

KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

Interim Report for the Period Ended 30 September 2014

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KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

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(Incorporated in Malaysia)

INTERIM CONDENSED STATEMENTS OF FINANCIAL POSITION

Note	Group		Bank	
	30 Sep 2014 RM'000	31 Dec 2013 RM'000	30 Sep 2014 RM'000	31 Dec 2013 RM'000
ASSETS				
Cash and short-term funds	1,516,896	1,406,209	1,515,834	1,431,875
Deposits and placements with banks and other financial institutions	A3 185,282	75,902	209,944	75,902
Securities held-for-trading	A4 -	-	-	-
Hedging financial instruments	A7 11,330	15,192	11,330	15,192
Securities available-for-sale	A4 1,187,792	1,188,943	1,068,990	1,090,608
Securities held-to-maturity	A4 80,973	81,486	80,973	81,486
Financing, advances and other receivables	A5 6,453,264	6,009,772	6,453,264	6,009,772
Other assets	A6 168,815	195,570	168,380	195,420
Statutory deposits with Bank Negara Malaysia	205,300	182,200	205,300	182,200
Musyarakah capital investment	A8 5,898	5,898	5,898	5,898
Investment in subsidiaries	-	-	19,432	19,432
Property and equipment	28,834	34,189	28,462	33,748
Intangible assets	8,934	14,264	8,335	13,469
Deferred tax assets	206,394	241,258	206,343	241,134
	10,059,712	9,450,883	9,982,485	9,396,136
LIABILITIES				
Deposits from customers	A9 4,495,515	5,342,642	4,399,889	5,320,777
Deposits and placements of banks and other financial institutions	A10 3,119,135	1,771,560	3,157,655	1,753,737
Hedging financial instruments	A7 (201)	200	(201)	200
Subordinated Murabahah Tawarruq	A12 328,190	415,577	328,190	415,577
Other liabilities	A11 431,152	331,290	430,403	330,448
	8,373,791	7,861,269	8,315,936	7,820,739
SHAREHOLDER'S EQUITY				
Share capital	A13 1,425,272	1,425,272	1,425,272	1,425,272
Reserves	260,649	164,342	241,277	150,125
	1,685,921	1,589,614	1,666,549	1,575,397
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY				
	10,059,712	9,450,883	9,982,485	9,396,136
COMMITMENTS AND CONTINGENCIES				
	A18 1,090,355	1,172,841	1,090,355	1,172,841
CAPITAL ADEQUACY				
Common Equity Tier I/ Tier I Capital Ratio	A20 18.04%	18.01%	17.38%	17.40%
Total Capital Ratio	A20 23.52%	21.78%	22.90%	21.20%
NET ASSETS PER SHARE (RM)				
	1.18	1.12	1.17	1.11

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

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INTERIM CONDENSED CONSOLIDATED INCOME STATEMENTS

<u>Group</u>	Note	3rd Quarter ended 30 Sep		Nine-months ended 30 Sep	
		2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Continuing operations					
Operating revenue		116,842	115,970	341,773	345,654
Income derived from investment of depositors' funds and others	A14	93,642	91,740	272,379	258,932
Income derived from investment of shareholder's equity	A15	23,200	24,230	69,394	86,722
Total gross income		116,842	115,970	341,773	345,654
Impairment loss on others		-	9	-	(1,400)
Impairment write-back/(loss) on securities		-	-	3,328	(148)
Impairment write-back on financing	A16	26,146	52,401	73,001	108,276
Total distributable income		142,988	168,380	418,102	452,382
Income attributable to the depositors	A17	(48,980)	(45,341)	(138,543)	(134,049)
Total net income		94,008	123,039	279,559	318,333
Personnel expenses		(26,407)	(26,106)	(79,376)	(80,679)
Other overheads and expenditures		(26,357)	(28,222)	(78,644)	(81,413)
Finance cost		(3,590)	(3,752)	(11,129)	(10,663)
Profit before zakat and taxation		37,654	64,959	110,410	145,578
Taxation		(12,064)	(17,981)	(34,634)	(43,539)
Net profit for the period		25,589	46,978	75,776	102,039
Attributable to:					
Equity holders of the Bank		25,589	46,978	75,776	102,039
Earnings per share attributable to equity holders of the Bank					
- Basic/Diluted (sen)		1.80	3.30	5.32	7.16

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INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	3rd Quarter ended 30 Sep		Nine-months ended 30 Sep	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Group				
Net profit for the period	25,589	46,978	75,776	102,039
Other comprehensive income/(loss):				
Items that may be reclassified subsequently to profit or loss:				
Securities available-for-sale:				
- Net unrealised gain/(loss) on securities available-for-sale	3,637	812	26,962	(36,384)
- Net realised (loss)/gain on securities available-for-sale reclassified to the income statement	245	120	277	267
Exchange differences on translation of foreign operations:				
Net (loss)/gain taken to equity	577	1,071	102	1,941
Income tax relating to components of other comprehensive (loss)/income	(950)	(234)	(6,810)	9,029
Other comprehensive income/(loss) for the period, net of tax	3,509	1,769	20,531	(25,147)
Total comprehensive income for the period	29,099	48,747	96,307	76,892
Total comprehensive income for the period attributable to equity holders of the Bank	29,099	48,747	96,307	76,892

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 INCOME STATEMENTS

<u>Bank</u>	Note	3rd Quarter ended 30 Sep		Nine-months ended 30 Sep	
		2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Continuing operations					
Operating revenue		114,571	120,140	335,416	345,516
Income derived from investment of depositors' funds and others	A14	93,243	91,043	271,355	257,075
Income derived from investment of shareholder's equity	A15	21,328	29,097	64,062	88,442
Total gross income		114,571	120,140	335,417	345,517
Impairment loss on others		-	9	-	(1,400)
Impairment write-back/(loss) on securities		-	-	116	(148)
Impairment write-back on financing	A16	26,145	52,401	73,001	108,276
Total distributable income		140,716	172,550	408,534	452,245
Income attributable to the depositors	A17	(48,989)	(45,304)	(138,539)	(133,955)
Total net income		91,727	127,246	269,995	318,290
Personnel expenses		(25,484)	(24,321)	(76,436)	(76,036)
Other overheads and expenditures		(25,383)	(27,221)	(76,041)	(78,015)
Finance cost		(3,589)	(3,752)	(11,129)	(10,663)
Profit before zakat and taxation		37,271	71,952	106,389	153,576
Taxation		(12,046)	(17,959)	(34,575)	(43,475)
Net profit for the period		25,225	53,993	71,814	110,101

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	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Bank				
Net profit for the period	25,225	53,993	71,814	110,101
Other comprehensive income/(loss):				
Items that may be reclassified subsequently to profit or loss:				
Securities available-for-sale:				
- Net unrealised gain/(loss) on securities available-for-sale	4,039	1,193	25,506	(32,326)
- Net realised (loss)/gain on securities available-for-sale reclassified to the income statement	245	58	277	205
Income tax relating to components of other comprehensive (loss)/income	(1,051)	(314)	(6,446)	8,031
Other comprehensive income/(loss) for the period, net of tax	3,233	937	19,337	(24,090)
Total comprehensive income for the period	28,458	54,930	91,151	86,011

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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	Available- for-sale Reserve RM'000		Retained Earnings RM'000
Group						
At 1 Jan 2014	1,425,272	113,895	(5,088)	(26,871)	82,406	1,589,614
Total comprehensive (loss)/income	-	-	102	20,429	75,776	96,307
At 30 Sep 2014	1,425,272	113,895	(4,986)	(6,442)	158,182	1,685,921
At 1 Jan 2013						
Effect of capital reduction	(840,853)	66,697	(7,112)	2,574	(808,989)	1,519,295
Total comprehensive income/(loss)	-	-	1,941	(27,088)	102,039	76,892
At 30 Sep 2013	1,425,272	66,697	(5,171)	(24,514)	133,903	1,596,187
Bank						
At 1 Jan 2014	1,425,272	113,895	-	(26,142)	62,372	1,575,397
Total comprehensive income	-	-	-	19,337	71,814	91,151
At 30 Sep 2014	1,425,272	113,895	-	(6,805)	134,187	1,666,549
At 1 Jan 2013						
Effect of capital reduction	(840,853)	66,697	-	355	(825,678)	1,507,499
Total comprehensive (loss)/income	-	-	-	(24,090)	110,101	86,011
At 30 Sep 2013	1,425,272	66,697	-	(23,735)	125,276	1,593,510

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 2014 RM'000	30 Sep 2013 RM'000	30 Sep 2014 RM'000	30 Sep 2013 RM'000
Profit before zakat and taxation	110,410	145,578	106,389	153,576
Adjustments for non-cash items	(40,354)	(72,104)	(37,483)	(100,287)
Operating profit before changes in working capital	70,056	73,474	68,906	53,289
<u>Changes in the working capital</u>				
Net changes in operating assets	(479,227)	403,408	(503,637)	404,951
Net changes in operating liabilities	501,828	(482,179)	480,983	(434,851)
Zakat and taxation refund/(paid)	3,118	-	3,138	-
Net cash generated from operating activities	25,719	(78,771)	(19,516)	(29,900)
Net purchases of assets	19,898	(121,496)	34,569	(125,795)
Net cash used in investing activities	19,898	(121,496)	34,569	(125,795)
Net change in cash and cash equivalents	115,673	(126,793)	83,959	(102,406)
Cash and cash equivalents at beginning of the period	1,406,209	1,400,684	1,431,875	1,370,167
Exchange differences on translation of opening balances	(4,985)	(5,171)	-	-
Cash and cash equivalents at end of the period	1,516,896	1,268,720	1,515,834	1,267,761

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

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

A1 Performance Review

The Group and the Bank recorded a profit before zakat and taxation of RM110.4 million and RM106.4 million respectively for the period ended 30 Sep 2014.

A2 Prospects for 2014

Malaysia's economic growth accelerated unexpectedly to 6.4% y-o-y in the 2Q 2014, faster than the 6.2% recorded in the 1Q 2014, underpinned by exports and domestic spending, hence giving room for monetary policy normalization. Growth has accelerated for the 5th consecutive quarter. Going forward, the economy is expected to remain on a broadly steady growth path with a forecast of exceeding 5.5% for full year 2014 in the light of the strong performance recorded in the previous quarters.

The Bank's focus for 2014 is on three strategic thrusts, namely quality and sustainable assets, cost optimisation and capacity as well as capability building, including IT enhancement and human capital development. KFH Malaysia continues to be the Group's regional hub for the Asia-Pacific region. With the current year's focus on widening its product portfolio, the Bank is looking closely in accelerating its financing services through synergistic efforts both at the region and at the Group level for sustainable growth and profit.

A3 Deposits and Placements with Banks and Other Financial Institutions

	Group		Bank	
	30 Sep 2014 RM'000	31 Dec 2013 RM'000	30 Sep 2014 RM'000	31 Dec 2013 RM'000
Licensed Islamic banks	-	50,005	-	50,005
Other financial institutions	187,212	25,897	211,874	25,897
	185,282	75,902	209,944	75,902

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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

At fair value

Unquoted Islamic private
debt securities/sukuk

Group		Bank	
30 Sep 2014 RM'000	31 Dec 2013 RM'000	30 Sep 2014 RM'000	31 Dec 2013 RM'000
-	-	-	-

ii) Securities Available-For-Sale

At fair value

Unquoted securities
- Islamic private debt
 securities/sukuks
- Government guaranteed sukuk
Mutual Fund

Group		Bank	
30 Sep 2014 RM'000	31 Dec 2013 RM'000	30 Sep 2014 RM'000	31 Dec 2013 RM'000
544,930	385,991	494,828	372,571
425,540	583,149	394,925	538,057
65,610	65,515	65,610	65,515
1,036,080	1,034,655	955,364	976,143

At cost

Unquoted shares in Malaysia
Property funds
Collective Investment Scheme

87,700	87,700	87,700	87,700
38,086	39,823	-	-
25,926	26,765	25,926	26,765
151,712	154,288	113,626	114,465
1,187,792	1,188,943	1,068,990	1,090,608

iii) Securities Held-To-Maturity

At amortised cost

Unquoted Islamic private
debt securities/sukuk

Group		Bank	
30 Sep 2014 RM'000	31 Dec 2013 RM'000	30 Sep 2014 RM'000	31 Dec 2013 RM'000
80,973	81,486	80,973	81,486

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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

Term financing

- House financing
- Personal financing
- Leasing financing
- Syndicated financing
- Cashline financing
- Hire purchase receivables
- Other term financing

Staff financing

Less: Impairment allowances on financing

- Collective assessment
- Individual assessment

Net financing, advances and other receivables

Group and Bank	
30 Sep 2014 RM'000	31 Dec 2013 RM'000
452,038	414,635
1,396,861	1,443,259
131,123	153,057
457,028	374,233
-	4,603
274,277	184,364
4,144,285	3,932,840
11,140	9,784
6,866,752	6,516,775
(203,872)	(190,926)
(209,616)	(316,077)
6,453,264	6,009,772

ii) By contract

Ijarah Muntahia Bittamlik

(lease ended with ownership)

Murabahah (cost-plus)

Mudharabah (profit sharing)

Qard (benevolent financing)

Musarakah (profit and loss sharing)

Istisna'

Group and Bank	
30 Sep 2014 RM'000	31 Dec 2013 RM'000
1,701,690	1,883,974
4,772,779	4,196,002
76,543	80,223
562	535
312,291	353,112
2,887	2,929
6,866,752	6,516,775

iii) By type of customer

Domestic business enterprises

- Small medium enterprises
- Others

Individuals

Foreign entities

Domestic non-bank financial institutions

Group and Bank	
30 Sep 2014 RM'000	31 Dec 2013 RM'000
1,022,491	985,659
3,564,915	3,229,194
2,080,871	1,989,138
125,410	167,612
73,064	145,172
6,866,752	6,516,775

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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.)

(iv) By residual contractual maturity

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

Group and Bank	
30 Sep 2014 RM'000	31 Dec 2013 RM'000
4,175,065	3,667,380
60,040	109,438
293,597	197,556
2,338,051	2,542,401
6,866,752	6,516,775

(v) By geographical distribution

Malaysia
Middle East
Other countries

Group and Bank	
30 Sep 2014 RM'000	31 Dec 2013 RM'000
6,806,798	6,437,309
9,183	15,725
50,771	63,741
6,866,752	6,516,775

vi) By profit rate sensitivity

Fixed rate

- House financing
- Hire purchase receivables
- Syndicated financing
- Term financing

Variable rate

- House financing
- Term financing

Group and Bank	
30 Sep 2014 RM'000	31 Dec 2013 RM'000
63,220	83,277
274,277	184,364
457,028	374,233
3,231,313	3,516,971
388,818	331,358
2,452,097	2,026,572
6,866,752	6,516,775

vii) By economic purpose

Merger and acquisition
Purchase of transport vehicles
Purchase of landed properties
- residential
- non-residential
Purchase of fixed assets
Working capital
Construction
Personal use
Other purposes

Group and Bank	
30 Sep 2014 RM'000	31 Dec 2013 RM'000
229,158	141,109
285,586	333,691
540,700	542,858
546,967	491,060
240,643	342,264
2,425,208	2,051,970
642,918	584,542
1,388,832	1,442,306
566,741	586,975
6,866,752	6,516,775

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

viii) By sector

	Group and Bank	
	30 Sep 2014 RM'000	31 Dec 2013 RM'000
Construction	529,732	287,930
Electricity, gas and water	92,475	119,915
Finance, insurance and business services	356,747	446,468
Household	2,082,197	2,005,077
Manufacturing	1,019,066	1,006,081
Mining and quarrying	-	242,931
Agriculture, hunting, forestry & fishing	239,054	231,144
Real Estate	1,380,865	1,143,918
Transports, storage and communication	573,172	486,144
Wholesale & retail trade and restaurants & hotels	495,304	284,990
Others	98,140	262,177
	6,866,752	6,516,775

(ix) Financing by types and Shariah contract

30 Sep 2014	Ijarah Muntahia Bittamlik/ Al-Ijarah Thumma Al-Bai'/(lease ended with ownership)	Murabahah (cost-plus)	Mudharabah (profit sharing)	Musyarakah (profit and loss sharing)	Qard (benevolent financing)	Istisna'	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
House financing	411,355	101	-	37,695	-	2,887	452,038
Personal financing	-	1,396,452	-	-	409	-	1,396,861
Leasing financing	52,331	45,954	32,838	-	-	-	131,123
Syndicated financing	135,834	321,194	-	-	-	-	457,028
Cashline financing	-	-	-	-	-	-	-
Hire purchase receivables	227,825	-	-	46,452	-	-	274,277
Other term financing	865,575	3,007,663	43,705	227,342	0	-	4,144,285
Staff financing	8,771	1,414	-	802	153	-	11,140
	1,701,690	4,772,779	76,543	312,291	562	2,887	6,866,752

31 Dec 2013	Group and Bank						
	Ijarah Muntahia Bittamlik/ Al-Ijarah Thumma Al-Bai'/(lease ended with ownership)	Murabahah (cost-plus)	Mudharabah (profit sharing)	Musyarakah (profit and loss sharing)	Qard (benevolent financing)	Istisna'	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
House financing	370,089	103	-	41,514	-	2,929	414,635
Personal financing	-	1,442,883	-	-	376	-	1,443,259
Leasing financing	60,732	55,717	36,608	-	-	-	153,057
Syndicated financing	195,464	178,769	-	-	-	-	374,233
Overdraft financing	-	4,603	-	-	-	-	4,603
Hire purchase receivables	138,119	-	-	46,245	-	-	184,364
Other term financing	1,111,958	2,512,757	43,615	264,510	-	-	3,932,840
Staff financing	7,612	1,170	-	843	159	-	9,784
	1,883,974	4,196,002	80,223	353,112	535	2,929	6,516,775

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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) Purpose and Source of Qard financing

As at 1 January	535	899
Source of Qard fund:	234	441
- Depositors' Fund	190	360
- Shareholders' Fund	44	81
Uses of Qard fund:	(207)	(805)
- Financing for asset purchase	(167)	(775)
- Staff Benevolent	(39)	(30)

Closing balance

Group and Bank	
30 Sep 2014 RM'000	31 Dec 2013 RM'000
535	899
234	441
190	360
44	81
(207)	(805)
(167)	(775)
(39)	(30)
562	535

xi) Movements in impaired financing, advances and other receivables

At 1 Jan	690,626	933,554
Impaired during the period/year	(197,887)	(242,928)
- Impaired during the period/year	119,645	165,452
- Reclassified to performing during the year	(106,537)	(155,197)
- Amount recovered	(105,843)	(138,672)
- Amount written off	(105,151)	(114,511)
Closing balance	492,739	690,626

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

Group and Bank	
30 Sep 2014 RM'000	31 Dec 2013 RM'000
690,626	933,554
(197,887)	(242,928)
119,645	165,452
(106,537)	(155,197)
(105,843)	(138,672)
(105,151)	(114,511)
492,739	690,626
4.25%	6.04%

xii) Movements in impairment and allowance on financing

Collective impairment

At 1 Jan	190,926	138,600
Allowance charged during the year	12,946	52,326
Closing balance	203,872	190,926

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

Group and Bank	
30 Sep 2014 RM'000	31 Dec 2013 RM'000
190,926	138,600
12,946	52,326
203,872	190,926
3.06%	3.08%

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

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

	Group and Bank	
	30 Sep 2014 RM'000	31 Dec 2013 RM'000
Individual impairment		
At 1 Jan	316,077	546,824
Allowance reversed during the year	(1,310)	(116,236)
- Allowance made	53,260	85,308
- Allowance written-back	(54,570)	(201,544)
Amount written off	(105,151)	(114,511)
Closing balance	209,616	316,077

xiii) Impaired financing by sector

	Group and Bank	
	30 Sep 2014 RM'000	31 Dec 2013 RM'000
Construction	-	23,179
Electricity, gas and water	79	79
Finance, insurance and business services	36,001	22,119
Household	25,503	28,506
Manufacturing	319,772	342,124
Mining and quarrying	-	116,393
Real Estate	37,198	56,645
Transport, storage and communication	37,861	56,197
Wholesale & retail trade and restaurants & hotels	36,326	33,950
Others	-	11,434
	492,739	690,626

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A6 Other Assets

	Group		Bank	
	30 Sep 2014 RM'000	31 Dec 2013 RM'000	30 Sep 2014 RM'000	31 Dec 2013 RM'000
Deposits and prepayments	11,300	10,333	11,205	10,173
Amount due from holding company	298	299	298	299
Amount due from subsidiaries	-	-	5	4
Amount due from other related parties	615	615	615	615
Fee receivable	-	53	-	53
Sundry debtors	1,579	22,213	1,098	22,119
Tax recoverable	(137)	3,038	-	3,138
Gold depository	155,159	159,019	155,159	159,019
	168,815	195,570	168,380	195,420

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
Group and Bank			
At 30 Sep 2014			
Forward foreign exchange related contracts		-	-
Ijarah rental swap related contracts	236,374	11,330	(201)
Total	236,374	11,330	(201)
At 31 Dec 2013			
Ijarah rental swap related contracts	263,825	15,192	200
Total	263,825	15,192	200

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 2014 RM'000	31 Dec 2013 RM'000	30 Sep 2014 RM'000	31 Dec 2013 RM'000
Non Mudharabah				
- Demand deposits	413,711	561,296	344,757	539,869
- Gold deposits	155,085	158,910	155,085	158,910
- Wakalah deposits	10,638	1,421,572	10,278	1,421,134
Mudharabah				
- Savings deposits	76,414	81,185	76,414	81,185
- General investment deposits	19,038	236,630	19,038	236,630
- Negotiable Instrument Deposit	2,582	165,275	2,582	165,275
Murabahah	3,818,047	2,717,774	3,791,735	2,717,774
	4,495,515	5,342,642	4,399,889	5,320,777

(ii) By type of customer

	Group		Bank	
	30 Sep 2014 RM'000	31 Dec 2013 RM'000	30 Sep 2014 RM'000	31 Dec 2013 RM'000
Business enterprises	2,637,114	2,493,905	2,445,863	2,450,174
Individuals	465,494	1,046,038	465,494	1,046,038
Subsidiaries	-	-	95,625	21,866
Government and statutory bodies	1,031,441	1,533,534	1,031,441	1,533,534
Other enterprises	361,466	269,165	361,466	269,165
	4,495,515	5,342,642	4,399,889	5,320,777

(iii) By contractual maturity

	Group		Bank	
	30 Sep 2014 RM'000	31 Dec 2013 RM'000	30 Sep 2014 RM'000	31 Dec 2013 RM'000
Due within six months	4,022,386	4,579,884	3,927,120	4,558,019
More than six months to one year	408,156	725,216	407,796	725,216
More than one year to three years	64,973	37,542	64,973	37,542
	4,495,515	5,342,642	4,399,889	5,320,777

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A10 Deposits and Placements of Banks and Other Financial Institutions

	Group		Bank	
	30 Sep 2014 RM'000	31 Dec 2013 RM'000	30 Sep 2014 RM'000	31 Dec 2013 RM'000
<u>Murabahah</u>				
Licensed Islamic banks	32,805	45,870	32,805	45,870
Bank Negara Malaysia	-	-	-	-
Licensed investment banks	-	-	-	-
Other financial institutions	3,029,453	562,970	3,118,097	562,970
<u>Wakalah</u>				
Licensed banks	-	-	-	-
Licensed Islamic banks	-	-	-	-
Licensed investment banks	-	-	-	-
Other financial institutions	56,877	1,162,720	6,754	1,144,897
	3,119,135	1,771,560	3,157,655	1,753,737

A11 Other Liabilities

	Group		Bank	
	30 Sep 2014 RM'000	31 Dec 2013 RM'000	30 Sep 2014 RM'000	31 Dec 2013 RM'000
Income payables	-	-	-	-
Sundry creditors	383,454	285,391	383,376	285,366
Amount due to holding company	-	-	-	-
Project clearing account	-	-	-	-
Amount due to agent from the purchase of commodity assets	-	-	-	-
Accrued restoration cost	5,580	5,681	5,473	5,574
Undistributed charity funds	2,168	1,259	2,168	1,259
Other provisions and accruals	39,950	38,959	39,387	38,249
	431,152	331,290	430,403	330,448

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

(ii) Sources and uses of charity funds:

	Group and Bank	
	30 Sep 2014 RM'000	31 Dec 2013 RM'000
Sources of charity funds:		
Undistributed charity funds as at 1 January	1,259	7,291
Penalty charges on late payment	1,788	7,782
Total sources of funds during the year	3,047	15,073
Uses of charity funds:		
Contribution to Baitulmal	-	(130)
Compensation of late payment charges	(680)	(12,643)
Contribution to non profit organisations	(199)	(722)
Aid to needy family	-	(319)
Total uses of funds during the year	(879)	(13,814)
Closing balance	2,168	1,259

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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 USD100,042,776 or equivalent RM328,190,328 (31 Dec 2013: USD126,864,726 or equivalent RM415,577,127) is unsecured with a tenure of eight years and forms part of the Bank's Tier-2 capital. The Murabahah profit is determined with reference to London Interbank Offer Rate ("LIBOR").

A13 Share Capital

	Number of ordinary shares at RM1.00 each		Amount	
	30 Sep 2014 Units'000	31 Dec 2013 Units'000	30 Sep 2014 RM'000	31 Dec 2013 RM'000
Authorised:				
At 1 January/At closing balance	3,000,000	3,000,000	3,000,000	3,000,000
Issued and fully paid:				
At 1 January	1,425,272	2,266,125	1,425,272	2,266,125
Effect of capital reduction	-	(840,853)	-	(840,853)
At 1 January/At closing balance	1,425,272	1,425,272	1,425,272	1,425,272

During the financial year 2013, the Bank decreased its issued and paid up share capital 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.

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A14 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	
2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
523	3,078	3,886	8,497
93,119	88,662	268,493	250,435
93,642	91,740	272,379	258,932
527	3,061	3,893	8,458
92,716	87,982	267,462	248,617
93,243	91,043	271,355	257,075

(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	
2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
432	2,334	3,237	6,370
1	57	14	231
-	1	-	18
39	244	308	720
5	29	36	85
35	276	199	837
512	2,941	3,794	8,261
(5)	(32)	(42)	(91)
507	2,909	3,752	8,170
-	1	-	38
-	-	-	31
11	163	93	279
5	5	41	(21)
523	3,078	3,886	8,497

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A14 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	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Bank				
Finance income from financing, advances and other receivables	436	2,333	3,256	6,384
Finance income from impaired financing	1	57	14	232
Securities				
- Held-for-trading	-	1	-	18
- Available-for-sale	37	228	293	671
- Held-to-maturity	5	29	37	85
Money at call and deposits with financial institutions	36	275	200	834
	515	2,923	3,800	8,223
Amortisation of premium less accretion of discounts	(5)	(32)	(42)	(92)
Total finance income and hibah	510	2,891	3,758	8,131
Gain arising from sale of securities				
- Held-for-trading	1	1	1	38
- Available-for-sale	-	-	-	31
Foreign exchange gain				
- Realised	11	164	93	280
Gain/(loss) on Ijarah rental swap obligation	5	5	41	(22)
	527	3,061	3,893	8,458

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A14 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	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Finance income from financing, advances and other receivables	76,651	67,190	222,732	187,562
Finance income from impaired financing	261	1,659	725	6,943
Securities				
- Held-for-trading	105	26	182	524
- Available-for-sale	6,775	7,019	20,850	21,261
- Held-to-maturity	854	831	2,504	2,493
Money at call and deposits with financial institutions	6,518	7,983	15,423	24,749
	91,164	84,708	262,416	243,532
Amortisation of premium less accretion of discounts	(928)	(920)	(2,822)	(2,694)
Total finance income and hibah	90,236	83,788	259,594	240,838
Gain arising from sale of securities				
- Held-for-trading	106	22	147	1,119
- Available-for-sale	-	-	-	929
Foreign exchange gain				
- Realised	1,889	4,670	6,014	8,169
Gain/(loss) on Ijarah rental swap obligation	888	182	2,738	(620)
	93,119	88,662	268,493	250,435

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A14 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	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Bank				
Finance income from financing, advances and other receivables	76,653	67,059	222,854	187,419
Finance income from impaired financing	260	1,657	726	6,940
Securities				
- Held-for-trading	105	27	182	524
- Available-for-sale	6,392	6,543	19,742	19,761
- Held-to-maturity	854	829	2,505	2,491
Money at call and deposits with financial institutions	6,517	7,920	15,410	24,587
	90,781	84,035	261,419	241,722
Amortisation of premium less accretion of discounts	(928)	(918)	(2,823)	(2,691)
Total finance income and hibah	89,853	83,117	258,596	239,031
Gain arising from sale of securities				
- Held-for-trading	106	22	147	1,119
- Available-for-sale	-	-	-	928
Foreign exchange gain				
- Realised	1,869	4,659	5,979	8,158
Gain/(loss) on Ijarah rental swap obligation	888	184	2,740	(619)
	92,716	87,982	267,462	248,617

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A15 Income derived from Investment of Shareholder's Equity

<u>Group</u>	3rd Quarter ended 30 Sep		Nine-months ended 30 Sep	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Finance income from financing, advances and other receivables	17,790	15,961	52,948	43,175
Finance income from impaired financing	60	389	179	1,578
Securities				
- Held-for-trading	24	6	42	119
- Available-for-sale	1,573	1,668	4,960	4,885
- Held-to-maturity	198	198	595	573
Money at call and deposits with financial institutions	1,510	1,893	3,639	5,675
	21,155	20,115	62,363	56,005
Amortisation of premium less accretion of discounts	(215)	(219)	(671)	(620)
Total finance income and hibah	20,940	19,896	61,692	55,385
Fee income				
- Commission	551	973	2,687	2,806
- Other fee income	1,390	5,264	5,232	25,337
- Fund management fee	1,152	724	3,104	2,192
Gain arising from sale of securities				
- Held-for-trading	25	-	34	253
- Available-for-sale	-	-	-	207
Unrealised (loss)/gain on revaluation of securities held-for-trading and Ijarah rental swap (net)	(1,002)	-	(3,582)	23
Foreign exchange gain/(loss)				
- Realised	480	1,370	1,483	2,172
- Unrealised	(1,058)	(4,418)	(3,323)	(2,626)
Gain on disposal of property, plant and equipment	-	-	11	-
Management fee	39	-	134	-
Gain/(loss) on Ijarah rental swap obligation	206	37	652	(147)
Other income	162	56	294	197
Gross dividend from property funds	315	328	976	923
	23,200	24,230	69,394	86,722

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A15 Income derived from Investment of Shareholder's Equity (cont'd.)

	3rd Quarter ended 30 Sep		Nine-months ended 30 Sep	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Bank				
Finance income from financing, advances and other receivables	17,784	16,088	52,807	43,304
Finance income from impaired financing	60	391	179	1,582
Securities				
- Held-for-trading	24	7	42	119
- Available-for-sale	1,483	1,570	4,681	4,558
- Held-to-maturity	198	199	594	575
Money at call and deposits with financial institutions	1,510	1,896	3,626	5,658
	21,059	20,151	61,929	55,796
Amortisation of premium less accretion of discounts	(215)	(220)	(670)	(621)
Total finance income and hibah	20,844	19,931	61,259	55,175
Fee income				
- Commission	554	974	2,692	2,810
- Other fee income	1,371	5,276	5,205	25,213
Gain arising from sale of securities				
- Held-for-trading	25	-	34	253
- Available-for-sale	-	-	-	208
Unrealised (loss)/gain on revaluation of securities held-for-trading and Ijarah rental swap (net)	(1,002)	-	(3,583)	23
Foreign exchange gain/(loss)				
- Realised	475	1,382	1,470	2,183
- Unrealised	(1,019)	(4,483)	(3,272)	(2,747)
Gain on disposal of property, plant and equipment	-	-	11	-
Management fee	(126)	(622)	(404)	(1,128)
Gain/(loss) on Ijarah rental swap obligation	206	38	650	(149)
Gross dividend from subsidiary	-	6,601	-	6,601
	21,328	29,097	64,062	88,442

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A16 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	
2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
(18,000)	37,800	12,946	73,800
21,546	(84,529)	(1,310)	(164,542)
27,832	46,717	53,260	77,650
(6,286)	(131,246)	(54,570)	(242,192)
(29,692)	(5,672)	(84,638)	(17,534)
(26,146)	(52,401)	(73,001)	(108,276)
(18,000)	37,800	12,946	73,800
21,546	(84,529)	(1,310)	(164,542)
27,832	46,717	53,260	77,650
(6,286)	(131,246)	(54,570)	(242,192)
(29,692)	(5,672)	(84,638)	(17,534)
(26,146)	(52,401)	(73,001)	(108,276)

A17 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	
2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
842	2,109	3,505	6,028
29,662	21,452	79,599	66,894
309	9,828	11,866	23,339
22	5,898	1,217	19,327
18,044	6,013	42,018	18,276
100	41	338	185
48,980	45,341	138,543	134,049
842	2,108	3,505	6,028
29,608	21,452	79,533	66,894
244	9,356	11,400	22,868
22	5,898	1,217	19,327
18,173	6,449	42,546	18,653
100	41	338	185
48,989	45,304	138,539	133,955

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A18 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 2014			As at 31 Dec 2013		
	Principal amount RM'000	Credit equivalent amount** RM'000	Risk weighted amount** RM'000	Principal amount RM'000	Credit equivalent amount** RM'000	Risk weighted amount** RM'000
Group and Bank						
Direct credit substitutes	18,884	18,884	14,199	11,220	11,220	8,889
Transaction related contingencies	125,995	62,998	36,962	142,880	71,440	42,219
Trade related contingencies	16,896	3,379	3,379	23,897	4,779	4,779
Irrevocable commitments to extend credit						
- maturity less than one year	456,341	91,268	76,634	333,208	66,643	65,496
- maturity more than one year	235,865	117,932	115,022	397,811	198,905	197,595
Profit rate related contracts (Ijarah rental swap obligation) *						
- five years and above	236,374	20,909	16,940	263,825	25,585	21,359
	1,090,355	315,370	263,136	1,172,841	378,572	340,337

* 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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A19 Capital Adequacy

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

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

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

	Group		Bank	
	30 Sep 2014	31 Dec 2013	30 Sep 2014	31 Dec 2013
Common Equity Tier I/ Tier I Capital Ratio				
Credit risk	19.58%	19.60%	18.84%	18.91%
Credit, market, operational and large exposure risks	18.04%	18.01%	17.38%	17.40%
Total Capital Ratio				
Credit risk	25.52%	23.71%	24.82%	23.05%
Credit, market, operational and large exposure risks	23.52%	21.78%	22.90%	21.20%

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A19 Capital Adequacy (Cont' d.)

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

	Group		Bank	
	30 Sep 2014 RM'000	31 Dec 2013 RM'000	30 Sep 2014 RM'000	31 Dec 2013 RM'000
<u>CET I capital</u>				
Paid-up share capital	1,425,272	1,425,272	1,425,272	1,425,272
Statutory reserve	113,895	113,895	113,895	113,895
Other reserves	70,979	50,447	55,568	36,230
	1,610,146	1,589,614	1,594,735	1,575,397
Less: Deferred tax assets (net)	(241,259)	(241,258)	(241,134)	(241,134)
Less: Investment in subsidiaries	-	-	(46,193)	(46,193)
Total CET I capital	1,368,887	1,348,356	1,307,408	1,288,070
<u>Tier II capital</u>				
Subordinated Murabahah Tawarruq	328,050	196,545	328,050	196,545
Collective impairment on financing	87,381	85,980	86,751	85,132
Total Tier II capital	415,431	282,525	414,801	281,677
Total capital	1,784,318	1,630,881	1,722,209	1,569,747

(c) The Common Equity Tier I/ Tier I Capital Ratio and Total Capital Ratio of the Group and the Bank are as follows:

	Group		Bank	
	30 Sep 2014 RM'000	31 Dec 2013 RM'000	30 Sep 2014 RM'000	31 Dec 2013 RM'000
Computation of Total Risk-Weighted Assets (RWA)				
Total Credit RWA	6,990,472	6,878,375	6,940,113	6,810,596
Total Market RWA	45,559	69,335	45,559	69,335
Total Operational RWA	505,839	495,913	490,523	479,311
Large Exposure Risk RWA for Equity Holdings	44,490	44,490	44,490	44,490
Total Risk-Weighted Assets	7,586,360	7,488,113	7,520,685	7,403,732
Computation of Capital Ratios				
Total CET I capital	1,368,887	1,348,356	1,307,408	1,288,070
Total capital	1,784,318	1,630,881	1,722,209	1,569,747
Common Equity Tier I/ Tier I Capital Ratio	18.04%	18.01%	17.38%	17.40%
Total Capital Ratio	23.52%	21.78%	22.90%	21.20%

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A20 FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

Determination of fair value and fair value hierarchy

The Bank uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets and liabilities;

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

	Level 2	Level 3	Total
	RM'000	RM'000	RM'000
Group			
30 Sep 2014			
Financial assets			
Securities held-for-trading	-	-	-
Securities available-for-sale	1,187,792	-	1,187,792
Securities held-to-maturity	82,222	-	82,222
Financing, advances and other receivables	690,977	5,754,247	6,445,225
Hedging financial instruments	11,330	-	11,330
Total	1,972,322	5,754,247	7,726,569
Financial liability			
Deposits from customers	4,476,929	-	4,476,929
Hedging financial instruments	(201)	-	(201)
	4,476,729	-	4,476,729
31 Dec 2013			
Financial assets			
Securities available-for-sale	1,034,655	-	1,034,655
Securities held-to-maturity	81,514	-	81,514
Financing, advances and other receivables	565,641	5,432,789	5,998,430
Hedging financial instruments	15,192	-	15,192
Total	1,697,002	5,432,789	7,129,791
Financial liability			
Deposits from customers	5,336,276	-	5,336,276
Hedging financial instruments	200	-	200
	5,336,476	-	5,336,476

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A20 FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (Cont'd.)

Determination of fair value and fair value hierarchy (Cont'd.)

	Level 2 RM'000	Level 3 RM'000	Total RM'000
Bank			
30 Sep 2014			
Financial assets			
Securities held-for-trading	-	-	-
Securities available-for-sale	1,068,990	-	1,068,990
Securities held-to-maturity	82,222	-	82,222
Financing, advances and other receivables	690,977	5,754,247	6,445,225
Hedging financial instruments	11,330	-	11,330
Total	1,853,519	5,754,247	7,607,767
Financial liability			
Deposits from customers	4,395,881	-	4,395,881
Hedging financial instruments	(201)	-	(201)
	4,395,680	-	4,395,680
31 Dec 2013			
Financial assets			
Securities available-for-sale	976,143	-	976,143
Securities held-to-maturity	81,514	-	81,514
Financing, advances and other receivables	565,641	5,432,789	5,998,430
Hedging financial instruments	15,192	-	15,192
Total	1,638,490	5,432,789	7,071,279
Financial liability			
Deposits from customers	5,317,772	-	5,317,772
Hedging financial instruments	200	-	200
	5,317,972	-	5,317,972

Description of significant unobservable inputs to valuation:

	Valuation technique	Significant Unobservable inputs	Weighted average
Financing, advances and other receivables	DCF method	Profit rate	5.75%

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A20 FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (Cont'd.)

Determination of fair value and fair value hierarchy (Cont'd.)

Financial instruments comprise financial assets and financial liabilities. The fair value of a financial instrument is the amount at which the instrument could be exchanged or settled between knowledgeable and willing parties in an arm's length transaction, other than in a forced or liquidation sale. The information presented herein represents best estimates of fair values of financial instruments at the reporting date.

The estimated fair values of those on-balance sheets financial assets and financial liabilities as at the reporting date approximate their carrying amounts as shown in the statement of financial position, except for the following assets and liabilities:

		Group			
		30 Sep 2014		31 Dec 2013	
		Carrying Value	Fair Value	Carrying Value	Fair Value
		RM'000	RM'000	RM'000	RM'000
Financial Assets					
	Securities held-to-maturity	80,973	82,222	81,486	81,514
	Financing, advances and other receivables	6,453,264	6,445,225	6,009,772	5,998,430
		6,534,237	6,527,447	6,091,258	6,079,944
Financial Liabilities					
	Deposits from customers	4,495,515	4,476,929	5,342,642	5,336,276

		Bank			
		30 Sep 2014		31 Dec 2013	
		Carrying Value	Fair Value	Carrying Value	Fair Value
		RM'000	RM'000	RM'000	RM'000
Financial Assets					
	Securities held-to-maturity	80,973	82,222	81,486	81,514
	Financing, advances and other receivables	6,453,264	6,445,225	6,009,772	5,998,430
		6,534,237	6,527,447	6,091,258	6,079,944
Financial Liabilities					
	Deposits from customers	4,399,889	4,395,881	5,320,777	5,317,772

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A20 FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (Cont'd.)

Determination of fair value and fair value hierarchy (Cont'd.)

The following methods and assumptions used to estimate the fair values of the following classes of financial instruments:

(a) Cash and Short-Term Funds

The carrying amount approximates fair value due to the relatively short maturity of the financial instruments.

(b) Deposits and Placements with Banks and Other Financial Institutions

The fair values of those financial instruments with remaining maturities of less than one year approximate their carrying values due to their relatively short maturities. For those financial instruments with maturities of more than one year, the fair values are estimated based on discounted cash flows using applicable prevailing market rates of similar remaining maturities at the reporting date. As at the reporting date, all deposits and placements with banks and other financial institutions have maturity less than one year.

(c) Securities Held-For-Trading and Available-For-Sale

The fair values of securities actively traded are estimated based on quoted bid prices. For non-actively traded securities, independent broker quotations are obtained. Fair values of equity are estimated discounted cash flow techniques. Where discounted cash flow technique is used, the estimated future cash flows are discounted using applicable prevailing market or indicative rates of similar instruments at reporting date.

(d) Securities Held-To-Maturity

Fair values of securities that are traded is determined by quoted bid prices. For non-actively traded securities, independent broker quotations are obtained. Fair values of equity securities are estimated using a number of methods, including earnings multiples and discounted cash flow analysis. Where discounted cash flows techniques is used, the estimated futures cash flows are discounted using applicable prevailing market or indicative rates of similar instruments at the reporting date.

(e) Hedging Financial Instruments

Derivatives products valued using a valuation technique with market observable inputs are mainly ijarah rental swaps and promissory foreign exchange contracts. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates and interest rate curves.

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A20 FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (Cont'd.)

Determination of fair value and fair value hierarchy (Cont'd.)

(f) Financing, Advances and Other Receivables

The fair values of variable rate financing are estimated to approximate their carrying values. For fixed rate financing, the fair values are estimated based on expected future cash flows of contractual instalment payments, discounted at applicable and prevailing rates at reporting date offered for similar facilities to new borrowers with similar credit profiles. In respect of impaired loans, the fair values are deemed to approximate the carrying values which are net of impairment allowances.

(g) Deposits from Customers, Deposits and Placement of Banks and Other Financial Institutions

The fair values of deposits payable on demand and deposits and placements with maturities of less than one year approximate their carrying values due to the relatively short maturity of these instruments. The fair values of fixed deposits and placements with remaining maturities of more than one year are estimated based on discounted cash flows using applicable rates currently offered for deposits and placements with similar remaining maturities. As at the reporting date, all deposits and placements of banks and other financial institutions have maturity less than one year.

(h) Subordinated Murabahah Tawaruq

The fair values of subordinated murabahah tawaruq with maturity of less than one year approximate their carrying values due to the relatively short maturity of the instruments. The fair values of subordinated murabahah tawaruq with remaining maturities of more than one year are estimated by discounting the expected future cash flows using the applicable prevailing interest rates for borrowings with similar risk profiles. As at the reporting date, all subordinated murabahah tawaruq have maturity less than one year.

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A22 FINANCIAL RISK MANAGEMENT (Cont'd.)

(d) RATE OF RETURN RISK

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

Group 30 Sep 2014	Non-trading book						Trading book	Total	Effective profit rate			
	Up to 1 month	>1 - 3 months	>3 - 12 months	>1 - 5 years	Over 5 years	Non- profit sensitive				RM'000	RM'000	%
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000						
ASSETS												
Cash and short-term funds	1,477,633	-	-	-	-	39,264	-	1,516,896	3.21			
Deposits and placements with banks and other financial institutions	-	133,740	51,541	-	-	-	-	185,281	0.61			
Securities held-for-trading	-	-	-	-	-	-	-	-	-			
Securities available-for-sale	26,346	32,818	62,802	404,164	453,534	208,129	-	1,187,792	2.66			
Securities held-to-maturity	-	-	-	60,455	20,518	-	-	80,973	5.24			
Financing, advances and receivables	1,732,595	2,736,604	202,549	533,551	1,247,966	-	-	6,453,265	5.57			
Musarakah capital investment	-	-	-	-	-	5,898	-	5,898	-			
Other assets	-	-	-	-	-	629,606	-	629,606	-			
TOTAL ASSETS	3,236,573	2,903,162	316,892	998,170	1,722,018	882,897	-	10,059,712	-			
LIABILITIES AND SHAREHOLDER'S EQUITY												
Deposits from customers	2,588,215	623,327	639,195	49,310	95,625	499,842	-	4,495,514	2.81			
Deposits and placements of banks and other financial institutions	1,743,181	1,006,034	369,920	-	-	-	-	3,119,135	3.00			
Subordinated Murabahah Tawarruq	-	-	328,190	-	-	-	-	328,190	3.08			
Other liabilities	-	-	-	-	-	430,952	-	430,952	-			
Total Liabilities	4,331,396	1,629,361	1,337,305	49,310	95,625	930,794	-	8,373,791	-			
Shareholder's equity	-	-	-	-	-	1,685,921	-	1,685,921	-			
Total Liabilities and Shareholder's Equity	4,331,396	1,629,361	1,337,305	49,310	95,625	2,616,715	-	10,059,712	-			
On-balance sheet profit sensitivity gap	(1,094,823)	1,273,800	(1,020,412)	948,860	1,626,392	(1,733,818)	-	-	-			
Off-balance sheet profit sensitivity gap	-	-	-	-	-	-	-	-	-			
Total profit sensitivity gap	(1,094,823)	1,273,800	(1,020,412)	948,860	1,626,392	(1,733,818)	-	-	-			

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A22 FINANCIAL RISK MANAGEMENT (Cont'd.)

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

Group	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				
31 Dec 2013	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	%
ASSETS									
Cash and short-term funds	1,327,227	-	-	-	-	78,982	-	1,406,209	2.86
Deposits and placements with banks and other financial institutions	-	50,005	25,897	-	-	-	-	75,902	1.50
Securities available-for-sale	-	10,202	169,083	319,266	460,976	229,416	-	1,188,943	3.09
Securities held-to-maturity	-	-	-	56,170	25,316	-	-	81,486	5.24
Financing, advances and receivables	1,973,144	1,755,869	474,374	477,793	1,328,592	-	-	6,009,772	5.78
Musarakah capital investment	-	-	-	-	-	5,898	-	5,898	-
Other assets	-	-	-	-	-	682,673	-	682,673	-
TOTAL ASSETS	3,300,371	1,816,076	669,354	853,229	1,814,884	996,969	-	9,450,883	
LIABILITIES AND SHAREHOLDER'S EQUITY									
Deposits from customers	2,184,991	1,079,640	1,319,824	37,542	21,866	698,779	-	5,342,642	2.82
Deposits and placements of banks and other financial institutions	1,119,844	213,509	438,207	-	-	-	-	1,771,560	2.71
Subordinated Murabahah Tawarruq	-	-	415,577	-	-	-	-	415,577	3.62
Other liabilities	-	-	-	-	-	331,490	-	331,490	-
Total Liabilities	3,304,835	1,293,149	2,173,608	37,542	21,866	1,030,269	-	7,861,269	
Shareholder's equity	-	-	-	-	-	1,589,614	-	1,589,614	-
Total Liabilities and Shareholder's Equity	3,304,835	1,293,149	2,173,608	37,542	21,866	2,619,883	-	9,450,883	
On-balance sheet profit sensitivity gap	(4,464)	522,927	(1,504,254)	815,687	1,793,018	(1,622,914)	-	-	-
Off-balance sheet profit sensitivity gap	-	-	-	-	-	-	-	-	-
Total profit sensitivity gap	(4,464)	522,927	(1,504,254)	815,687	1,793,018	(1,622,914)	-	-	

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A22 FINANCIAL RISK MANAGEMENT (Cont'd.)

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

Bank	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				
30 Sep 2014	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000		
ASSETS									
Cash and short-term funds	1,477,570	-	-	-	-	38,264	-	1,515,834	3.21
Deposits and placements with banks and other financial institutions	-	158,465	51,479	-	-	-	-	209,944	0.63
Securities held-for-trading	-	-	-	-	-	-	-	-	-
Securities available-for-sale	26,346	16,407	32,827	351,008	453,534	188,868	-	1,068,990	2.75
Securities held-to-maturity	-	-	-	60,455	20,518	-	-	80,973	5.24
Financing, advances and receivables	1,732,595	2,736,604	202,549	533,551	1,247,966	-	-	6,453,264	5.57
Musyarakah capital investment	-	-	-	-	-	5,898	-	5,898	-
Other assets	-	-	-	-	-	647,582	-	647,582	-
TOTAL ASSETS	3,236,511	2,911,476	286,855	945,014	1,722,018	880,612	-	9,982,485	
LIABILITIES AND SHAREHOLDER'S EQUITY									
Deposits from customers	2,588,215	623,327	639,195	49,310	-	499,842	-	4,399,889	2.87
Deposits and placements of banks and other financial institutions	-	-	-	-	-	-	-	-	-
Subordinated Murabahah Tawarruq	1,749,351	1,038,385	369,920	-	-	-	-	3,157,655	2.98
Other liabilities	-	-	328,190	-	-	-	-	328,190	3.08
	-	-	-	-	-	430,202	-	430,202	-
Total Liabilities	4,337,566	1,661,712	1,337,305	49,310	-	930,044	-	8,315,936	
Shareholder's equity	-	-	-	-	-	1,666,549	-	1,666,549	-
Total Liabilities and Shareholder's Equity	4,337,566	1,661,712	1,337,305	49,310	-	2,596,593	-	9,982,485	
On-balance sheet profit sensitivity gap	(1,101,055)	1,249,764	(1,050,450)	895,704	1,722,018	(1,715,980)	-	-	-
Off-balance sheet profit sensitivity gap	-	-	-	-	-	-	-	-	-
Total profit sensitivity gap	(1,101,055)	1,249,764	(1,050,450)	895,704	1,722,018	(1,715,980)	-	-	

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A22 FINANCIAL RISK MANAGEMENT (Cont'd.)

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

Bank	Non-trading book						Trading book	Total	Effective profit rate
	Up to 1 month	>1 - 3 months	>3 - 12 months	>1 - 5 years	Over 5 years	Non-profit sensitive			
31 Dec 2013	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	%	
ASSETS									
Cash and short-term funds	1,354,068	-	-	-	-	77,807	-	1,431,875	2.72
Deposits and placements with banks and other financial institutions	-	50,005	25,898	-	-	-	-	75,902	1.50
Securities available-for-sale	-	10,202	169,083	260,755	460,976	189,593	-	1,090,609	3.03
Securities held-to-maturity	-	-	-	56,170	25,316	-	-	81,486	5.24
Financing, advances and receivables	1,973,144	1,755,869	474,374	477,793	1,328,592	-	-	6,009,772	5.78
Musarakah capital investment	-	-	-	-	-	5,898	-	5,898	-
Other assets	-	-	-	-	-	700,594	-	700,594	-
TOTAL ASSETS	3,327,212	1,816,076	669,354	794,718	1,814,884	973,892	-	9,396,136	
LIABILITIES AND SHAREHOLDER'S EQUITY									
Deposits from customers	2,184,991	1,079,640	1,319,824	37,542	-	698,780	-	5,320,777	2.82
Deposits and placements of banks and other financial institutions	1,102,021	213,509	438,207	-	-	-	-	1,753,737	2.70
Subordinated Murabahah Tawarruq	-	-	415,577	-	-	-	-	415,577	3.62
Other liabilities	-	-	-	-	-	330,648	-	330,648	-
Total Liabilities	3,287,012	1,293,149	2,173,608	37,542	-	1,029,428	-	7,820,739	
Shareholder's equity	-	-	-	-	-	1,575,397	-	1,575,397	-
Total Liabilities and Shareholder's Equity	3,287,012	1,293,149	2,173,608	37,542	-	2,604,825	-	9,396,136	
On-balance sheet profit sensitivity gap	40,200	522,927	(1,504,254)	757,176	1,814,884	(1,630,933)	-	-	-
Off-balance sheet profit sensitivity gap	-	-	-	-	-	-	-	-	-
Total profit sensitivity gap	40,200	522,927	(1,504,254)	757,176	1,814,884	(1,630,933)	-	-	

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

B1 Basis of Preparation of the Financial Statements

The unaudited condensed interim financial statements for the half year and six months ended 30 September 2014 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 2013. 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 2013.

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 2013, and modified for the adoption of the following accounting standards applicable for financial periods beginning on or after 1 January 2014:

Amendments to MFRS 132: Offsetting Financial Assets and Financial Liabilities
 Amendments to MFRS 10, MFRS 12 and MFRS 127: Investment Entities
 Amendments to MFRS 136: Recoverable Amount Disclosures for Non-Financial Assets
 Amendments to MFRS 139: Novation of Derivatives and Continuation of Hedge Accounting
 IC interpretation 21: Levies

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

FRSs, Amendments to FRSs and Interpretations	Effective for financial period beginning on or after
Amendment to MFRS 2 (Annual Improvements to MFRSs 2010-2012 Cycle)	1 July 2014
Amendment to MFRS 3 (Annual Improvements to MFRSs 2010-2012 Cycle)	1 July 2014
Amendment to MFRS 3 (Annual Improvements to MFRSs 2011-2013 Cycle)	1 July 2014
Amendment to MFRS 8 (Annual Improvements to MFRSs 2010-2012 Cycle)	1 July 2014
Amendment to MFRS 13 (Annual Improvements to MFRSs 2011-2013 Cycle)	1 July 2014
Amendment to MFRS 116 (Annual Improvements to MFRSs 2010-2012 Cycle)	1 July 2014
Defined Benefit Plans: Employee Contributions (Amendments to MFRS 119)	1 July 2014
Amendment to MFRS 124 (Annual Improvements to MFRSs 2010-2012 Cycle)	1 July 2014
Amendment to MFRS 140 (Annual Improvements to MFRSs 2011-2013 Cycle)	1 July 2014
Amendment to MFRS 138 (Annual Improvements to MFRSs 2010-2012 Cycle)	1 July 2014
Amendments to MFRS 119: Defined Benefit Plans: Employee Contribution	1 July 2014
Amendments to MFRS contained in the documents entitled " Annual Improvements 2010 - 2012 cycle"	1 July 2014
Amendments to MFRS contained in the documents entitled " Annual Improvements 2010 - 2013 cycle"	1 July 2014
MFRS 9 Financial Instruments (IFRS 9 issued by IASB in November 2009)	To be decided
MFRS 9 Financial Instruments (IFRS 9 issued by IASB in October 2010)	To be decided
MFRS 9 Financial Instruments (Hedge Accounting and amendments to MFRS 9, MFRS 7 and MFRS 139)	To be decided

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B3 Auditors' Report on Preceding Annual Financial Statements

The auditors' report on the audited financial statements for the financial year ended 31 December 2013 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 2014.

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 2014.

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 2014.

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 2014.

B8 Dividends Paid

There were no dividends paid during the nine-months ended 30 September 2014.

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

(i) Primary Segment - By Business Segment

Group	Treasury & Capital Markets	Corporate & Investment Banking	Commercial Banking	Others	Elimination	Total
30 Sep 2014	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
External revenue	55,596	134,445	51,586	100,146		341,773
Revenue from other segments	98,321	4,208	4,927	58,851	(166,306)	-
Total Revenue	153,917	138,653	56,513	158,997	(166,306)	341,773
Segment results	13,170	90,747	62,410	44,941		211,268
Unallocated expenses						(100,858)
Profit from operations						110,410
Taxation						(34,634)
Net profit for the year						75,776
Other information						
Segment assets	2,919,820	3,497,460	1,027,175	2,327,617	(164,156)	9,607,916
Unallocated corporate assets						451,796
Total assets						10,059,712
Segment liabilities	5,609,268	141,940	127,693	1,993,227	(144,724)	7,727,403
Unallocated corporate liabilities						646,388
Total liabilities						8,373,791
Other segment items						
Purchase of property and equipment	-	-	-	3,072	-	3,072
Purchase of intangible assets	-	-	-	712	-	712
Depreciation of property and equipment	-	-	-	8,283	-	8,283
Amortisation of intangible assets	-	-	-	6,042	-	6,042
Other non-cash expense other than depreciation	3,211	50,513	38,892	(16,287)		76,329

(ii) By Geographical Locations

Group	Operating Revenue RM'000	Profit Before Zakat and Taxation RM'000	Total Assets RM'000
30 Sep 2014			
Malaysia	340,974	110,244	10,059,067
Outside Malaysia	801	167	645
	341,775	110,411	10,059,712

The Group has funds management operations in Australia.

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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 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)	-
Total Revenue	134,713	114,837	47,212	194,262	(145,370)	345,654
Segment results	5,853	45,033	172,420	7,298	-	230,604
Unallocated expenses						(85,026)
Profit from operations						145,578
Zakat						(43,539)
Taxation						(43,539)
Net profit for the year						102,039
Other information						
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						8,709,812
Segment liabilities	3,484,628	218,966	102,598	2,771,667	(93,247)	6,484,612
Unallocated corporate liabilities						629,013
Total liabilities						7,113,625
Other segment items						
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
	345,654	145,578	8,709,812

The Group has funds management operations in Australia.

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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 2013.

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 2013.

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 2013 other than those as disclosed in note A18.

B14 Capital Commitments

The capital commitments not provided for in the interim financial statements as at 30 Sep 2014 are as follows:

Capital expenditure

Authorised and contracted for:

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

Authorised and not contracted for:

- purchase of IT hardware & software
- purchase of equipment

Group	Bank
RM'000	RM'000
856	856
3,295	3,292
8	8
4,158	4,156
-	-
2	2
2	2

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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
Chief Financial Officer

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