securities				
- Held-for-trading	5	23	23	39
- Available-for-sale	-	1	-	1
Profit from Murabahah trading on automobile	8	5	17	26
Foreign exchange gain/(loss)	233	20	193	(477)
Gain on Ijarah rental swap obligation	18	17	55	54
	<b>4,215</b>	<b>3,654</b>	<b>13,298</b>	<b>11,101</b>

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

#### (ii) Income derived from investment of other deposits

<b>Group</b>	<b>3rd Quarter ended 30 Sep</b>		<b>Nine-months ended 30 Sep</b>	
	<b>2010 RM'000</b>	<b>2009 RM'000</b>	<b>2010 RM'000</b>	<b>2009 RM'000</b>
<b>Finance income and hibah</b>				
Financing, advances and other receivables	58,140	50,352	192,674	198,059
Securities				
- Held-for-trading	903	27	838	150
- Available-for-sale	4,377	2,829	13,180	15,180
- Held-to-maturity	297	295	898	1,040
Money at call and deposits with financial institutions	7,599	2,825	23,874	13,644
	<b>71,316</b>	56,328	<b>231,464</b>	228,073
Amortisation of premium less accretion of discounts	(46)	(54)	(145)	(210)
Total financing income and hibah	<b>71,270</b>	56,274	<b>231,319</b>	227,863
Gain arising from sale of securities				
- Held-for-trading	89	356	400	715
- Available-for-sale	-	11	-	11
Profit from Murabahah trading on automobile	149	80	312	579
Foreign exchange gain/(loss)	4,170	326	3,483	(6,949)
Gain on Ijarah rental swap obligation	318	284	982	1,067
	<b>75,996</b>	57,331	<b>236,496</b>	223,286

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

#### (ii) Income derived from investment of other deposits

	3rd Quarter ended 30 Sep		Nine-months ended 30 Sep	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
<b>Bank</b>				
<b>Finance income and hibah</b>				
Financing, advances and other receivables	57,783	50,352	192,424	198,059
Securities				
- Held-for-trading	473	27	408	150
- Available-for-sale	4,353	3,767	13,163	14,663
- Held-to-maturity	296	295	897	1,040
Money at call and deposits with financial institutions	7,785	3,012	24,482	14,597
	<b>70,690</b>	57,453	<b>231,374</b>	228,509
Amortisation of premium less accretion of discounts	(45)	(54)	(145)	(210)
Total financing income and hibah	<b>70,645</b>	57,399	<b>231,229</b>	228,299
Gain arising from sale of securities				
- Held-for-trading	88	356	399	715
- Available-for-sale	-	11	-	11
Profit from Murabahah trading on automobile	148	80	311	579
Foreign exchange gain/(loss)	4,135	326	3,449	(6,949)
Gain on Ijarah rental swap obligation	316	284	981	1,067
	<b>75,332</b>	58,456	<b>236,369</b>	223,722

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### A16. Income derived from Investment of Shareholder's Equity

<u>Group</u>	3rd Quarter ended 30 Sep		Nine-months ended 30 Sep	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
<b>Finance income and hibah</b>				
Financing, advances and other receivables	14,987	34,570	52,510	73,684
Securities				
- Held-for-trading	237	17	220	49
- Available-for-sale	1,129	1,635	3,583	4,945
- Held-to-maturity	77	203	244	399
Money at call and deposits with financial institutions	1,957	1,972	6,487	4,878
	<b>18,387</b>	<b>38,397</b>	<b>63,044</b>	<b>83,955</b>
Amortisation of premium less accretion of discounts	(12)	(34)	(40)	(75)
Total financing income and hibah	<b>18,375</b>	<b>38,363</b>	<b>63,004</b>	<b>83,880</b>
Fee income				
- Commission	857	1,322	2,923	3,323
- Other fee income	2,984	2,851	5,433	19,926
- Fund management fee	1,069	2,674	3,314	8,148
Gain/(loss) arising from sale of securities				
- Held-for-trading	22	210	107	303
- Available-for-sale	-	6	-	6
Unrealised loss on revaluation of securities held-for-trading and Ijarah rental swap	(906)	(318)	(1,781)	(1,373)
Profit from Murabahah trading on automobile	38	59	83	193
Foreign exchange gain/(loss)	(9,009)	526	(7,137)	11,870
Loss on disposal of property, plant and equipment	(11)	-	(10)	-
Management fee	(234)	-	(234)	-
Gain on Ijarah rental swap obligation	82	196	267	403
Gross dividend from property funds	640	3,872	1,156	3,872
	<b>13,910</b>	<b>49,761</b>	<b>67,125</b>	<b>130,551</b>

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

	3rd Quarter ended 30 Sep		Nine-months ended 30 Sep	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
<b>Bank</b>				
<b>Finance income and hibah</b>				
Financing, advances and other receivables	15,330	34,570	52,752	73,684
Securities				
- Held-for-trading	125	17	107	49
- Available-for-sale	1,152	2,600	3,600	5,485
- Held-to-maturity	78	203	245	399
Money at call and deposits with financial institutions	2,060	2,092	6,693	5,164
	<b>18,745</b>	<b>39,482</b>	<b>63,397</b>	<b>84,781</b>
Amortisation of premium less accretion of discounts	(12)	(34)	(40)	(75)
Total financing income and hibah	<b>18,733</b>	<b>39,448</b>	<b>63,357</b>	<b>84,706</b>
Fee income				
- Commission	857	1,322	2,924	3,323
- Other fee income	2,975	2,827	5,401	19,940
Gain arising from sale of securities				
- Held-for-trading	23	210	107	303
- Available-for-sale	-	6	-	6
Unrealised loss on revaluation of securities held-for-trading and Ijarah rental swap	(339)	(318)	(1,214)	(1,373)
Profit from Murabahah trading on automobile	39	59	85	193
Foreign exchange gain/(loss)	(9,115)	354	(6,086)	11,675
Loss on disposal of property, plant and equipment	(11)	-	(11)	-
Management fee	(39)	195	350	310
Gain on Ijarah rental swap obligation	84	196	269	403
	<b>13,207</b>	<b>44,299</b>	<b>65,182</b>	<b>119,486</b>

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### A17. Impairment and Allowance on Financing

#### Group

Impairment and allowance on financing

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

#### Bank

Impairment and allowance on financing

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

3rd Quarter ended 30 Sep		Nine-months ended 30 Sep	
2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
(11,251)	-	(5,558)	-
17,551	-	171,664	-
-	38,808	-	18,117
-	7,237	-	80,008
<b>6,300</b>	<b>46,045</b>	<b>166,106</b>	<b>98,125</b>
(11,251)	-	(5,558)	-
17,551	-	171,664	-
-	38,808	-	18,117
-	7,237	-	80,008
<b>6,300</b>	<b>46,045</b>	<b>166,106</b>	<b>98,125</b>

### A18. Income Attributable to the Depositors

#### Group

Deposits from customers

- Mudharabah
- Murabahah

Deposits and placements of banks and  
other financial institutions

- Murabahah

#### Bank

Deposits from customers

- Mudharabah
- Murabahah

Deposits and placements of banks and  
other financial institutions

- Murabahah

3rd Quarter ended 30 Sep		Nine-months ended 30 Sep	
2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
2,853	2,204	7,970	6,268
25,030	14,303	64,604	59,478
19,891	20,958	60,297	52,809
<b>47,774</b>	<b>37,465</b>	<b>132,871</b>	<b>118,555</b>
2,906	2,204	8,142	6,268
25,035	14,341	64,627	59,642
19,891	20,958	60,297	52,809
<b>47,832</b>	<b>37,503</b>	<b>133,066</b>	<b>118,719</b>

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### A19. Capital Adequacy

	Group		Bank	
	30 Sep 2010 RM'000	31 Dec 2009 RM'000	30 Sep 2010 RM'000	31 Dec 2009 RM'000
<b>Tier I capital</b>				
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	(237,715)	25,775	(242,158)	8,971
	<b>2,063,362</b>	2,326,851	<b>2,058,919</b>	2,310,048
Less : Deferred tax assets (net)	(112,478)	(29,876)	(112,115)	(29,502)
Total Tier I capital	<b>1,950,884</b>	2,296,975	<b>1,946,804</b>	2,280,546
<b>Tier II Capital</b>				
Subordinated Murabahah Tawarruq	308,740	342,650	308,740	342,650
Collective impairment on financing	108,142	108,166	108,142	108,166
Total Tier II capital	<b>416,882</b>	450,816	<b>416,882</b>	450,816
<b>Total Capital</b>	<b>2,367,766</b>	2,747,791	<b>2,363,686</b>	2,731,362
Less : Investment in subsidiaries	-	-	(67,897)	(66,143)
<b>Capital Base</b>	<b>2,367,766</b>	2,747,791	<b>2,295,789</b>	2,665,219
Core capital ratio	18.34%	19.89%	18.48%	19.97%
Risk-weighted capital ratio	22.26%	23.79%	21.79%	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 30 Sep 2010			As at 31 Dec 2009		
	Principal amount RM'000	Credit equivalent amount** RM'000	Risk weighted amount** RM'000	Principal amount RM'000	Credit equivalent amount** RM'000	Risk weighted amount** RM'000
<b>Group and Bank</b>						
Direct credit substitutes	1,254,771	1,254,771	764,100	1,276,312	1,276,312	810,140
Transaction related contingencies	294,759	147,380	129,607	257,737	128,868	101,198
Trade related contingencies	52,632	10,526	9,485	34,982	6,996	6,329
Irrevocable commitments to extend credit						
Maturity not exceeding one year	-	-	-	202,093	40,419	40,419
Maturity exceeding one year	1,398,793	699,396	739,452	1,483,535	741,768	808,731
Foreign exchange related contracts *						
Less than one year	969,901	51,801	22,184	1,253,163	24,240	12,000
One year to five years	249,264	26,547	15,710	196,897	23,308	12,371
Five years and above	99,179	14,786	6,200	105,772	14,966	7,468
Profit rate related contracts (Ijarah rental swap obligation) *						
Five years and above	347,422	51,300	45,220	407,919	50,293	37,240
	<b>4,666,721</b>	<b>2,256,507</b>	<b>1,731,958</b>	<b>5,218,410</b>	<b>2,307,170</b>	<b>1,835,896</b>

\* 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 Licensed Islamic Bank (BNM/GP8-i) Issued by Bank Negara Malaysia

### 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 As at 30 Sep 2010	Non-trading book						Trading book	Total	Effective profit rate		
	Up to 1 month	>1 - 3 months	>3 - 12 months	>1 - 5 years	Over 5 years	Non- profit sensitive				RM'000	RM'000
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000				RM'000	RM'000
<b>ASSETS</b>											
Cash and short-term funds	1,412,920	-	-	-	-	591,436	-	2,004,356	1.84		
Deposits and placements with banks and other financial institutions	-	139,245	37,532	6,698	-	-	-	183,475	1.20		
Securities held-for-trading	-	-	-	-	-	-	106,078	106,078	2.33		
Securities available-for-sale	201,909	158,688	135,374	417,762	90,744	19,241	-	1,023,718	2.43		
Securities held-to-maturity	31,055	-	-	15,062	-	-	-	46,117	3.49		
Financing, advances and receivables	2,629,927	2,151,589	367,449	775,076	104,337	-	-	6,028,378	5.85		
Murabahah trading automobiles	-	-	-	-	-	-	32	32	-		
Musarakah capital investment	-	-	-	-	-	5,916	-	5,916	-		
Other assets	-	-	-	-	-	451,570	-	451,570	-		
<b>TOTAL ASSETS</b>	4,275,811	2,449,522	540,355	1,214,598	195,081	1,068,163	106,110	9,849,640			
<b>LIABILITIES AND SHAREHOLDER'S EQUITY</b>											
Deposits from customers	2,187,282	1,117,626	457,088	-	-	229,566	-	3,991,562	2.56		
Deposits and placements of banks and other financial institutions	2,110,799	737,496	312,362	47,433	-	-	-	3,208,090	2.74		
Subordinated Murabahah Tawarruq	-	-	-	345,049	-	-	-	345,049	3.67		
Murabahah bank financing	-	-	-	46,311	-	-	-	46,311	1.77		
Other liabilities	-	-	-	-	-	215,245	-	215,245	-		
<b>Total Liabilities</b>	4,298,081	1,855,122	769,450	438,793	-	444,811	-	7,806,257			
Shareholder's equity	-	-	-	-	-	2,043,383	-	2,043,383			
<b>Total Liabilities and Shareholder's Equity</b>	4,298,081	1,855,122	769,450	438,793	-	2,488,194	-	9,849,640			
On-balance sheet profit sensitivity gap	(22,270)	594,400	(229,095)	775,805	195,081	(1,420,031)	106,110	-			
Off-balance sheet profit sensitivity gap	-	-	-	-	-	-	-	-			
<b>Total profit sensitivity gap</b>	(22,270)	594,400	(229,095)	775,805	195,081	(1,420,031)	106,110	-			

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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 Dec 2009	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	%
<b>ASSETS</b>									
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	-
<b>TOTAL ASSETS</b>	<b>5,756,038</b>	<b>2,720,724</b>	<b>1,147,168</b>	<b>887,247</b>	<b>207,845</b>	<b>796,917</b>	<b>54,367</b>	<b>11,570,306</b>	
<b>LIABILITIES AND SHAREHOLDER'S EQUITY</b>									
Deposits from customers	2,398,536	979,621	639,858	-	-	237,053	-	4,255,068	2.20
Deposits and placements of banks and other financial institutions	2,126,208	1,461,418	573,213	41,511	-	-	-	4,202,350	2.24
Subordinated Murabahah Tawarruq	-	-	-	374,700	-	-	-	374,700	3.30
Murabahah bank financing	-	-	-	51,397	-	-	-	51,397	1.81
Other liabilities	-	-	-	-	-	396,962	-	396,962	-
<b>Total Liabilities</b>	<b>4,524,744</b>	<b>2,441,039</b>	<b>1,213,071</b>	<b>467,608</b>	<b>-</b>	<b>634,015</b>	<b>-</b>	<b>9,280,477</b>	
Shareholder's equity	-	-	-	-	-	2,289,829	-	2,289,829	
<b>Total Liabilities and Shareholder's Equity</b>	<b>4,524,744</b>	<b>2,441,039</b>	<b>1,213,071</b>	<b>467,608</b>	<b>-</b>	<b>2,923,844</b>	<b>-</b>	<b>11,570,306</b>	
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	-	-	-	-	-	-	-	-	
<b>Total profit sensitivity gap</b>	<b>1,231,294</b>	<b>279,685</b>	<b>(65,903)</b>	<b>419,639</b>	<b>207,845</b>	<b>(2,126,927)</b>	<b>54,367</b>	<b>-</b>	

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

Bank As at 30 Sep 2010	Non-trading book						Trading book	Total	Effective profit rate
	Up to 1 month	>1 - 3 months	>3 - 12 months	>1 - 5 years	Over 5 years	Non- profit sensitive			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	%
<b>ASSETS</b>									
Cash and short-term funds	1,483,347	-	-	-	-	588,222	-	2,071,569	1.84
Deposits and placements with banks and other financial institutions	-	151,594	37,532	6,698	-	-	-	195,824	1.20
Securities held-for-trading	-	-	-	-	-	-	106,078	106,078	2.33
Securities available-for-sale	201,909	158,688	135,374	302,530	90,744	19,000	-	908,245	2.38
Securities held-to-maturity	31,055	-	-	15,062	-	-	-	46,117	3.49
Financing, advances and receivables	2,629,927	2,151,589	367,449	775,076	104,337	-	-	6,028,378	5.85
Murabahah trading automobiles	-	-	-	-	-	-	32	32	-
Musyarakah capital investment	-	-	-	-	-	5,916	-	5,916	-
Other assets	-	-	-	-	-	498,990	-	498,990	-
<b>TOTAL ASSETS</b>	<b>4,346,238</b>	<b>2,461,871</b>	<b>540,355</b>	<b>1,099,366</b>	<b>195,081</b>	<b>1,112,128</b>	<b>106,110</b>	<b>9,861,149</b>	
<b>LIABILITIES AND SHAREHOLDER'S EQUITY</b>									
Deposits from customers	2,187,282	1,117,626	457,088	-	-	240,735	-	4,002,731	2.56
Deposits and placements of banks and other financial institutions	2,110,799	737,496	312,362	47,433	-	-	-	3,208,090	2.74
Subordinated Murabahah Tawarruq	-	-	-	345,049	-	-	-	345,049	3.67
Murabahah bank financing	-	-	-	46,311	-	-	-	46,311	1.77
Other liabilities	-	-	-	-	-	213,192	-	213,192	-
<b>Total Liabilities</b>	<b>4,298,081</b>	<b>1,855,122</b>	<b>769,450</b>	<b>438,793</b>	<b>-</b>	<b>453,927</b>	<b>-</b>	<b>7,815,373</b>	
Shareholder's equity	-	-	-	-	-	2,045,776	-	2,045,776	
<b>Total Liabilities and Shareholder's Equity</b>	<b>4,298,081</b>	<b>1,855,122</b>	<b>769,450</b>	<b>438,793</b>	<b>-</b>	<b>2,499,703</b>	<b>-</b>	<b>9,861,149</b>	
On-balance sheet profit sensitivity gap	48,157	606,749	(229,095)	660,573	195,081	(1,387,575)	106,110	-	
Off-balance sheet profit sensitivity gap	-	-	-	-	-	-	-	-	
<b>Total profit sensitivity gap</b>	<b>48,157</b>	<b>606,749</b>	<b>(229,095)</b>	<b>660,573</b>	<b>195,081</b>	<b>(1,387,575)</b>	<b>106,110</b>	<b>-</b>	

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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	%
<b>As at 31 Dec 2009</b>									
<b>ASSETS</b>									
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	-
<b>TOTAL ASSETS</b>	<b>5,820,397</b>	<b>2,720,724</b>	<b>1,147,168</b>	<b>887,247</b>	<b>207,845</b>	<b>738,576</b>	<b>54,367</b>	<b>11,576,324</b>	
<b>LIABILITIES AND SHAREHOLDER'S EQUITY</b>									
Deposits from customers	2,398,536	979,621	639,858	-	-	246,690	-	4,264,705	2.20
Deposits and placements of banks and other financial institutions	2,139,008	1,461,418	573,213	41,511	-	-	-	4,215,150	2.24
Subordinated Murabahah Tawarruq	-	-	-	374,700	-	-	-	374,700	3.30
Murabahah bank financing	-	-	-	51,397	-	-	-	51,397	1.81
Other liabilities	-	-	-	-	-	395,252	-	395,252	-
<b>Total Liabilities</b>	<b>4,537,544</b>	<b>2,441,039</b>	<b>1,213,071</b>	<b>467,608</b>	<b>-</b>	<b>641,942</b>	<b>-</b>	<b>9,301,204</b>	
Shareholder's equity	-	-	-	-	-	2,275,120	-	2,275,120	
<b>Total Liabilities and Shareholder's Equity</b>	<b>4,537,544</b>	<b>2,441,039</b>	<b>1,213,071</b>	<b>467,608</b>	<b>-</b>	<b>2,917,062</b>	<b>-</b>	<b>11,576,324</b>	
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	-	-	-	-	-	-	-	-	
<b>Total profit sensitivity gap</b>	<b>1,282,853</b>	<b>279,685</b>	<b>(65,903)</b>	<b>419,639</b>	<b>207,845</b>	<b>(2,178,486)</b>	<b>54,367</b>	<b>-</b>	

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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:

<b>FRSs, Amendments to FRSs and Interpretations</b>	<b>Effective for financial period beginning on or after</b>
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.)**

<b>FRSs, Amendments to FRSs and Interpretations</b>	<b>Effective for financial period beginning on or</b>
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:

	<b>Group RM'000</b>	<b>Bank RM'000</b>
Effects on retained (loss)/profit:		
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 30 September 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 nine-months ended 30 September 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 nine-months ended 30 September 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 nine-months ended 30 September 2010.

**B8. Debt and Equity Securities**

There were no issuances, cancellation, repurchases, resales or repayments of debt and equity securities during the nine-months ended 30 September 2010.

**B9. Dividends Paid**

There were no dividends paid during the nine-months ended 30 September 2010.

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

**(i) By Business Segment**

	3rd Quarter ended		Nine-months ended		Total Assets RM'000
	Operating Revenue RM'000	Profit/(Loss) Before Zakat and Taxation RM'000	Operating Revenue RM'000	Profit/(Loss) Before Zakat and Taxation RM'000	
<b>Group</b>					
<b>30 Sep 2010</b>					
Retail operations	(4,283)	(8,009)	11,797	(8,546)	323,258
Treasury and capital market operations	(24,139)	1,537	52,181	2,149	3,389,411
Corporate banking	32,255	43,758	117,257	(34,575)	2,921,443
Commercial banking	41,714	(27,115)	140,046	(19,034)	2,860,276
	45,547	10,171	321,281	(60,006)	9,494,388
Inter-segment elimination	48,567	-	(4,385)	-	-
	94,114	10,171	316,896	(60,006)	9,494,388
Unallocated expenses	-	(14,750)	-	(58,881)	-
Unallocated assets	-	-	-	-	355,252
	94,114	(4,579)	316,896	(118,887)	9,849,640
<b>30 Sep 2009</b>					
Retail operations	8,453	(7,392)	24,452	(20,945)	447,733
Treasury and capital market operations	40,484	3,568	119,308	4,745	2,810,565
Corporate banking	43,453	5,671	144,271	28,133	3,067,069
Commercial banking	45,454	23,017	152,026	53,177	3,497,677
	137,844	24,864	440,057	65,110	9,823,044
Inter-segment elimination	(27,153)	-	(75,140)	-	-
	110,691	24,864	364,917	65,110	9,823,044
Unallocated expenses	-	(22,456)	-	(52,451)	-
Unallocated assets	-	-	-	-	267,991
	110,691	2,408	364,917	12,659	10,091,035

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

	3rd Quarter ended		Nine-months ended		Total Assets RM'000
	Operating Revenue RM'000	Profit/(Loss) Before Zakat and Taxation RM'000	Operating Revenue RM'000	Profit/(Loss) Before Zakat and Taxation RM'000	
<b>Group</b>					
<b>30 Sep 2010</b>					
Malaysia	94,105	(2,913)	316,869	(111,373)	9,844,876
Outside Malaysia	9	(1,666)	27	(7,514)	4,764
	<b>94,114</b>	<b>(4,579)</b>	<b>316,896</b>	<b>(118,887)</b>	<b>9,849,640</b>
<b>30 Sep 2009</b>					
Malaysia	110,603	5,991	364,803	23,054	10,082,532
Outside Malaysia	88	(3,583)	113	(10,395)	8,503
	<b>110,691</b>	<b>2,408</b>	<b>364,916</b>	<b>12,659</b>	<b>10,091,035</b>

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.

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**B15. Capital Commitments**

The capital commitments not provided for in the interim financial statements as at 30 Sep 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
194	194
4,648	4,648
4,842	4,842
<hr/>	
62	62