

# KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

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## Interim Report for the Period Ended 30 September 2013

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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 2013 RM'000	31 Dec 2012 RM'000	30 Sep 2013 RM'000	31 Dec 2012 RM'000
<b>ASSETS</b>				
	1,268,720	1,400,684	1,267,761	1,370,167
Cash and short-term funds				
Deposits and placements with banks and other financial institutions	A3 51,917	244,147	51,917	228,838
Securities held-for-trading	A4 -	79,493	-	79,493
Hedging financial instruments	A7 16,664	21,470	16,664	21,470
Securities available-for-sale	A4 1,122,524	955,830	1,025,019	846,614
Securities held-to-maturity	A4 80,970	81,493	80,970	81,493
Financing, advances and other receivables	A5 5,491,572	5,288,745	5,491,572	5,288,745
Other assets	A6 195,546	481,381	195,069	481,255
Statutory deposits with Bank Negara Malaysia	178,200	191,717	178,200	191,717
Musyarakah capital investment	A8 5,898	5,898	5,898	5,898
Investment in subsidiaries	-	-	30,952	30,952
Property and equipment	33,874	37,352	33,373	36,491
Intangible assets	15,960	21,840	15,130	21,169
Deferred tax assets	247,967	286,641	247,882	286,538
	<b>8,709,812</b>	<b>9,096,691</b>	<b>8,640,407</b>	<b>8,970,840</b>
<b>LIABILITIES</b>				
Deposits from customers	A9 5,127,462	5,370,265	5,030,291	5,377,039
Deposits and placements of banks and other financial institutions	A10 1,340,461	1,324,476	1,372,106	1,204,490
Hedging financial instruments	A7 536	16,754	536	16,754
Subordinated Murabahah Tawarruq	A12 409,738	374,054	409,738	374,054
Other liabilities	A11 235,428	491,847	234,226	491,004
	<b>7,113,625</b>	<b>7,577,396</b>	<b>7,046,897</b>	<b>7,463,341</b>
<b>SHAREHOLDER'S EQUITY</b>				
Share capital	1,425,272	2,266,125	1,425,272	2,266,125
Reserves	170,915	(746,830)	168,238	(758,626)
	<b>1,596,187</b>	<b>1,519,295</b>	<b>1,593,510</b>	<b>1,507,499</b>
<b>TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY</b>				
	<b>8,709,812</b>	<b>9,096,691</b>	<b>8,640,407</b>	<b>8,970,840</b>
<b>COMMITMENTS AND CONTINGENCIES</b>				
	A17 1,010,459	2,120,234	1,010,459	2,120,234
<b>CAPITAL ADEQUACY</b>				
Core capital ratio	A19 17.16%	15.44%	16.56%	15.41%
Risk-weighted capital ratio	A19 21.54%	19.45%	20.99%	18.89%
<b>NET ASSETS PER SHARE (RM)</b>				
	<b>1.12</b>	<b>0.67</b>	<b>1.12</b>	<b>0.67</b>

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

# KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

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## INTERIM CONDENSED CONSOLIDATED INCOME STATEMENTS

Group	Note	3rd Quarter ended 30 Sep		Nine-months ended 30 Sep	
		2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
<b>Continuing operations</b>					
Operating revenue		115,970	114,243	345,654	365,142
Income derived from investment of depositors' funds and others	A13	91,740	88,883	258,932	288,057
Income derived from investment of shareholder's equity	A14	24,230	25,360	86,722	77,085
Total gross income		115,970	114,243	345,654	365,142
Impairment loss on others		9	-	(1,400)	-
Impairment loss on securities		-	(479)	(148)	(1,694)
Impairment write-back on financing	A15	52,401	7,573	108,276	15,702
Total distributable income		168,380	121,337	452,382	379,150
Income attributable to the depositors	A16	(45,341)	(39,781)	(134,049)	(149,435)
Total net income		123,039	81,556	318,333	229,715
Personnel expenses		(26,106)	(25,775)	(80,679)	(75,254)
Other overheads and expenditures		(28,222)	(26,924)	(81,413)	(76,829)
Finance cost		(3,752)	(3,467)	(10,663)	(10,133)
Profit before zakat and taxation		64,959	25,390	145,578	67,499
Taxation		(17,981)	(7,380)	(43,539)	(19,612)
Net profit for the period		46,978	18,010	102,039	47,887
Attributable to:					
Equity holders of the Bank		46,978	18,010	102,039	47,887
Earnings per share attributable to equity holders of the Bank					
- Basic/Diluted (sen)		1.92	0.79	4.18	2.11

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

# KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

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## INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	3rd Quarter ended 30 Sep		Nine-months ended 30 Sep	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
<b>Group</b>				
Net profit for the period	<b>46,978</b>	18,010	<b>102,039</b>	47,887
Other comprehensive (loss)/income:				
Securities available-for-sale:				
Net income/(loss) taken to equity	<b>932</b>	18,700	<b>(36,117)</b>	12,368
Exchange differences on translation of foreign operations:				
Net gain/(loss) taken to equity	<b>1,071</b>	(2,068)	<b>1,941</b>	(975)
Income tax relating to components of other comprehensive (loss)/income	<b>(234)</b>	(1,509)	<b>9,029</b>	(3,092)
Other comprehensive income/(loss) for the period, net of tax	<b>1,769</b>	15,123	<b>(25,147)</b>	8,301
Total comprehensive income for the period	<b>48,747</b>	33,133	<b>76,892</b>	56,188
Total comprehensive income for the period attributable to equity holders of the Bank	<b>48,747</b>	33,133	<b>76,892</b>	56,188

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

# KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

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## INTERIM CONDENSED INCOME STATEMENTS

	Note	3rd Quarter ended 30 Sep		Nine-months ended 30 Sep	
		2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
<b>Bank</b>					
<b>Continuing operations</b>					
Operating revenue		120,140	112,174	345,517	359,180
Income derived from investment of depositors' funds and others	A13	91,043	83,274	257,075	281,897
Income derived from investment of shareholder's equity	A14	29,097	28,900	88,442	77,283
Total gross income		120,140	112,174	345,517	359,180
Impairment loss on others		9	-	(1,400)	-
Impairment loss on securities		-	(479)	(148)	(1,694)
Impairment write-back on financing	A15	52,401	7,573	108,276	15,702
Total distributable income		172,550	119,268	452,245	373,188
Income attributable to the depositors	A16	(45,304)	(39,693)	(133,955)	(149,368)
Total net income		127,246	79,575	318,290	223,820
Personnel expenses		(24,321)	(24,897)	(76,036)	(72,658)
Other overheads and expenditures		(27,221)	(25,737)	(78,015)	(73,704)
Finance cost		(3,752)	(3,466)	(10,663)	(10,134)
Profit before zakat and taxation		71,952	25,475	153,576	67,324
Taxation		(17,959)	(7,362)	(43,475)	(19,557)
Net profit for the period		53,993	18,113	110,101	47,767

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

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## INTERIM CONDENSED STATEMENTS OF COMPREHENSIVE INCOME

	3rd Quarter ended 30 Sep		Nine-months ended 30 Sep	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
<b>Bank</b>				
Net profit for the period	<b>53,993</b>	18,113	<b>110,101</b>	47,767
Other comprehensive income/(loss):				
Securities available-for-sale:				
Net income/(loss) taken to equity	<b>1,251</b>	3,699	<b>(32,121)</b>	10,447
Income tax relating to components of other comprehensive (loss)/income	<b>(314)</b>	(924)	<b>8,031</b>	(2,611)
Other comprehensive income/(loss) for the period, net of tax	<b>937</b>	2,775	<b>(24,090)</b>	7,836
Total comprehensive income for the period	<b>54,930</b>	20,888	<b>86,011</b>	55,603

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## INTERIM CONDENSED STATEMENTS OF CHANGES IN EQUITY

	Non-distributable			Distributable	Total Equity RM'000	
	Share Capital RM'000	Statutory Reserve RM'000	Translation Reserve RM'000	Retained Earnings/ (Accumulated Losses) RM'000		
<b>Group</b>						
<b>At 1 Jan 2013</b>	2,266,125	66,697	(7,112)	2,574	(808,989)	1,519,295
Effect of capital reduction	(840,853)	-	-	-	840,853	-
Total comprehensive income/(loss)	-	-	1,941	(27,088)	102,039	76,892
<b>At 30 Sep 2013</b>	<b>1,425,272</b>	<b>66,697</b>	<b>(5,171)</b>	<b>(24,514)</b>	<b>133,903</b>	<b>1,596,187</b>
<b>At 1 Jan 2012</b>						
- As previously stated	2,266,125	34,952	(6,061)	(3,307)	(821,168)	1,470,541
- Effect of adopting FRS 139	-	-	-	-	(16,570)	(16,570)
<b>At 1 January 2012, as restated</b>	2,266,125	34,952	(6,061)	(3,307)	(837,738)	1,453,971
Total comprehensive (loss)/income	-	-	(975)	9,276	47,887	56,188
<b>At 30 Sep 2012</b>	<b>2,266,125</b>	<b>34,952</b>	<b>(7,036)</b>	<b>5,969</b>	<b>(789,851)</b>	<b>1,510,159</b>
<b>Bank</b>						
<b>At 1 Jan 2013</b>	2,266,125	66,697	-	355	(825,678)	1,507,499
Effect of capital reduction	(840,853)	-	-	-	840,853	-
Total comprehensive (loss)/income	-	-	-	(24,090)	110,101	86,011
<b>At 30 Sep 2013</b>	<b>1,425,272</b>	<b>66,697</b>	<b>-</b>	<b>(23,735)</b>	<b>125,276</b>	<b>1,593,510</b>
<b>At 1 Jan 2012</b>						
- As previously stated	2,266,125	34,952	-	(4,105)	(840,853)	1,456,119
- Effect of adopting FRS 139	-	-	-	-	(16,570)	(16,570)
<b>At 1 January 2012, as restated</b>	2,266,125	34,952	-	(4,105)	(857,423)	1,439,549
Total comprehensive income	-	-	-	7,836	47,767	55,603
<b>At 30 Sep 2012</b>	<b>2,266,125</b>	<b>34,952</b>	<b>-</b>	<b>3,731</b>	<b>(809,656)</b>	<b>1,495,152</b>

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

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## INTERIM CONDENSED STATEMENTS OF CASH FLOWS

	Group		Bank	
	30 Sep 2013 RM'000	30 Sep 2012 RM'000	30 Sep 2013 RM'000	30 Sep 2012 RM'000
Profit before zakat and taxation	145,578	67,499	153,576	67,324
Adjustments for non-cash items	(72,104)	(57,124)	(100,287)	(64,834)
Operating profit before changes in working capital	73,474	10,375	53,289	2,490
<u>Changes in the working capital</u>				
Net changes in operating assets	403,408	567,333	404,951	563,421
Net changes in operating liabilities	(482,179)	(2,028,312)	(434,851)	(2,127,158)
Zakat and taxation paid	-	(3,779)	-	(3,740)
Net cash (used in)/generated from operating activities	(78,771)	(1,464,758)	(29,900)	(1,567,477)
Net cash (used in)/generated from investing activities	(121,496)	419,170	(125,795)	418,491
	(121,496)	419,170	(125,795)	418,491
Net change in cash and cash equivalents	(126,793)	(1,035,213)	(102,406)	(1,146,496)
Cash and cash equivalents at beginning of the period	1,400,684	1,973,012	1,370,167	2,076,287
Exchange differences on translation of opening balances	(5,171)	(7,100)	-	-
Cash and cash equivalents at end of the period	1,268,720	930,699	1,267,761	929,791

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



# KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

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

### A1 Performance Review

The Group and the Bank recorded a profit before zakat and taxation of RM145.6 million and RM153.6 million respectively for the period ended 30 September 2013.

### A2 Prospects for 2013

Bank Negara Malaysia (BNM) has revised its forecast of growth expansion to 4.5% - 5.0% in 2013 due to weaker-than-expected economic expansion during the first half of the year. Despite the increased pressure on the growth and margin from heightened competition and enforcement of additional responsible financing practices by BNM, the local banking and financial sectors are expected to remain resilient in 2013. This is underpinned by continued strength of domestic and demand investment growth which supported by sustained private consumption, capital spending in the domestic-oriented industries and the ongoing implementation of infrastructure projects.

The Bank is expected to achieve its objectives in 2013 by continuing to focus on the strategic thrusts namely balance sheet realignment, building internal capability, business growth and cost optimization by moving forward to further build and strengthen the existing IT infrastructure, core processes and enhancing human resource practices.

For the first 9 months, the bank has been continuously making positive progress in consolidating its financial results and reinforcing its presence with the aim of delivering better performance for 2013.

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

	Group		Bank	
	30 Sep 2013 RM'000	31 Dec 2012 RM'000	30 Sep 2013 RM'000	31 Dec 2012 RM'000
Licensed Islamic banks	-	65,365	-	50,056
Other financial institutions	51,917	178,782	51,917	178,782
	51,917	244,147	51,917	228,838

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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

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

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

#### ii) Securities Available-For-Sale

	Group		Bank	
	30 Sep 2013 RM'000	31 Dec 2012 RM'000	30 Sep 2013 RM'000	31 Dec 2012 RM'000
<b>At fair value</b>				
Unquoted securities				
- Islamic private debt securities/sukuks	375,157	425,320	374,728	365,264
- Malaysian Government sukuk	593,111	435,181	535,139	422,143
- Unquoted property funds	39,104	36,122	-	-
	<b>1,007,372</b>	<b>896,623</b>	<b>909,868</b>	<b>787,407</b>
<b>At cost</b>				
Unquoted shares in Malaysia	115,152	59,207	115,152	59,207
	<b>1,122,524</b>	<b>955,830</b>	<b>1,025,019</b>	<b>846,614</b>

#### iii) Securities Held-To-Maturity

	Group		Bank	
	30 Sep 2013 RM'000	31 Dec 2012 RM'000	30 Sep 2013 RM'000	31 Dec 2012 RM'000
<b>At amortised cost</b>				
Unquoted Islamic private debt securities/sukuk	80,970	81,493	80,970	81,493

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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

#### i) At amortised cost

	Group and Bank	
	30 Sep 2013 RM'000	31 Dec 2012 RM'000
Term financing		
- House financing	47,996	52,221
- Personal financing	1,340,313	1,205,805
- Leasing financing	160,377	105,228
- Syndicated financing	200,893	320,841
- Hire purchase receivables	174,314	125,107
- Other term financing	4,039,676	4,155,913
Staff financing	8,173	9,054
	<b>5,971,742</b>	<b>5,974,169</b>
Less: Impairment allowances on financing		
- Collective assessment	(212,400)	(138,600)
- Individual assessment	(267,770)	(546,824)
Net financing, advances and other receivables	<b>5,491,572</b>	<b>5,288,745</b>

#### ii) By contract

	Group and Bank	
	30 Sep 2013 RM'000	31 Dec 2012 RM'000
Ijarah Muntahia Bittamlik (lease ended with ownership)	1,677,340	1,696,868
Murabahah (cost-plus)	3,858,689	3,804,411
Mudharabah (profit sharing)	81,149	80,814
Qard (benevolent financing)	544	899
Musarakah (profit and loss sharing)	349,102	385,158
Istisna'	4,918	6,019
	<b>5,971,742</b>	<b>5,974,169</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.)

#### iii) By type of customer

	Group and Bank	
	30 Sep 2013 RM'000	31 Dec 2012 RM'000
Domestic business enterprises		
- Small medium enterprises	813,906	767,997
- Others	2,942,201	3,002,869
Individuals	1,969,023	1,679,217
Other domestic entities	-	121,897
Foreign entities	199,227	294,242
Domestic non-bank financial institutions	47,385	107,947
	<b>5,971,742</b>	<b>5,974,169</b>

#### (iv) By residual contractual maturity

	Group and Bank	
	30 Sep 2013 RM'000	31 Dec 2012 RM'000
Maturity within one year	3,078,321	3,679,744
More than one year to three years	270,463	231,391
More than three years to five years	110,955	93,142
More than five years	2,512,003	1,969,892
	<b>5,971,742</b>	<b>5,974,169</b>

#### (v) By geographical distribution

	Group and Bank	
	30 Sep 2013 RM'000	31 Dec 2012 RM'000
Malaysia	5,876,307	5,832,956
Middle East	18,006	19,287
Other countries	77,429	121,926
	<b>5,971,742</b>	<b>5,974,169</b>

#### vi) By profit rate sensitivity

	Group and Bank	
	30 Sep 2013 RM'000	31 Dec 2012 RM'000
Fixed rate		
- House financing	12,151	12,547
- Hire purchase receivables	257,986	84,466
- Syndicated financing	200,893	320,841
- Term financing	3,289,068	3,527,758
Variable rate		
- House financing	317,319	282,899
- Term financing	1,894,325	1,745,658
	<b>5,971,742</b>	<b>5,974,169</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.)

#### vii) By sector

	Group and Bank	
	30 Sep 2013 RM'000	31 Dec 2012 RM'000
Construction	216,660	211,000
Electricity, gas and water	123,381	126,300
Finance, insurance and business services	254,006	263,398
Household	1,987,132	1,698,953
Manufacturing	986,841	959,776
Mining and quarrying	272,960	308,149
Agriculture, hunting, forestry & fishing	86,029	69,674
Real Estate	1,107,179	1,237,321
Transports, storage and communication	314,171	260,489
Wholesale & retail trade and restaurants & hotels	314,484	358,710
Others	308,899	480,399
	<b>5,971,742</b>	<b>5,974,169</b>

#### viii) By economic purpose

	Group and Bank	
	30 Sep 2013 RM'000	31 Dec 2012 RM'000
Purchase of securities	87,916	180,234
Purchase of transport vehicles	317,886	287,156
Purchase of landed properties		
- residential	430,461	398,497
- non-residential	349,629	318,278
Purchase of fixed assets	474,724	474,134
Working capital	1,788,213	2,176,891
Construction	464,549	469,266
Personal use	1,462,579	1,198,725
Other purposes	595,785	470,988
	<b>5,971,742</b>	<b>5,974,169</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.)

#### ix) Movements in impaired financing, advances and other receivables

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

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

Group and Bank	
30 Sep 2013 RM'000	31 Dec 2012 RM'000
933,554	1,493,648
(483,243)	(560,094)
63,703	241,451
(341,783)	(34,483)
(90,651)	(213,608)
(114,512)	(553,454)
450,311	933,554
450,311	933,554
3.20%	7.13%

#### x) Movements in impairment and allowance on financing

#### Collective impairment

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

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

Group and Bank	
30 Sep 2013 RM'000	31 Dec 2012 RM'000
138,600	140,866
73,800	(2,266)
212,400	138,600
3.72%	2.55%

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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.)

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

	Group and Bank	
	30 Sep 2013 RM'000	31 Dec 2012 RM'000
<b>Individual impairment</b>		
At 1 Jan	546,824	1,089,878
Allowance (reversed)/charged during the year	(164,542)	3,554
- Allowance made	77,650	134,599
- Allowance written-back	(242,192)	(131,045)
Amount written off	(114,512)	(546,608)
Closing balance	267,770	546,824

#### xi) Impaired financing by sector

	Group and Bank	
	30 Sep 2013 RM'000	31 Dec 2012 RM'000
Agriculture, hunting, forestry and fishing	7,242	39,764
Construction	23,630	31,525
Electricity, gas and water	79	18,646
Finance, insurance and business services	31,513	38,576
Household	23,263	12,445
Manufacturing	73,595	306,950
Mining and quarrying	118,463	119,246
Real Estate	67,829	69,919
Transport, storage and communication	56,259	56,719
Wholesale & retail trade and restaurants & hotels	33,823	129,471
Others	14,615	110,293
	450,311	933,554

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### A6 Other Assets

	Group		Bank	
	30 Sep 2013 RM'000	31 Dec 2012 RM'000	30 Sep 2013 RM'000	31 Dec 2012 RM'000
Deposits and prepayments	12,538	17,672	12,445	17,391
Amount due from holding company	299	294	299	294
Amount due from subsidiaries	-	-	5	425
Amount due from other related parties	615	1,617	615	1,615
Fee receivable	2,147	2,575	2,147	2,575
Sundry debtors	2,684	12,408	2,112	12,127
Commodity assets	-	272,499	-	272,499
Tax recoverable	2,956	5,005	3,138	5,018
Gold depository	174,275	169,279	174,275	169,279
Murabahah trading automobile	32	32	32	32
	<b>195,546</b>	<b>481,381</b>	<b>195,069</b>	<b>481,255</b>

The amount due from holding company, subsidiaries and related parties are unsecured, profit-free and repayable on demand.

### A7 Hedging Financial Instruments

	Notional Amount RM'000	Fair Value	
		Assets RM'000	Liabilities RM'000
<b>Group and Bank</b>			
<b>At 30 Sep 2013</b>			
Ijarah rental swap related contracts	271,017	16,664	536
Total	<b>271,017</b>	<b>16,664</b>	<b>536</b>
<b>At 31 Dec 2012</b>			
Ijarah rental swap related contracts	278,339	21,470	16,754
Total	<b>278,339</b>	<b>21,470</b>	<b>16,754</b>

### A8 Musyarakah Capital Investment

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



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### A9 Deposits from Customers

#### (i) By type of deposit

	Group		Bank	
	30 Sep 2013 RM'000	31 Dec 2012 RM'000	30 Sep 2013 RM'000	31 Dec 2012 RM'000
Non Mudharabah				
- Demand deposits	522,094	633,640	472,343	640,414
- Gold deposits	174,188	165,051	174,188	165,051
- Wakalah deposits	1,077,205	834,589	1,029,785	834,589
Mudharabah				
- Savings deposits	61,720	47,267	61,720	47,267
- General investment deposits	233,981	234,199	233,981	234,199
- Negotiable Instrument Deposit	590,344	717,284	590,344	717,284
Murabahah	2,467,930	2,738,235	2,467,930	2,738,235
	<b>5,127,462</b>	<b>5,370,265</b>	<b>5,030,291</b>	<b>5,377,039</b>

#### (ii) By type of customer

	Group		Bank	
	30 Sep 2013 RM'000	31 Dec 2012 RM'000	30 Sep 2013 RM'000	31 Dec 2012 RM'000
Business enterprises	1,776,510	2,000,432	1,672,035	1,995,175
Individuals	1,219,451	830,156	1,219,451	830,156
Subsidiaries	-	-	7,296	12,117
Government and statutory bodies	1,250,631	1,549,745	1,250,631	1,549,745
Other enterprises	880,870	989,932	880,878	989,846
	<b>5,127,462</b>	<b>5,370,265</b>	<b>5,030,291</b>	<b>5,377,039</b>

#### (iii) By contractual maturity

	Group		Bank	
	30 Sep 2013 RM'000	31 Dec 2012 RM'000	30 Sep 2013 RM'000	31 Dec 2012 RM'000
Due within six months	4,009,755	4,105,097	3,912,584	4,111,871
More than six months to one year	671,741	1,172,362	671,741	1,172,362
More than one year to three years	445,966	92,806	445,966	92,806
	<b>5,127,462</b>	<b>5,370,265</b>	<b>5,030,291</b>	<b>5,377,039</b>

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### A10 Deposits and Placements of Banks and Other Financial Institutions

	Group		Bank	
	30 Sep 2013 RM'000	31 Dec 2012 RM'000	30 Sep 2013 RM'000	31 Dec 2012 RM'000
<u>Murabahah</u>				
Licensed Islamic banks	86,841	76,452	86,841	76,452
Other financial institutions	473,502	527,874	473,501	535,485
<u>Wakalah</u>				
Licensed banks	-	30,609	-	-
Licensed Islamic banks	120,095	104,277	66,353	30,109
Licensed investment banks	-	30,590	-	30,590
Other financial institutions	660,023	554,674	745,411	531,854
	<b>1,340,461</b>	<b>1,324,476</b>	<b>1,372,106</b>	<b>1,204,490</b>

### A11 Other Liabilities

	Group		Bank	
	30 Sep 2013 RM'000	31 Dec 2012 RM'000	30 Sep 2013 RM'000	31 Dec 2012 RM'000
Sundry creditors	208,825	192,968	208,475	192,923
Amount due to agent from the purchase of commodity assets	40	272,499	41	272,499
Accrued restoration cost	3,059	3,496	2,875	3,313
Provision for tax	-	13	-	-
Other provisions and accruals	23,504	22,871	22,835	22,269
	<b>235,428</b>	<b>491,847</b>	<b>234,226</b>	<b>491,004</b>

The amount due from holding company, subsidiaries and related parties are unsecured, profit-free and repayable on demand.

### A12 Subordinated Murabahah Tawarruq

The principal of subordinated Murabahah Tawarruq is a facility agreement with the holding company of the Bank, Kuwait Finance House K.S.C. The facility with principal and profit amount of USD125,705,818 or equivalent RM409,738,114 (2012: USD122,319,817 or equivalent RM374,054,000) is unsecured with a tenure of five years and forms part of the Bank's Tier-2 capital. The Murabahah profit is determined with reference to London Interbank Offer Rate ("LIBOR").

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### A13 Income derived from Investment of Depositors' Funds and Others

#### Group

Income derived from investment of:

- General investment deposits
- Other deposits

#### Bank

Income derived from investment of:

- General investment deposits
- Other deposits

3rd Quarter ended 30 Sep		Nine-months ended 30 Sep	
2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
3,078	3,116	8,497	9,537
88,662	85,767	250,435	278,520
<b>91,740</b>	<b>88,883</b>	<b>258,932</b>	<b>288,057</b>
3,061	4,009	8,458	10,410
87,982	79,265	248,617	271,487
<b>91,043</b>	<b>83,274</b>	<b>257,075</b>	<b>281,897</b>

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

#### Group

Finance income from financing, advances and other receivables

Finance income from impaired financing

Securities

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

Money at call and deposits with financial institutions

Amortisation of premium less accretion of discounts

Total finance income and hibah

Gain arising from sale of securities

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

Foreign exchange gain

- Realised

Gain/(loss) on Ijarah rental swap obligation

3rd Quarter ended 30 Sep		Nine-months ended 30 Sep	
2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
2,334	2,357	6,370	6,711
57	115	231	250
1	28	18	67
244	204	720	866
29	12	85	28
276	132	837	925
2,941	2,848	8,261	8,847
(32)	(29)	(91)	(120)
<b>2,909</b>	<b>2,819</b>	<b>8,170</b>	<b>8,727</b>
1	45	38	66
-	168	31	482
163	74	279	233
5	10	(21)	29
<b>3,078</b>	<b>3,116</b>	<b>8,497</b>	<b>9,537</b>

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### A13 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	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
<b>Bank</b>				
Finance income from financing, advances and other receivables	2,333	3,061	6,384	7,421
Finance income from impaired financing	57	149	232	285
Securities				
- Held-for-trading	1	23	18	56
- Available-for-sale	228	239	671	868
- Held-to-maturity	29	17	85	32
Money at call and deposits with financial institutions	275	169	834	973
	2,923	3,658	8,222	9,635
Amortisation of premium less accretion of discounts	(32)	(37)	(91)	(128)
Total finance income and hibah	2,891	3,621	8,131	9,507
Gain arising from sale of securities				
- Held-for-trading	1	57	38	79
- Available-for-sale	-	221	31	536
Foreign exchange gain				
- Realised	164	98	280	256
Gain/(loss) on Ijarah rental swap obligation	5	12	(22)	32
	3,061	4,009	8,458	10,410

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

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

<u>Group</u>	3rd Quarter ended 30 Sep		Nine-months ended 30 Sep	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Finance income from financing, advances and other receivables	67,190	64,871	187,562	195,390
Finance income from impaired financing	1,659	3,158	6,943	7,278
Securities				
- Held-for-trading	26	782	524	1,941
- Available-for-sale	7,019	5,638	21,261	25,525
- Held-to-maturity	831	333	2,493	799
Money at call and deposits with financial institutions	7,983	3,654	24,749	27,842
	<b>84,708</b>	78,436	<b>243,532</b>	258,775
Amortisation of premium less accretion of discounts	(920)	(797)	(2,694)	(3,557)
Total finance income and hibah	<b>83,788</b>	77,639	<b>240,838</b>	255,218
Fee income				
- Commissions	-	-	-	-
Gain arising from sale of securities				
- Held-for-trading	22	1,211	1,119	1,876
- Available-for-sale	-	4,605	929	13,782
Profit from Murabahah trading on automobile	-	-	-	-
Foreign exchange gain				
- Realised	4,670	2,035	8,169	6,804
Gain/(loss) on Ijarah rental swap obligation	182	277	(620)	840
	<b>88,662</b>	85,767	<b>250,435</b>	278,520

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### A13 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	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
<b>Bank</b>				
Finance income from financing, advances and other receivables	67,059	60,502	187,419	191,216
Finance income from impaired financing	1,657	2,946	6,940	7,071
Securities				
- Held-for-trading	27	456	524	1,469
- Available-for-sale	6,543	4,812	19,761	23,731
- Held-to-maturity	829	305	2,491	772
Money at call and deposits with financial institutions	7,920	3,436	24,587	27,969
Amortisation of premium less accretion of discounts	84,035	72,457	241,722	252,228
Total finance income and hibah	(918)	(749)	(2,691)	(3,513)
	83,117	71,708	239,031	248,715
Gain arising from sale of securities				
- Held-for-trading	22	1,132	1,119	1,817
- Available-for-sale	-	4,271	928	13,463
Foreign exchange gain				
- Realised	4,659	1,895	8,158	6,670
Gain/(loss) on Ijarah rental swap obligation	184	259	(619)	822
	87,982	79,265	248,617	271,487

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### A14 Income derived from Investment of Shareholder's Equity

<u>Group</u>	3rd Quarter ended 30 Sep		Nine-months ended 30 Sep	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Finance income from financing, advances and other receivables	15,961	12,854	43,175	36,335
Finance income from impaired financing	389	626	1,578	1,353
Securities				
- Held-for-trading	6	155	119	366
- Available-for-sale	1,668	1,117	4,885	4,686
- Held-to-maturity	198	66	573	149
Money at call and deposits with financial institutions	1,893	724	5,675	4,967
	20,115	15,542	56,005	47,856
Amortisation of premium less accretion of discounts	(219)	(158)	(620)	(653)
Total finance income and hibah	19,896	15,384	55,385	47,203
Fee income				
- Commission	973	581	2,806	2,057
- Other fee income	5,264	3,149	25,337	10,180
- Fund management fee	724	865	2,192	2,581
Gain arising from sale of securities				
- Held-for-trading	-	240	253	359
- Available-for-sale	-	912	207	2,635
Unrealised (loss)/gain on revaluation of securities held-for-trading and Ijarah rental swap (net)	-	883	23	386
Foreign exchange gain/(loss)				
- Realised	1,370	937	2,172	(2,360)
- Unrealised	(4,418)	1,991	(2,626)	12,842
Gain/(loss) on Ijarah rental swap obligation	37	55	(147)	156
Other income	56	72	197	163
Gross dividend from property funds	328	291	923	883
	24,230	25,360	86,722	77,085

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

	3rd Quarter ended 30 Sep		Nine-months ended 30 Sep	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
<b>Bank</b>				
Finance income from financing, advances and other receivables	16,088	16,517	43,304	39,800
Finance income from impaired financing	391	804	1,582	1,525
Securities				
- Held-for-trading	7	122	119	301
- Available-for-sale	1,570	1,294	4,558	4,654
- Held-to-maturity	199	89	575	170
Money at call and deposits with financial institutions	1,896	916	5,658	5,178
	<b>20,151</b>	19,742	<b>55,796</b>	51,628
Amortisation of premium less accretion of discounts	(220)	(198)	(621)	(689)
Total finance income and hibah	<b>19,931</b>	19,544	<b>55,175</b>	50,939
Fee income				
- Commission	974	582	2,810	2,061
- Other fee income	5,276	3,148	25,213	10,176
Gain arising from sale of securities				
- Held-for-trading	-	306	253	427
- Available-for-sale	-	1,192	208	2,901
Unrealised (loss)/gain on revaluation of securities held-for-trading and Ijarah rental swap (net)	-	1,248	23	933
Foreign exchange gain/(loss)				
- Realised	1,382	1,055	2,183	(2,248)
- Unrealised	(4,483)	2,011	(2,747)	12,820
Management fee	(622)	(257)	(1,128)	(897)
Gain/(loss) on Ijarah rental swap obligation	38	71	(149)	171
Gross dividend from subsidiary	6,601	-	6,601	-
	<b>29,097</b>	28,900	<b>88,442</b>	77,283



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### A15 Impairment and Allowance on Financing, Advances and Other Receivables

#### Group

Impairment and allowance on financing

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

#### Bank

Impairment and allowance on financing

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

3rd Quarter ended 30 Sep		Nine-months ended 30 Sep	
2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
37,800	2,521	73,800	14,899
(84,529)	(7,744)	(164,542)	(28,251)
46,717	5,277	77,650	25,441
(131,246)	(13,021)	(242,192)	(53,692)
(5,672)	(2,350)	(17,534)	(2,350)
<b>(52,401)</b>	<b>(7,573)</b>	<b>(108,276)</b>	<b>(15,702)</b>
37,800	2,521	73,800	14,899
(84,529)	(7,744)	(164,542)	(28,251)
46,717	5,277	77,650	25,441
(131,246)	(13,021)	(242,192)	(53,692)
(5,672)	(2,350)	(17,534)	(2,350)
<b>(52,401)</b>	<b>(7,573)</b>	<b>(108,276)</b>	<b>(15,702)</b>

### A16 Income Attributable to the Depositors

#### Group

Deposits from customers

- Mudharabah
- Murabahah
- Wakalah
- Negotiable Instrument Deposit

Deposits and placements of banks and other financial institutions

- Murabahah and Wakalah

Others

#### Bank

Deposits from customers

- Mudharabah
- Murabahah
- Wakalah
- Negotiable Instrument Deposit

Deposits and placements of banks and other financial institutions

- Murabahah and Wakalah

Others

3rd Quarter ended 30 Sep		Nine-months ended 30 Sep	
2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
2,109	2,455	6,028	6,949
21,452	16,419	66,894	57,251
9,828	1,998	23,339	6,969
5,898	5,805	19,327	17,368
6,013	13,019	18,276	60,788
41	85	185	110
<b>45,341</b>	<b>39,781</b>	<b>134,049</b>	<b>149,435</b>
2,108	2,454	6,028	6,949
21,452	16,419	66,894	57,251
9,356	1,998	22,868	6,969
5,898	5,805	19,327	17,368
6,449	12,932	18,653	60,721
41	85	185	110
<b>45,304</b>	<b>39,693</b>	<b>133,955</b>	<b>149,368</b>

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**A17 Commitments and Contingencies**

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

	As at 30 Sep 2013			As at 31 Dec 2012		
	Principal amount RM'000	Credit equivalent amount** RM'000	Risk weighted amount** RM'000	Principal amount RM'000	Credit equivalent amount** RM'000	Risk weighted amount** RM'000
<b>Group and Bank</b>						
Direct credit substitutes	20,620	20,620	18,272	448,398	448,398	297,589
Transaction related contingencies	109,053	54,526	26,801	130,067	65,032	46,302
Trade related contingencies	24,055	4,811	4,811	28,653	5,731	5,687
Irrevocable commitments to extend credit						
- maturity less than one year	296,075	59,215	52,661	372,828	74,566	70,448
- maturity more than one year	289,639	144,819	142,521	861,949	430,975	416,934
Profit rate related contracts (Ijarah rental swap obligation) *						
- five years and above	271,017	15,909	11,572	278,339	35,216	29,649
	<b>1,010,459</b>	<b>299,900</b>	<b>256,638</b>	<b>2,120,234</b>	<b>1,059,918</b>	<b>866,609</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").

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### A18 Capital Adequacy

The Group has adopted Bank Negara Malaysia's Capital Adequacy Framework for Islamic Banks ("CAFIB") guidelines to further improve capital adequacy assessment; enhance risk management processes, measurements and management capabilities; as well as to promote thorough and transparent reporting.

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

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

	Group		Bank	
	30 Sep 2013	31 Dec 2012	30 Sep 2013	31 Dec 2012
<b>Core capital ratio</b>				
Credit risk	18.82%	16.76%	18.13%	16.72%
Credit, market, operational and large exposure risks	17.16%	15.44%	16.56%	15.41%
<b>Risk-weighted capital ratio</b>				
Credit risk	23.62%	21.12%	22.98%	20.49%
Credit, market, operational and large exposure risks	21.54%	19.45%	20.99%	18.89%

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### A18 Capital Adequacy (Cont' d.)

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

	Group		Bank	
	30 Sep 2013 RM'000	31 Dec 2012 RM'000	30 Sep 2013 RM'000	31 Dec 2012 RM'000
<b>Tier I capital</b>				
Paid-up share capital	1,425,272	2,266,125	1,425,272	2,266,125
Statutory reserve	66,697	66,697	66,697	66,697
Other reserves	2,179	(808,989)	(8,560)	(825,678)
	1,494,148	1,523,833	1,483,409	1,507,144
Less: Investment in subsidiaries	-	-	(46,193)	-
Less: Deferred tax assets (net)	(286,641)	(286,641)	(286,538)	(286,538)
<b>Total Tier I capital</b>	1,207,507	1,237,192	1,150,678	1,220,606
<b>Tier II capital</b>				
Subordinated Murabahah Tawarruq	228,165	183,480	228,165	183,480
Collective impairment on financing	80,222	137,944	79,315	137,944
<b>Total Tier II capital</b>	308,387	321,424	307,480	321,424
Less: Investment in subsidiaries	-	-	-	(46,193)
<b>Capital base</b>	1,515,894	1,558,616	1,458,158	1,495,837

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

	Group		Bank	
	30 Sep 2013 RM'000	31 Dec 2012 RM'000	30 Sep 2013 RM'000	31 Dec 2012 RM'000
<b>Computation of Total Risk-Weighted Assets (RWA)</b>				
Total Credit RWA	6,417,762	7,381,070	6,345,199	7,298,865
Total Market RWA	74,334	136,716	74,334	136,716
Total Operational RWA	499,422	482,289	482,999	468,619
Large Exposure Risk RWA for Equity Holdings	44,490	14,790	44,490	14,790
Total Risk-Weighted Assets	7,036,008	8,014,865	6,947,022	7,918,990
<b>Computation of Capital Ratios</b>				
Core Capital	1,207,507	1,237,192	1,150,678	1,220,606
Capital Base	1,515,894	1,558,616	1,458,158	1,495,837
<b>Core Capital Ratio</b>	<b>17.16%</b>	15.44%	<b>16.56%</b>	15.41%
<b>Risk-Weighted Capital Ratio</b>	<b>21.54%</b>	19.45%	<b>20.99%</b>	18.89%

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### A19 FINANCIAL RISK MANAGEMENT (Cont'd.)

#### (a) 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			
<b>30 Sep 2013</b>									
<b>ASSETS</b>									
Cash and short-term funds	1,052,837	-	-	-	-	215,883	-	1,268,720	2.64
Deposits and placements with banks and other financial institutions	-	51,917	-	-	-	-	-	51,917	0.19
Securities available-for-sale	-	-	177,930	-	944,594	-	-	1,122,524	3.17
Securities held-to-maturity	-	-	-	-	80,970	-	-	80,970	5.24
Financing, advances and receivables	1,999,998	1,447,476	173,251	464,956	1,405,891	-	-	5,491,572	5.74
Musarakah capital investment	-	-	-	-	-	5,898	-	5,898	-
Other assets	-	-	-	-	-	688,211	-	688,211	-
<b>TOTAL ASSETS</b>	<b>3,052,835</b>	<b>1,499,393</b>	<b>351,181</b>	<b>464,956</b>	<b>2,431,455</b>	<b>909,992</b>	<b>-</b>	<b>8,709,812</b>	
<b>LIABILITIES AND SHAREHOLDER'S EQUITY</b>									
Deposits from customers	1,410,719	1,206,955	1,709,648	11,375	788,765	-	-	5,127,462	2.80
Deposits and placements of banks and other financial institutions	-	-	-	-	-	-	-	-	-
Subordinated Murabahah Tawarruq	747,296	317,592	275,573	-	-	-	-	1,340,461	2.27
Other liabilities	-	-	409,738	-	-	-	-	409,738	3.62
	-	-	-	-	-	235,964	-	235,964	-
<b>Total Liabilities</b>	<b>2,158,015</b>	<b>1,524,547</b>	<b>2,394,959</b>	<b>11,375</b>	<b>788,765</b>	<b>235,964</b>	<b>-</b>	<b>7,113,625</b>	
Shareholder's equity	-	-	-	-	-	1,596,187	-	1,596,187	
<b>Total Liabilities and Shareholder's Equity</b>	<b>2,158,015</b>	<b>1,524,547</b>	<b>2,394,959</b>	<b>11,375</b>	<b>788,765</b>	<b>1,832,151</b>	<b>-</b>	<b>8,709,812</b>	
On-balance sheet profit sensitivity gap	894,820	(25,154)	(2,043,778)	453,581	1,642,690	(922,159)	-	-	
Off-balance sheet profit sensitivity gap	-	-	-	-	-	-	-	-	
<b>Total profit sensitivity gap</b>	<b>894,820</b>	<b>(25,154)</b>	<b>(2,043,778)</b>	<b>453,581</b>	<b>1,642,690</b>	<b>(922,159)</b>	<b>-</b>	<b>-</b>	

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**A19 FINANCIAL RISK MANAGEMENT (Cont'd.)**

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

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

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**A19 FINANCIAL RISK MANAGEMENT (Cont'd.)**

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

	Non-trading book					Non-profit sensitive	Trading book	Total	Effective profit rate
	Up to 1 month	>1 - 3 months	>3 - 12 months	>1 - 5 years	Over 5 years				
Bank 30 Sep 2013	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	%
<b>ASSETS</b>									
Cash and short-term funds	1,052,836	-	-	-	-	214,925	-	1,267,761	2.64
Deposits and placements with banks and other financial institutions	-	51,917	-	-	-	-	-	51,917	0.19
Securities available-for-sale	10,110	-	167,819	-	847,090	-	-	1,025,019	3.12
Securities held-to-maturity	-	-	-	-	80,970	-	-	80,970	5.24
Financing, advances and receivables	1,999,998	1,447,476	173,251	464,956	1,405,891	-	-	5,491,572	5.74
Musarakah capital investment	-	-	-	-	-	5,898	-	5,898	-
Other assets	-	-	-	-	-	717,270	-	717,270	-
<b>TOTAL ASSETS</b>	<b>3,062,944</b>	<b>1,499,393</b>	<b>341,070</b>	<b>464,956</b>	<b>2,333,951</b>	<b>938,093</b>	<b>-</b>	<b>8,640,407</b>	
<b>LIABILITIES AND SHAREHOLDER'S EQUITY</b>									
Deposits from customers	1,410,719	1,206,955	1,709,648	11,375	691,594	-	-	5,030,291	2.85
Deposits and placements of banks and other financial institutions	798,822	297,720	275,564	-	-	-	-	1,372,106	2.25
Subordinated Murabahah Tawarruq	-	-	409,738	-	-	-	-	409,738	3.62
Other liabilities	-	-	-	-	-	234,762	-	234,762	-
<b>Total Liabilities</b>	<b>2,209,541</b>	<b>1,504,675</b>	<b>2,394,950</b>	<b>11,375</b>	<b>691,594</b>	<b>234,762</b>	<b>-</b>	<b>7,046,897</b>	
Shareholder's equity	-	-	-	-	-	1,593,510	-	1,593,510	
<b>Total Liabilities and Shareholder's Equity</b>	<b>2,209,541</b>	<b>1,504,675</b>	<b>2,394,950</b>	<b>11,375</b>	<b>691,594</b>	<b>1,828,272</b>	<b>-</b>	<b>8,640,407</b>	
On-balance sheet profit sensitivity gap	853,403	(5,282)	(2,053,880)	453,581	1,642,357	(890,179)	-	-	
Off-balance sheet profit sensitivity gap	-	-	-	-	-	-	-	-	
<b>Total profit sensitivity gap</b>	<b>853,403</b>	<b>(5,282)</b>	<b>(2,053,880)</b>	<b>453,581</b>	<b>1,642,357</b>	<b>(890,179)</b>	<b>-</b>	<b>-</b>	

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**A19 FINANCIAL RISK MANAGEMENT (Cont'd.)**

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



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**Part B - Explanatory Notes Pursuant to Financial Reporting Standard ("MFRS 134")**  
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**B1 Basis of Preparation of the Financial Statements**

The unaudited condensed interim financial statements for the 3rd quarter and nine months ended 30 September 2013 of the Group and the Bank have been prepared in accordance with MFRS 134 "Interim Financial Reporting" issued by the Malaysian Accounting Standards Board ("MASB"), BNM's Guidelines on Financial Reporting for Islamic Banking Institutions ("BNM/GP8-i") and Shariah principles.

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

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

**B2 Significant Accounting Policies**

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

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

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

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

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("MFRS 134") Issued by Malaysian Accounting Standards Board**

**B3 Auditors' Report on Preceding Annual Financial Statements**

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

**B4 Seasonal or Cyclical Factors Affecting Operations**

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

**B5 Unusual Items Due to their Nature, Size or Incidence**

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

**B6 Changes in Estimates**

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

**B7 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 2013 except for the items disclosed in Note B15.

**B8 Dividends Paid**

There were no dividends paid during the nine-months ended 30 September 2013.

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

**(i) Primary Segment - By Business Segment**

Group 30 Sep 2013	Treasury & Capital Markets RM'000	Corporate & Investment Banking RM'000	Commercial Banking RM'000	Others RM'000	Elimination RM'000	Total RM'000
External revenue	62,121	112,855	43,425	127,253	-	345,654
Revenue from other segments	72,592	1,982	3,787	67,009	(145,370)	-
<b>Total Revenue</b>	<b>134,713</b>	<b>114,837</b>	<b>47,212</b>	<b>194,262</b>	<b>(145,370)</b>	<b>345,654</b>
Segment results	5,853	45,033	172,420	7,298	-	230,604
Unallocated expenses						(85,026)
<b>Profit from operations</b>						<b>145,578</b>
Taxation						(43,539)
<b>Net profit for the year</b>						<b>102,039</b>
<b>Other information</b>						
Segment assets	2,501,554	2,695,910	818,791	2,312,493	(124,198)	8,204,550
Unallocated corporate assets						505,262
Total assets						<b>8,709,812</b>
Segment liabilities	3,484,628	218,966	102,598	2,771,667	(93,247)	6,484,612
Unallocated corporate liabilities						629,013
Total liabilities						<b>7,113,625</b>
<b>Other segment items</b>						
Purchase of property and equipment	-	-	-	5,377	-	5,377
Purchase of intangible assets	-	-	-	999	-	999
Depreciation of property and equipment	-	-	-	8,858	-	8,858
Amortisation of intangible assets	-	-	-	6,879	-	6,879
Other non-cash expense other than depreciation	(148)	8,883	155,172	(57,179)	-	106,728

**(ii) By Geographical Locations**

Group 30 Sep 2013	Operating Revenue RM'000	Profit Before Zakat and Taxation RM'000	Total Assets RM'000
Malaysia	343,641	145,119	8,708,991
Outside Malaysia	2,013	459	821
	<b>345,654</b>	<b>145,578</b>	<b>8,709,812</b>

The Group has funds management operations in Australia.

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**Part B - Explanatory Notes Pursuant to Malaysian Financial Reporting Standard  
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**B9 Segment Information on Operating Revenue, Profit Before Zakat & Taxation and Total Assets (cont'd.)**

**(i) Primary Segment - By Business Segment**

Group 30 Sep 2012	Treasury & Capital Markets RM'000	Corporate & Investment Banking RM'000	Commercial Banking RM'000	Others RM'000	Elimination RM'000	Total RM'000
External revenue	91,860	118,940	60,693	93,649	-	365,142
Revenue from other segments	108,755	2,422	4,706	44,545	(160,428)	-
<b>Total Revenue</b>	<b>200,615</b>	<b>121,362</b>	<b>65,399</b>	<b>138,194</b>	<b>(160,428)</b>	<b>365,142</b>
Segment results	18,245	42,933	39,790	37,558	-	138,526
Unallocated expenses						(71,027)
<b>Profit from operations</b>						<b>67,499</b>
Taxation						(19,612)
<b>Net profit for the year</b>						<b>47,887</b>
<b>Other information</b>						
Segment assets	1,952,248	2,850,973	800,932	2,072,526	(126,385)	7,550,294
Unallocated corporate assets						540,722
Total assets						<b>8,091,016</b>
Segment liabilities	3,376,626	124,012	195,637	2,414,314	(95,433)	6,015,156
Unallocated corporate liabilities						565,701
Total liabilities						<b>6,580,857</b>
<b>Other segment items</b>						
Purchase of property and equipment	-	-	-	27,820	-	27,820
Purchase of intangible assets	-	-	-	4,006	-	4,006
Depreciation of property and equipment	-	-	-	9,210	-	9,210
Amortisation of intangible assets	-	-	-	6,382	-	6,382
Other non-cash expense other than depreciation	(1,694)	11,615	21,864	(2,878)	-	28,907

**(ii) By Geographical Locations**

Group 30 Sep 2012	Operating Revenue RM'000	Profit/(loss) Before Zakat and Taxation RM'000	Total Assets RM'000
Malaysia	363,330	67,571	8,090,680
Outside Malaysia	1,812	(72)	336
	<b>365,142</b>	<b>67,499</b>	<b>8,091,016</b>

The Group has funds management operations in Australia.

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

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

**B10 Valuation of Property and Equipment**

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

**B11 Subsequent Events**

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

**B12 Changes In Composition Of The Group**

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

**B13 Changes In Contingent Liabilities and Contingent Assets**

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

**B14 Capital Commitments**

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

Capital expenditure

Authorised and contracted for:

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

Group	Bank
RM'000	RM'000
2,678	2,678
2,143	2,121
279	279
<b>5,099</b>	<b>5,078</b>

**B15 Significant Event**

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

# KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)


## Certification of Financial Statements

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



Mohd Hazran Abd Hadi  
Head of Finance

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



Dato' Sri Abdul Hamidy Abdul Hafiz  
Chief Executive Officer