

# KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

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## Interim Report for the Period Ended 31 March 2015

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# KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

## INTERIM CONDENSED STATEMENTS OF FINANCIAL POSITION

	Note	Group		Bank	
		31 Mar 2015 RM'000	31 Dec 2014 RM'000	31 Mar 2015 RM'000	31 Dec 2014 RM'000
<b>ASSETS</b>					
Cash and short-term funds		1,027,822	1,526,907	1,027,822	1,526,002
Deposits and placements with banks and other financial institutions	A3	126,340	52,964	149,979	78,266
Securities held-for-trading	A4	-	17,483	-	17,483
Hedging financial instruments	A7	11,538	11,361	11,538	11,361
Securities available-for-sale	A4	1,268,475	1,395,879	1,176,412	1,271,419
Securities held-to-maturity	A4	80,955	81,494	80,955	81,494
Financing, advances and other receivables	A5	6,706,118	6,703,522	6,706,118	6,703,522
Other assets	A6	222,416	221,216	221,477	220,277
Statutory deposits with Bank Negara Malaysia		232,800	222,200	232,800	222,200
Musyarakah capital investment	A8	5,898	5,898	5,898	5,898
Investment in subsidiaries		0	0	19,432	19,432
Property and equipment		24,364	26,900	24,102	26,596
Intangible assets		7,380	7,660	6,804	7,049
Deferred tax assets		191,424	198,097	191,424	198,028
		<b>9,905,530</b>	<b>10,471,581</b>	<b>9,854,761</b>	<b>10,389,027</b>
<b>LIABILITIES</b>					
Deposits from customers	A9	3,893,242	4,060,371	3,812,911	3,963,543
Deposits and placements of banks and other financial institutions	A10	3,736,262	4,180,232	3,790,467	4,217,000
Hedging financial instruments	A7	726	147	726	147
Subordinated Murabahah Tawarruq	A12	370,544	352,627	370,544	352,627
Other liabilities	A11	179,540	172,096	178,880	171,173
		<b>8,180,314</b>	<b>8,765,473</b>	<b>8,153,528</b>	<b>8,704,491</b>
<b>SHAREHOLDER'S EQUITY</b>					
Share capital	A13	1,425,272	1,425,272	1,425,272	1,425,272
Reserves		299,944	280,836	275,961	259,264
		<b>1,725,216</b>	<b>1,706,108</b>	<b>1,701,233</b>	<b>1,684,536</b>
<b>TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY</b>					
		<b>9,905,530</b>	<b>10,471,581</b>	<b>9,854,761</b>	<b>10,389,027</b>
<b>COMMITMENTS AND CONTINGENCIES</b>					
	A18	<b>906,010</b>	<b>977,418</b>	<b>906,010</b>	<b>977,418</b>
<b>CAPITAL ADEQUACY</b>					
Core capital ratio	A19	<b>19.750%</b>	19.598%	<b>18.915%</b>	18.885%
Risk-weighted capital ratio	A19	<b>25.741%</b>	25.298%	<b>24.926%</b>	24.628%
<b>NET ASSETS PER SHARE (RM)</b>					
		<b>1.21</b>	1.20	<b>1.19</b>	1.18

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

# KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

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## INTERIM CONDENSED CONSOLIDATED INCOME STATEMENTS

<b>Group</b>	<b>Note</b>	<b>1st Quarter ended 31 Mar</b>		<b>Three-months ended 31 Mar</b>	
		<b>2015 RM'000</b>	<b>2014 RM'000</b>	<b>2015 RM'000</b>	<b>2014 RM'000</b>
<b>Continuing operations</b>					
Operating revenue		<b>120,458</b>	111,800	<b>120,458</b>	111,800
Income derived from investment of depositors' funds and others	A14	<b>98,234</b>	88,990	<b>98,234</b>	88,990
Income derived from investment of shareholder's equity	A15	<b>22,224</b>	22,810	<b>22,224</b>	22,810
Total gross income		<b>120,458</b>	111,800	<b>120,458</b>	111,800
Impairment write-back on financing	A16	<b>2,745</b>	41,249	<b>2,745</b>	41,249
Total distributable income		<b>123,203</b>	153,049	<b>123,203</b>	153,049
Income attributable to the depositors	A17	<b>(58,200)</b>	(43,607)	<b>(58,200)</b>	(43,607)
Total net income		<b>65,003</b>	109,442	<b>65,003</b>	109,442
Personnel expenses		<b>(21,547)</b>	(26,402)	<b>(21,547)</b>	(26,402)
Other overheads and expenditures		<b>(21,009)</b>	(26,152)	<b>(21,009)</b>	(26,152)
Finance cost		<b>(2,798)</b>	(3,782)	<b>(2,798)</b>	(3,782)
Profit before zakat and taxation		<b>19,649</b>	53,106	<b>19,649</b>	53,106
Taxation		<b>(6,369)</b>	(17,287)	<b>(6,369)</b>	(17,287)
Net profit for the period		<b>13,280</b>	35,819	<b>13,280</b>	35,819
Attributable to:					
Equity holders of the Bank		<b>13,280</b>	35,819	<b>13,280</b>	35,819
Earnings per share attributable to equity holders of the Bank					
- Basic/Diluted (sen)		<b>0.93</b>	2.51	<b>0.93</b>	2.51

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

# KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

## INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

<b>Group</b>	<b>1st Quarter ended 31 Mar</b>		<b>Three-months ended 31 Mar</b>	
	<b>2015 RM'000</b>	<b>2014 RM'000</b>	<b>2015 RM'000</b>	<b>2014 RM'000</b>
Net profit for the period	13,280	35,819	13,280	35,819
Other comprehensive (loss)/income:				
Securities available-for-sale:				
Net income/(loss) taken to equity	4,165	11,991	4,165	11,991
Reclassified to income	1,075	2	1,075	2
Exchange differences on translation of foreign operations:				
Net gain/(loss) taken to equity	1,898	(78)	1,898	(78)
Income tax relating to components of other comprehensive (loss)/income	(1,310)	(2,998)	(1,310)	(2,998)
Other comprehensive income/(loss) for the period, net of tax	5,828	8,917	5,828	8,917
Total comprehensive income for the period	<b>19,108</b>	44,736	<b>19,108</b>	44,736
Total comprehensive income for the period attributable to equity holders of the Bank	<b>19,108</b>	44,736	<b>19,108</b>	44,736

*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	1st Quarter ended 31 Mar		Three-months ended 31 Mar	
		2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
<b>Bank</b>					
<b>Continuing operations</b>					
Operating revenue		<b>118,519</b>	110,042	<b>118,519</b>	110,042
Income derived from investment of depositors' funds and others	A14	<b>97,765</b>	88,661	<b>97,765</b>	88,661
Income derived from investment of shareholder's equity	A15	<b>20,754</b>	21,381	<b>20,754</b>	21,381
Total gross income		<b>118,519</b>	110,042	<b>118,519</b>	110,042
Impairment write-back on financing	A16	<b>2,745</b>	41,249	<b>2,745</b>	41,249
Total distributable income		<b>121,264</b>	151,291	<b>121,264</b>	151,291
Income attributable to the depositors	A17	<b>(58,217)</b>	(43,594)	<b>(58,217)</b>	(43,594)
Total net income		<b>63,047</b>	107,697	<b>63,047</b>	107,697
Personnel expenses		<b>(20,554)</b>	(25,427)	<b>(20,554)</b>	(25,427)
Other overheads and expenditures		<b>(20,324)</b>	(25,358)	<b>(20,324)</b>	(25,358)
Finance cost		<b>(2,798)</b>	(3,782)	<b>(2,798)</b>	(3,782)
Profit before zakat and taxation		<b>19,369</b>	53,129	<b>19,369</b>	53,130
Taxation		<b>(6,295)</b>	(17,267)	<b>(6,295)</b>	(17,267)
Net profit for the period		<b>13,074</b>	35,862	<b>13,074</b>	35,863

*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

	1st Quarter ended 31 Mar		Three-months ended 31 Mar	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
<b>Bank</b>				
Net profit for the period	13,074	35,862	13,074	35,863
Other comprehensive income/(loss):				
Securities available-for-sale:				
Net income/(loss) taken to equity	3,732	10,807	3,732	10,807
Reclassified to income	1,096	2	1,096	2
Income tax relating to components of other comprehensive (loss)/income	(1,206)	(2,702)	(1,206)	(2,702)
Other comprehensive income/(loss) for the period, net of tax	3,622	8,107	3,622	8,107
Total comprehensive income for the period	<b>16,696</b>	43,970	<b>16,696</b>	43,970

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## INTERIM CONDENSED STATEMENTS OF CHANGES IN EQUITY

	Share Capital RM'000	Non-distributable			Distributable	Total Equity RM'000
		Statutory Reserve RM'000	Translation Reserve RM'000	Securities Available- for-sale RM'000	Retained Earnings RM'000	
<b>Group</b>						
<b>At 1 Jan 2015</b>	1,425,272	158,385	(2,951)	(5,340)	130,742	1,706,108
Total comprehensive income/(loss)	-	-	1,898	3,930	13,280	19,108
<b>At 31 Mar 2015</b>	<b>1,425,272</b>	<b>158,385</b>	<b>(1,053)</b>	<b>(1,410)</b>	<b>144,022</b>	<b>1,725,216</b>
<b>At 1 Jan 2014</b>	1,425,272	113,895	(5,088)	(26,871)	82,406	1,589,614
Total comprehensive (loss)/income	-	-	(78)	8,995	35,819	44,736
<b>At 31 Mar 2014</b>	<b>1,425,272</b>	<b>113,895</b>	<b>(5,166)</b>	<b>(17,876)</b>	<b>118,225</b>	<b>1,634,350</b>
<b>Bank</b>						
<b>At 1 Jan 2015</b>	1,425,272	158,385	-	(5,982)	106,862	1,684,537
Total comprehensive (loss)/income	-	-	-	3,622	13,074	16,696
<b>At 31 Mar 2015</b>	<b>1,425,272</b>	<b>158,385</b>	<b>-</b>	<b>(2,360)</b>	<b>119,936</b>	<b>1,701,233</b>
<b>At 1 Jan 2014</b>	1,425,272	113,895	-	(26,142)	62,372	1,575,397
Total comprehensive income	-	-	-	8,107	35,863	43,970
<b>At 31 Mar 2014</b>	<b>1,425,272</b>	<b>113,895</b>	<b>-</b>	<b>(18,035)</b>	<b>98,235</b>	<b>1,619,366</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	
	31 Mar 2015 RM'000	31 Mar 2014 RM'000	31 Mar 2015 RM'000	31 Mar 2014 RM'000
Profit before zakat and taxation	19,649	53,106	19,369	53,130
Adjustments for non-cash items	5,125	(31,670)	5,008	(31,725)
Operating profit before changes in working capital	24,774	21,436	24,377	21,405
<u>Changes in the working capital</u>				
Net changes in operating assets	(69,874)	33,889	(70,488)	5,670
Net changes in operating liabilities	(603,965)	(322,429)	(569,769)	(325,934)
Zakat and taxation paid	(20)	-	-	-
Net cash (used in)/generated from operating activities	(673,858)	(288,540)	(640,257)	(320,264)
Net cash (used in)/generated from investing activities	151,051	(2,148)	117,699	(2,548)
	151,051	(2,148)	117,699	(2,548)
Net change in cash and cash equivalents	(498,033)	(269,252)	(498,180)	(301,407)
Cash and cash equivalents at beginning of the period	1,526,907	1,406,209	1,526,002	1,431,875
Exchange differences on translation of opening balances	(1,053)	(5,166)	-	-
Cash and cash equivalents at end of the period	1,027,822	1,131,791	1,027,822	1,130,468

*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 RM19.6 million and RM19.4 million respectively for the period ended 31 March 2015.

### A2 Prospects for 2015

The Malaysian economy is expected to remain on a broadly steady growth at 4.5% - 5.5% in 2015. Domestic demand will continue to be the main driver of overall growth in 2015 with gross fixed investment is expected to expand during the year as more infrastructure projects get under way. The consumer price inflation is expected to average between 2.0% - 3.0% in 2015. A quickening in the pace of subsidy rationalisation will be one of the factors underpinning price rises in 2015, while another will be the implementation of the GST, although the impact of the new tax on overall price levels is likely to be modest. Given the sluggish nature of the current recovery in world trade growth, we expect Bank Negara Malaysia (BNM) to focus on supporting economic growth in 2015 as lower global oil prices help to prevent a rapid acceleration in consumer price inflation. We expect BNM to keep its main interest rate, the overnight policy rate (OPR) steady at 3.25% throughout 2015. The external sector will exert a drag on the rate of GDP growth in 2015, owing to rapid growth in imports of goods and services. However, this trend will be attributable entirely to a sustained increase in domestic demand and should therefore be regarded as a positive development.

For 2015, the Bank will further build its high quality assets and optimise its capital, to be the front runner in facilitating business linkages between Malaysia and Middle East, enhancing existing IT infrastructure, optimise its cost, introduce new products and human capital initiatives. The priorities for 2015 will cater for the banking needs of our customers. The Bank also expects to benefit from the strengthening of processes which is ongoing process and this will enhance the turnaround time.

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

	Group		Bank	
	31 Mar 2015 RM'000	31 Dec 2014 RM'000	31 Mar 2015 RM'000	31 Dec 2014 RM'000
Other financial institutions	126,340	52,964	149,979	78,266
	126,340	52,964	149,979	78,266

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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	
31 Mar 2015 RM'000	31 Dec 2014 RM'000	31 Mar 2015 RM'000	31 Dec 2014 RM'000
-	17,483	-	17,483

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

##### At fair value

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

Group		Bank	
31 Mar 2015 RM'000	31 Dec 2014 RM'000	31 Mar 2015 RM'000	31 Dec 2014 RM'000
552,269	638,747	512,637	565,093
558,432	604,320	523,686	572,029
74,720	70,558	74,720	70,558
<b>1,185,421</b>	<b>1,313,625</b>	<b>1,111,043</b>	<b>1,207,680</b>
36,100	36,100	36,100	36,100
17,685	18,515	-	-
29,269	27,639	29,269	27,639
<b>83,054</b>	<b>82,254</b>	<b>65,369</b>	<b>63,739</b>
<b>1,268,475</b>	<b>1,395,879</b>	<b>1,176,412</b>	<b>1,271,419</b>

##### At cost

Unquoted shares in Malaysia  
Unquoted property funds  
Collective Investment Scheme

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

##### At amortised cost

Unquoted Islamic private  
debt securities/sukuk

Group		Bank	
31 Mar 2015 RM'000	31 Dec 2014 RM'000	31 Mar 2015 RM'000	31 Dec 2014 RM'000
80,955	81,494	80,955	81,494

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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		Bank	
	31 Mar 2015 RM'000	31 Dec 2014 RM'000	31 Mar 2015 RM'000	31 Dec 2014 RM'000
Term financing				
- House financing	494,184	468,663	494,184	468,663
- Personal financing	1,364,949	1,378,094	1,364,949	1,378,094
- Leasing financing	130,552	130,791	130,552	130,791
- Syndicated financing	400,321	396,596	400,321	396,596
- Cashline	2,629	51	2,629	51
- Hire purchase receivables	355,706	322,243	355,706	322,243
- Other term financing	4,357,963	4,410,615	4,357,963	4,410,615
Staff financing	12,983	11,643	12,983	11,643
	7,119,287	7,118,696	7,119,287	7,118,696
Less: Impairment allowances on financing				
- Collective assessment	(148,332)	(148,032)	(148,332)	(148,032)
- Individual assessment	(264,837)	(267,142)	(264,837)	(267,142)
Net financing, advances and other receivables	6,706,118	6,703,522	6,706,118	6,703,522

#### ii) By contract

	Group		Bank	
	31 Mar 2015 RM'000	31 Dec 2014 RM'000	31 Mar 2015 RM'000	31 Dec 2014 RM'000
Ijarah Muntahia Bittamlik (lease ended with ownership)	1,751,838	1,698,017	1,751,838	1,698,017
Murabahah (cost-plus)	4,968,478	5,025,767	4,968,478	5,025,767
Mudharabah (profit sharing)	77,789	77,313	77,789	77,313
Musyarakah (profit and loss sharing)	318,696	314,876	318,696	314,876
Qard (benevolent financing)	936	1,157	936	1,157
Istisna'	1,550	1,566	1,550	1,566
	7,119,287	7,118,696	7,119,287	7,118,696

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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		Bank	
	31 Mar 2015 RM'000	31 Dec 2014 RM'000	31 Mar 2015 RM'000	31 Dec 2014 RM'000
Domestic business enterprises				
- Small medium enterprises	1,180,019	1,379,336	1,180,019	1,379,336
- Others	3,534,380	3,360,473	3,534,380	3,360,473
Individuals	2,215,844	2,112,654	2,215,844	2,112,654
Foreign entities	119,303	128,364	119,303	128,364
Domestic non-bank financial institutions	69,741	137,869	69,741	137,869
	<b>7,119,287</b>	<b>7,118,696</b>	<b>7,119,287</b>	<b>7,118,696</b>

#### (iv) By residual contractual maturity

	Group		Bank	
	31 Mar 2015 RM'000	31 Dec 2014 RM'000	31 Mar 2015 RM'000	31 Dec 2014 RM'000
Maturity within one year	4,307,782	4,363,325	4,307,782	4,363,325
More than one year to three years	37,295	49,628	37,295	49,628
More than three years to five years	303,884	305,351	303,884	305,351
More than five years	2,470,326	2,400,392	2,470,326	2,400,392
	<b>7,119,287</b>	<b>7,118,696</b>	<b>7,119,287</b>	<b>7,118,696</b>

#### (v) By geographical distribution

	Group		Bank	
	31 Mar 2015 RM'000	31 Dec 2014 RM'000	31 Mar 2015 RM'000	31 Dec 2014 RM'000
Malaysia	7,072,155	7,072,249	7,072,155	7,072,249
Middle East	7,162	7,251	7,162	7,251
Other countries	39,970	39,196	39,970	39,196
	<b>7,119,287</b>	<b>7,118,696</b>	<b>7,119,287</b>	<b>7,118,696</b>

#### vi) By profit rate sensitivity

	Group		Bank	
	31 Mar 2015 RM'000	31 Dec 2014 RM'000	31 Mar 2015 RM'000	31 Dec 2014 RM'000
Fixed rate				
- House financing	64,840	75,996	64,840	75,996
- Hire purchase receivables	355,706	326,025	355,706	326,025
- Syndicated financing	400,321	396,596	400,321	396,596
- Term financing	1,350,883	1,458,316	1,350,883	1,458,316
Variable rate				
- House financing	429,344	395,664	429,344	395,664
- Term financing	4,518,193	4,466,098	4,518,193	4,466,098
	<b>7,119,287</b>	<b>7,118,696</b>	<b>7,119,287</b>	<b>7,118,696</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		Bank	
	31 Mar 2015 RM'000	31 Dec 2014 RM'000	31 Mar 2015 RM'000	31 Dec 2014 RM'000
Construction	640,861	610,463	640,861	610,463
Electricity, gas and water	151,975	93,132	151,975	93,132
Finance, insurance and business services	263,184	369,789	263,184	369,789
Household	2,179,724	2,125,573	2,179,724	2,125,573
Manufacturing	980,106	1,032,532	980,106	1,032,532
Mining and quarrying	37,855	37,845	37,855	37,845
Agriculture, hunting, forestry & fishing	250,685	236,545	250,685	236,545
Real Estate	1,417,491	1,378,557	1,417,491	1,378,557
Transports, storage and communication	563,065	489,675	563,065	489,675
Wholesale & retail trade and restaurants & hotels	539,120	505,781	539,120	505,781
Others	95,221	238,804	95,221	238,804
	<b>7,119,287</b>	<b>7,118,696</b>	<b>7,119,287</b>	<b>7,118,696</b>

#### viii) By economic purpose

	Group		Bank	
	31 Mar 2015 RM'000	31 Dec 2014 RM'000	31 Mar 2015 RM'000	31 Dec 2014 RM'000
Merger and acquisition	219,515	229,321	219,515	229,321
Purchase of securities	30,931	30,349	30,931	30,349
Purchase of transport vehicles	366,191	333,113	366,191	333,113
Purchase of landed properties				
- residential	593,062	559,194	593,062	559,194
- non-residential	612,162	575,251	612,162	575,251
Purchase of fixed assets	234,870	241,335	234,870	241,335
Working capital	2,587,162	2,631,284	2,587,162	2,631,284
Construction	577,630	592,010	577,630	592,010
Personal use	1,358,770	1,369,611	1,358,770	1,369,611
Other purposes	538,994	557,229	538,994	557,229
	<b>7,119,287</b>	<b>7,118,696</b>	<b>7,119,287</b>	<b>7,118,696</b>

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(Incorporated in Malaysia)

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

#### (ix) Financing by types and Shariah contract

	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
<b>31 Mar 2015</b>	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
House financing	459,212	99	-	33,323	-	1,550	494,184
Personal financing	-	1,364,466	-	-	483	-	1,364,949
Leasing financing	52,000	44,468	34,084	-	-	-	130,552
Syndicated financing	67,085	333,236	-	-	-	-	400,321
Cashline financing	-	2,629	-	-	-	-	2,629
Hire purchase receivables	303,102	-	-	52,604	-	-	355,706
Other term financing	860,090	3,222,133	43,705	232,035	0	-	4,357,963
Staff financing	10,349	1,447	-	734	453	-	12,983
	<b>1,751,838</b>	<b>4,968,478</b>	<b>77,789</b>	<b>318,696</b>	<b>936</b>	<b>1,550</b>	<b>7,119,287</b>
	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
<b>31 Dec 2014</b>	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
House financing	433,097	100	-	33,901	-	1,566	468,663
Personal financing	-	1,377,684	-	-	410	-	1,378,094
Leasing financing	51,688	45,495	33,608	-	-	-	130,791
Syndicated financing	66,154	330,442	-	-	-	-	396,596
Overdraft financing	-	51	-	-	-	-	51
Hire purchase receivables	272,568	-	-	49,675	-	-	322,243
Other term financing	865,814	3,270,584	43,705	230,512	-	-	4,410,615
Staff financing	8,697	1,411	-	788	747	-	11,643
	<b>1,698,017</b>	<b>5,025,767</b>	<b>77,313</b>	<b>314,876</b>	<b>1,157</b>	<b>1,566</b>	<b>7,118,696</b>

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

#### x) Purpose and Source of Qard financing

As at 1 January  
 Source of Qard fund:  
 - Depositors' Fund  
 - Shareholders' Fund

Uses of Qard fund:  
 - Financing for asset purchase  
 - Staff Benevolent

Closing balance

Group and Bank	
31 Mar 2015 RM'000	31 Dec 2014 RM'000
1,157	805
423	621
319	504
104	117
(644)	(269)
(486)	(218)
(158)	(51)
936	1,157

#### xi) 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  
 At 31 December

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

Group and Bank	
31 Mar 2015 RM'000	31 Dec 2014 RM'000
526,625	690,626
18,778	(164,001)
30,379	180,757
(628)	(107,476)
(10,973)	(132,130)
-	(105,151)
545,403	526,625
4.09%	3.79%

#### 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	
31 Mar 2015 RM'000	31 Dec 2014 RM'000
148,032	190,926
300	(42,894)
148,332	148,032
2.16%	2.16%

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

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

##### Individual impairment

At 1 Jan

Allowance (reversed)/charged during the year

- Allowance made

- Allowance written-back

Amount written off

Closing balance

Group and Bank	
31 Mar 2015 RM'000	31 Dec 2014 RM'000
267,142	316,077
(2,305)	56,217
10,322	114,539
(12,627)	(58,322)
-	(105,152)
<b>264,837</b>	<b>267,142</b>

#### xii) Impaired financing by sector

Agriculture, hunting, forestry and fishing

Electricity, gas and water

Finance, insurance and business services

Household

Manufacturing

Real Estate

Transport, storage and communication

Wholesale & retail trade and restaurants & hotels

Group and Bank	
31 Mar 2015 RM'000	31 Dec 2014 RM'000
12,021	-
79	79
29,518	34,796
30,549	26,055
316,607	313,902
29,869	27,946
90,425	87,512
36,335	36,335
<b>545,403</b>	<b>526,625</b>



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### A6 Other Assets

	Group		Bank	
	31 Mar 2015 RM'000	31 Dec 2014 RM'000	31 Mar 2015 RM'000	31 Dec 2014 RM'000
Deposits and prepayments	9,411	9,723	9,255	9,569
Amount due from subsidiaries	-	-	4	4
Amount due from other related parties	51,600	51,600	51,600	51,600
Fee receivable	-	119	-	119
Sundry debtors	917	952	125	146
Tax recoverable	(5)	(20)	-	-
Gold depository	160,493	158,838	160,493	158,838
	<b>222,416</b>	<b>221,216</b>	<b>221,477</b>	<b>220,277</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 31 Mar 2015</b>			
Forward foreign exchange related contracts	13,723	12	-
Ijarah rental swap related contracts	245,323	11,526	726
Total	<b>259,046</b>	<b>11,538</b>	<b>726</b>
<b>At 31 Dec 2014</b>			
Forward foreign exchange related contracts	13,868	12	22
Ijarah rental swap related contracts	241,906	11,349	125
Total	<b>255,774</b>	<b>11,361</b>	<b>147</b>

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### 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.

### A9 Deposits from Customers

#### (i) By type of deposit

	Group		Bank	
	31 Mar 2015 RM'000	31 Dec 2014 RM'000	31 Mar 2015 RM'000	31 Dec 2014 RM'000
Non Mudharabah				
- Demand deposits	470,850	501,170	420,628	432,717
- Gold deposits	160,345	158,748	160,345	158,748
- Wakalah deposits	407	10,766	-	10,382
- Savings deposits	55,580	-	55,580	-
Mudharabah				
- Savings deposits	-	56,192	-	56,192
- Investment Deposit	935	-	935	-
Murabahah	3,205,125	3,333,495	3,175,423	3,305,504
	<b>3,893,242</b>	<b>4,060,371</b>	<b>3,812,911</b>	<b>3,963,543</b>

#### (ii) By type of customer

	Group		Bank	
	31 Mar 2015 RM'000	31 Dec 2014 RM'000	31 Mar 2015 RM'000	31 Dec 2014 RM'000
Business enterprises	1,674,312	1,731,786	1,513,651	1,538,128
Individuals	355,884	387,940	355,884	387,940
Subsidiaries	-	-	80,330	96,829
Government and statutory bodies	1,185,376	1,443,160	1,185,376	1,443,160
Other enterprises	677,670	497,485	677,670	497,486
	<b>3,893,242</b>	<b>4,060,371</b>	<b>3,812,911</b>	<b>3,963,543</b>

#### (iii) By contractual maturity

	Group		Bank	
	31 Mar 2015 RM'000	31 Dec 2014 RM'000	31 Mar 2015 RM'000	31 Dec 2014 RM'000
Due within six months	3,058,017	3,509,764	2,977,686	3,412,935
More than six months to one year	572,726	381,615	572,726	381,615
More than one year to three years	262,499	168,992	262,499	168,993
	<b>3,893,242</b>	<b>4,060,371</b>	<b>3,812,911</b>	<b>3,963,543</b>

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

	Group		Bank	
	31 Mar 2015 RM'000	31 Dec 2014 RM'000	31 Mar 2015 RM'000	31 Dec 2014 RM'000
<u>Murabahah</u>				
Licensed Islamic banks	191,942	223,336	191,942	223,336
Licensed investment banks	60,000	-	60,000	-
Other financial institutions	3,459,654	3,923,807	3,538,525	3,993,665
<u>Wakalah</u>				
Other financial institutions	24,666	33,089	-	-
	<b>3,736,262</b>	<b>4,180,232</b>	<b>3,790,467</b>	<b>4,217,000</b>

### A11 Other Liabilities

	Group		Bank	
	31 Mar 2015 RM'000	31 Dec 2014 RM'000	31 Mar 2015 RM'000	31 Dec 2014 RM'000
Sundry creditors	134,357	124,925	134,265	124,860
Accrued restoration cost	5,469	5,514	5,362	5,407
Undistributed charity funds	4,046	2,241	4,046	2,241
Other provisions and accruals	35,667	39,416	35,207	38,665
	<b>179,540</b>	<b>172,096</b>	<b>178,880</b>	<b>171,173</b>

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

(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:

Sources of charity funds:  
Undistributed charity funds as at 1 January  
Penalty charges on late payment  
Total sources of funds during the year

Uses of charity funds:  
Contribution to Baitulmal  
Compensation of late payment charges  
Contribution to non profit organisations  
Aid to needy family  
Total uses of funds during the year

Closing balance

Group and Bank	
31 Mar 2015 RM'000	31 Dec 2014 RM'000
2,241	1,259
2,018	2,046
4,259	3,305
(75)	-
-	(680)
(88)	(202)
(50)	(182)
(213)	(1,064)
4,046	2,241

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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 USD100,052,414 or equivalent RM370,544,116 (2014: USD100,829,862 or equivalent RM352,627,235) 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").

### A13 Share Capital

#### Authorised:

At 1 January/At closing balance

#### Issued and fully paid:

At 1 January

At 1 January/At closing balance

Number of ordinary shares at RM1.00 each		Amount	
31 Mar 2015 Units'000	31 Dec 2014 Units'000	31 Mar 2015 RM'000	31 Dec 2014 RM'000
<b>3,000,000</b>	3,000,000	<b>3,000,000</b>	3,000,000
<b>1,425,272</b>	1,425,272	<b>1,425,272</b>	1,425,272
<b>1,425,272</b>	1,425,272	<b>1,425,272</b>	1,425,272

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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

### 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

1st Quarter ended 31 Mar		Three-months ended 31 Mar	
2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
8	2,296	8	2,296
98,226	86,694	98,226	86,694
98,234	88,990	98,234	88,990
8	2,296	8	2,296
97,757	86,365	97,757	86,365
97,765	88,661	97,765	88,661

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

#### Group

Finance income from financing, advances and other receivables

Finance income from impaired financing

Securities

- 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

Foreign exchange gain

- Realised

Gain/(loss) on Ijarah rental swap obligation

1st Quarter ended 31 Mar		Three-months ended 31 Mar	
2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
7	1,918	7	1,918
-	12	-	12
1	183	1	183
-	21	-	21
-	104	-	104
8	2,238	8	2,238
-	(25)	-	(25)
8	2,213	8	2,213
-	58	-	58
-	25	-	25
8	2,296	8	2,296

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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

	1st Quarter ended 31 Mar		Three-months ended 31 Mar	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
<b>Bank</b>				
Finance income from financing, advances and other receivables	7	1,928	7	1,928
Finance income from impaired financing	-	11	-	11
Securities				
- Available-for-sale	1	174	1	174
- Held-to-maturity	-	22	-	22
Money at call and deposits with financial institutions	-	103	-	103
	<b>8</b>	2,238	<b>8</b>	2,238
Amortisation of premium less accretion of discounts	-	(25)	-	(25)
Total finance income and hibah	<b>8</b>	2,213	<b>8</b>	2,213
Foreign exchange gain				
- Realised	-	58	-	58
Gain/(loss) on Ijarah rental swap obligation	-	25	-	25
	<b>8</b>	2,296	<b>8</b>	2,296

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### A14 Income derived from Investment of Depositors' Funds and Others (cont'd.)

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

<b>Group</b>	1st Quarter ended 31 Mar		Three-months ended 31 Mar	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Finance income from financing, advances and other receivables	80,716	72,448	80,716	72,448
Finance income from impaired financing	302	416	302	416
Securities				
- Held-for-trading	69	17	69	17
- Available-for-sale	7,037	6,930	7,037	6,930
- Held-to-maturity	848	812	848	812
Money at call and deposits with financial institutions	5,534	3,820	5,534	3,820
	<b>94,506</b>	84,443	<b>94,506</b>	84,443
Amortisation of premium less accretion of discounts	46	(942)	46	(942)
Total finance income and hibah	<b>94,552</b>	83,501	<b>94,552</b>	83,501
Gain arising from sale of securities				
- Held-for-trading	336	-	336	-
- Available-for-sale	813	-	813	-
Foreign exchange gain				
- Realised	1,599	2,259	1,599	2,259
Gain/(loss) on Ijarah rental swap obligation	926	934	926	934
	<b>98,226</b>	86,694	<b>98,226</b>	86,694

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### A14 Income derived from Investment of Depositors' Funds and Others (cont'd.)

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

	1st Quarter ended 31 Mar		Three-months ended 31 Mar	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
<b>Bank</b>				
Finance income from financing, advances and other receivables	80,740	72,505	80,740	72,505
Finance income from impaired financing	302	417	302	417
Securities				
- Held-for-trading	69	17	69	17
- Available-for-sale	6,553	6,567	6,553	6,567
- Held-to-maturity	849	812	849	812
Money at call and deposits with financial institutions	5,536	3,804	5,536	3,804
	<b>94,049</b>	84,122	<b>94,049</b>	84,122
Amortisation of premium less accretion of discounts	46	(942)	46	(942)
Total finance income and hibah	<b>94,095</b>	83,180	<b>94,095</b>	83,180
Gain arising from sale of securities				
- Held-for-trading	337	-	337	-
- Available-for-sale	814	-	814	-
Foreign exchange gain				
- Realised	1,584	2,250	1,584	2,250
Gain/(loss) on Ijarah rental swap obligation	927	935	927	935
	<b>97,757</b>	86,365	<b>97,757</b>	86,365



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### A15 Income derived from Investment of Shareholder's Equity

	1st Quarter ended 31 Mar		Three-months ended 31 Mar	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
<b>Group</b>				
Finance income from financing, advances and other receivables	17,631	17,930	17,631	17,930
Finance income from impaired financing	66	103	66	103
Securities				
- Held-for-trading	15	4	15	4
- Available-for-sale	1,532	1,716	1,532	1,716
- Held-to-maturity	185	201	185	201
Money at call and deposits with financial institutions	1,208	943	1,208	943
	<b>20,638</b>	20,897	<b>20,638</b>	20,897
Amortisation of premium less accretion of discounts	11	(233)	11	(233)
Total finance income and hibah	<b>20,649</b>	20,664	<b>20,649</b>	20,664
Fee income				
- Commission	629	1,010	629	1,010
- Other fee income	779	1,276	779	1,276
- Fund management fee	1,076	647	1,076	647
- Compensation of late payment charges	-	680	-	680
Gain arising from sale of securities				
- Held-for-trading	74	-	74	-
- Available-for-sale	181	-	181	-
Unrealised (loss)/gain on revaluation of securities held-for-trading and Ijarah rental swap (net)	(1,099)	(1,260)	(1,099)	(1,260)
Foreign exchange gain/(loss)				
- Realised	339	564	339	564
- Unrealised	(1,108)	(1,430)	(1,108)	(1,430)
Gain/(Loss) on disposal of property, plant and equipment	(12)	11	(12)	11
Management fee	58	-	58	-
Gain/(loss) on Ijarah rental swap obligation	202	231	202	231
Other income	455	84	455	84
Gross dividend from property funds	-	332	-	332
	<b>22,224</b>	22,810	<b>22,224</b>	22,810

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

	1st Quarter ended 31 Mar		Three-months ended 31 Mar	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
<b>Bank</b>				
Finance income from financing, advances and other receivables	17,607	17,864	17,607	17,864
Finance income from impaired financing	66	103	66	103
Securities				
- Held-for-trading	15	4	15	4
- Available-for-sale	1,425	1,618	1,425	1,618
- Held-to-maturity	185	200	185	200
Money at call and deposits with financial institutions	1,206	935	1,206	935
	<b>20,504</b>	20,724	<b>20,504</b>	20,724
Amortisation of premium less accretion of discounts	11	(232)	11	(232)
Total finance income and hibah	<b>20,515</b>	20,492	<b>20,515</b>	20,492
Fee income				
- Commission	733	1,011	733	1,011
- Other fee income	775	1,949	775	1,949
Gain arising from sale of securities				
- Held-for-trading	74	-	74	-
- Available-for-sale	180	-	180	-
Unrealised (loss)/gain on revaluation of securities held-for-trading and Ijarah rental swap (net)	<b>(1,099)</b>	(1,260)	<b>(1,099)</b>	(1,260)
Foreign exchange gain/(loss)				
- Realised	336	558	336	558
- Unrealised	<b>(1,104)</b>	(1,423)	<b>(1,104)</b>	(1,423)
(Loss)/gain on disposal of property, plant and equipment	-	11	-	11
Management fee	142	(186)	142	(186)
Gain/(loss) on Ijarah rental swap obligation	202	230	202	230
	<b>20,754</b>	21,381	<b>20,754</b>	21,381

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### A16 Impairment and Allowance on Financing, Advances and Other Receivables

	1st Quarter ended 31 Mar		Three-months ended 31 Mar	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
<b>Group</b>				
Impairment and allowance on financing				
- Collective impairment (net)	300	10,000	300	10,000
- Individual write-back (net)	(2,305)	(4,368)	(2,305)	(4,368)
<i>Allowance charge during the period</i>	10,322	4,330	10,322	4,330
<i>Allowance written-back during the period</i>	(12,627)	(8,698)	(12,627)	(8,698)
- Bad debt recovered on financing	(740)	(46,882)	(740)	(46,881)
	<b>(2,745)</b>	<b>(41,249)</b>	<b>(2,745)</b>	<b>(41,249)</b>
<b>Bank</b>				
Impairment and allowance on financing				
- Collective impairment (net)	300	10,000	300	10,000
- Individual write-back (net)	(2,305)	(4,368)	(2,305)	(4,368)
<i>Allowance charge during the period</i>	10,322	4,330	10,322	4,330
<i>Allowance written-back during the period</i>	(12,627)	(8,698)	(12,627)	(8,698)
- Bad debt recovered on financing	(740)	(46,881)	(740)	(46,881)
	<b>(2,745)</b>	<b>(41,249)</b>	<b>(2,745)</b>	<b>(41,249)</b>

### A17 Income Attributable to the Depositors

	1st Quarter ended 31 Mar		Three-months ended 31 Mar	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
<b>Group</b>				
Deposits from customers				
- Mudharabah	478	1,590	478	1,590
- Murabahah	27,781	22,291	27,781	22,291
- Wakalah	15	7,933	15	7,933
- Negotiable Instrument Deposit	-	1,153	-	1,153
Deposits and placements of banks and other financial institutions				
- Murabahah and Wakalah	29,837	10,516	29,837	10,516
Others	89	124	89	124
	<b>58,200</b>	<b>43,607</b>	<b>58,200</b>	<b>43,607</b>
<b>Bank</b>				
Deposits from customers				
- Mudharabah	478	1,590	478	1,590
- Murabahah	27,723	22,291	27,723	22,291
- Wakalah	-	7,741	-	7,741
- Negotiable Instrument Deposit	-	1,153	-	1,153
Deposits and placements of banks and other financial institutions				
- Murabahah and Wakalah	29,927	10,695	29,927	10,695
Others	89	124	89	124
	<b>58,217</b>	<b>43,594</b>	<b>58,217</b>	<b>43,594</b>

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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 31 Mar 2015			As at 31 Dec 2014		
	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	107,794	107,794	96,862	104,544	104,544	94,303
Transaction related contingencies	88,290	44,145	33,418	116,969	58,484	32,340
Trade related contingencies	9,425	1,885	1,885	10,892	2,178	2,178
Irrevocable commitments to extend credit						
- maturity less than one year	288,413	57,683	47,938	371,642	74,328	56,641
- maturity more than one year	153,042	76,521	72,005	117,597	58,798	55,345
Foreign exchange related contracts *						
- less than one year	13,723	218	124	13,868	13	4
Profit rate related contracts (Ijarah rental swap obligation) *						
- five years and above	245,323	18,736	15,793	241,906	18,477	15,574
	<b>906,010</b>	<b>306,982</b>	<b>268,024</b>	<b>977,418</b>	<b>316,822</b>	<b>256,385</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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**A19 Capital Adequacy**

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

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

In addition, the Bank has also provided detailed Capital Adequacy disclosures as per the requirements stipulated in Bank Negara Malaysia CAFIB - Disclosures Requirements (Pillar 3) guidelines.

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

	<b>Group</b>		<b>Bank</b>	
	<b>31 Mar 2015</b>	<b>31 Dec 2014</b>	<b>31 Mar 2015</b>	<b>31 Dec 2014</b>
<b>Core capital ratio</b>				
Credit risk	<b>21.335%</b>	21.191%	<b>20.393%</b>	20.389%
Credit, market, operational and large exposure risks	<b>19.750%</b>	19.598%	<b>18.915%</b>	18.885%
<b>Risk-weighted capital ratio</b>				
Credit risk	<b>27.806%</b>	27.356%	<b>26.874%</b>	26.590%
Credit, market, operational and large exposure risks	<b>25.741%</b>	25.298%	<b>24.926%</b>	24.628%

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### A19 Capital Adequacy (Cont' d.)

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

	Group		Bank	
	31 Mar 2015 RM'000	31 Dec 2014 RM'000	31 Mar 2015 RM'000	31 Dec 2014 RM'000
<b><u>Tier I capital</u></b>				
Paid-up share capital	1,425,272	1,425,272	1,425,272	1,425,272
Statutory reserve	158,385	158,385	158,385	158,385
Other reserves	127,683	122,450	104,502	100,879
	<b>1,711,340</b>	1,706,107	<b>1,688,159</b>	1,684,536
Less: Investment in subsidiaries	(198,097)	(198,080)	(198,028)	(198,028)
Less: Deferred tax assets (net)		-	(46,193)	(46,193)
<b>Total Tier I capital</b>	<b>1,513,243</b>	1,508,027	<b>1,443,938</b>	1,440,315
<b><u>Tier II capital</u></b>				
Subordinated Murabahah Tawarruq	370,350	349,725	370,350	349,725
Collective impairment on financing	88,660	88,954	88,506	88,301
<b>Total Tier II capital</b>	<b>459,010</b>	438,679	<b>458,856</b>	438,026
Less: Investment in subsidiaries	-	-	-	-
<b>Capital base</b>	<b>1,972,253</b>	1,946,706	<b>1,902,794</b>	1,878,341

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

	Group		Bank	
	31 Mar 2015 RM'000	31 Dec 2014 RM'000	31 Mar 2015 RM'000	31 Dec 2014 RM'000
<b>Computation of Total Risk-Weighted Assets (RWA)</b>				
Total Credit RWA	7,092,820	7,116,278	7,080,488	7,064,119
Total Market RWA	47,730	48,843	47,730	48,843
Total Operational RWA	501,406	509,794	485,374	493,770
Large Exposure Risk RWA for Equity Holdings	20,048	20,048	20,048	20,048
<b>Total Risk-Weighted Assets</b>	<b>7,662,005</b>	7,694,963	<b>7,633,640</b>	7,626,780
<b>Computation of Capital Ratios</b>				
Core Capital	1,513,243	1,508,027	1,443,938	1,440,315
Capital Base	1,972,253	1,946,706	1,902,794	1,878,341
<b>Core Capital Ratio</b>	<b>19.750%</b>	19.598%	<b>18.915%</b>	18.885%
<b>Risk-Weighted Capital Ratio</b>	<b>25.741%</b>	25.298%	<b>24.926%</b>	24.628%

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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.

Group	Level 2	Level 3	Total
	RM'000	RM'000	RM'000
<b>31 Mar 2015</b>			
<b>Financial assets</b>			
Securities available-for-sale	1,185,421	-	1,185,421
Securities held-to-maturity	81,200	-	81,200
Financing, advances and other receivables	776,290	5,927,600	6,703,890
Hedging financial instruments	11,538	-	11,538
<b>Total</b>	<b>2,054,449</b>	<b>5,927,600</b>	<b>7,982,049</b>
<b>Financial liability</b>			
Deposits from customers	3,879,048	-	3,879,048
Hedging financial instruments	726	-	726
Subordinated Murabahah Tawarruq	-	369,560	369,560
	<b>3,879,774</b>	<b>369,560</b>	<b>3,879,774</b>
<b>31 Dec 2014</b>			
<b>Financial assets</b>			
Securities held-for-trading	17,483	-	17,483
Securities available-for-sale	1,313,625	-	1,313,625
Securities held-to-maturity	81,255	-	81,255
Financing, advances and other receivables	723,271	5,977,665	6,700,936
Hedging financial instruments	11,361	-	11,361
<b>Total</b>	<b>2,146,995</b>	<b>5,977,665</b>	<b>8,124,660</b>
<b>Financial liability</b>			
Deposits from customers	4,031,404	-	4,031,404
Hedging financial instruments	147	-	147
Subordinated Murabahah Tawarruq	-	342,558	342,558
	<b>4,031,551</b>	<b>342,558</b>	<b>4,374,109</b>

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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	Level 3	Total
	RM'000	RM'000	RM'000
<b>Bank</b>			
<b>31 Mar 2015</b>			
<b>Financial assets</b>			
Securities available-for-sale	1,111,042	-	1,111,042
Securities held-to-maturity	81,200	-	81,200
Financing, advances and other receivables	776,290	5,927,600	6,703,890
Hedging financial instruments	11,538	-	11,538
<b>Total</b>	<b>1,980,070</b>	<b>5,927,600</b>	<b>7,907,670</b>
<b>Financial liability</b>			
Deposits from customers	3,798,476	-	3,798,476
Hedging financial instruments	726	-	726
Subordinated Murabahah Tawarruq	-	369,560	369,560
	<b>3,799,202</b>	<b>369,560</b>	<b>4,168,762</b>
<b>31 Dec 2014</b>			
<b>Financial assets</b>			
Securities held-for-trading	17,483	-	17,483
Securities available-for-sale	1,207,680	-	1,207,680
Securities held-to-maturity	81,255	-	81,255
Financing, advances and other receivables	723,271	5,977,665	6,700,936
Hedging financial instruments	11,361	-	11,361
<b>Total</b>	<b>2,041,050</b>	<b>5,977,665</b>	<b>8,018,715</b>
<b>Financial liability</b>			
Deposits from customers	3,949,559	-	3,949,559
Hedging financial instruments	200	-	147
Subordinated Murabahah Tawarruq	-	342,558	342,558
	<b>3,949,759</b>	<b>342,558</b>	<b>4,292,264</b>

#### Description of significant unobservable inputs to valuation:

	Valuation technique	Significant Unobservable inputs	Ranges Weighted average
Financing, advances and other receivables	DCF method	Profit rate	5.5 - 6.0%



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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			
		31 Mar 2015		31 Dec 2014	
		Carrying Value	Fair Value	Carrying Value	Fair Value
		RM'000	RM'000	RM'000	RM'000
<b>Financial Assets</b>					
	Securities held-to-maturity	80,955	81,200	81,494	81,255
	Financing, advances and other receivables	6,706,118	6,703,890	6,703,522	6,700,936
		<b>6,787,073</b>	<b>6,785,090</b>	6,785,016	6,782,191
<b>Financial Liabilities</b>					
	Deposits from customers	3,893,242	3,879,048	4,060,371	4,031,404
	Subordinated Murabahah Tawarruq	370,544	369,559	352,627	342,558
		<b>4,263,786</b>	<b>4,248,607</b>	4,412,998	4,373,962

		Bank			
		31 Mar 2015		31 Dec 2014	
		Carrying Value	Fair Value	Carrying Value	Fair Value
		RM'000	RM'000	RM'000	RM'000
<b>Financial Assets</b>					
	Securities held-to-maturity	80,955	81,200	81,494	81,255
	Financing, advances and other receivables	6,706,118	6,703,890	6,703,522	6,700,936
		<b>6,787,073</b>	<b>6,785,090</b>	6,785,016	6,782,191
<b>Financial Liabilities</b>					
	Deposits from customers	3,812,911	3,798,476	3,963,543	3,949,559
	Subordinated Murabahah Tawarruq	370,544	369,559	352,627	342,558
		<b>4,183,455</b>	<b>4,168,035</b>	4,316,170	4,292,117

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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.

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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	Non-trading book						Trading book	Total	Effective profit rate			
	Up to 1 month	>1 - 3 months	>3 - 12 months	>1 - 5 years	Over 5 years	Non-profit sensitive				RM'000	RM'000	%
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000				RM'000	RM'000	%
<b>31 Mar 2015</b>												
<b>ASSETS</b>												
Cash and short-term funds	964,385	-	-	-	-	63,437	-	1,027,822	3.16			
Deposits and placements with banks and other financial institutions	-	45,499	80,842	-	-	-	-	126,340	0.50			
Securities available-for-sale	44,489	115,563	-	402,318	649,481	56,624	-	1,268,475	2.60			
Securities held-to-maturity	-	-	-	80,955	-	-	-	80,955	5.21			
Financing, advances and receivables	1,861,970	2,735,220	696,839	130,548	1,281,541	-	-	6,706,118	5.43			
Musarakah capital investment	-	-	-	-	-	5,898	-	5,898				
Other assets	-	-	-	-	-	689,922	-	689,922				
<b>TOTAL ASSETS</b>	<b>2,870,844</b>	<b>2,896,281</b>	<b>777,680</b>	<b>613,821</b>	<b>1,931,022</b>	<b>815,881</b>	<b>-</b>	<b>9,905,530</b>				
<b>LIABILITIES AND SHAREHOLDER'S EQUITY</b>												
Deposits from customers	1,388,472	915,603	785,631	172,265	-	631,270	-	3,893,242	2.91			
Deposits and placements of banks and other financial institutions	1,925,365	1,432,593	378,305	-	-	-	-	3,736,262	3.30			
Subordinated Murabahah Tawarruq	-	-	370,544	-	-	-	-	370,544	3.08			
Other liabilities	-	-	-	-	-	180,266	-	180,266				
<b>Total Liabilities</b>	<b>3,313,837</b>	<b>2,348,196</b>	<b>1,534,480</b>	<b>172,265</b>	<b>-</b>	<b>811,536</b>	<b>-</b>	<b>8,180,314</b>				
Shareholder's equity	-	-	-	-	-	1,725,216	-	1,725,216				
<b>Total Liabilities and Shareholder's Equity</b>	<b>3,313,837</b>	<b>2,348,196</b>	<b>1,534,480</b>	<b>172,265</b>	<b>-</b>	<b>2,536,751</b>	<b>-</b>	<b>9,905,530</b>				
On-balance sheet profit sensitivity gap	(442,993)	548,085	(756,799)	441,556	1,931,022	(1,720,870)	-	-				
Off-balance sheet profit sensitivity gap	-	-	-	-	-	-	-	-				
<b>Total profit sensitivity gap</b>	<b>(442,993)</b>	<b>548,085</b>	<b>(756,799)</b>	<b>441,556</b>	<b>1,931,022</b>	<b>(1,720,870)</b>	<b>-</b>	<b>-</b>				

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### A22 FINANCIAL RISK MANAGEMENT (Cont'd.)

#### (d) 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 2014	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	%
<b>ASSETS</b>									
Cash and short-term funds	1,452,657	-	-	-	-	74,250	-	1,526,907	3.05
Deposits and placements with banks and other financial institutions	-	26,482	26,482	-	-	-	-	52,964	0.27
Securities held-for-trading	-	17,483	-	-	-	-	-	17,483	0.53
Securities available-for-sale	-	228,035	128,567	413,305	463,547	162,425	-	1,395,879	2.73
Securities held-to-maturity	-	-	-	81,494	-	-	-	81,494	5.24
Financing, advances and receivables	1,892,589	2,926,520	70,092	552,896	1,261,425	-	-	6,703,522	5.46
Musarakah capital investment	-	-	-	-	-	5,898	-	5,898	
Other assets	-	-	-	-	-	687,434	-	687,434	
<b>TOTAL ASSETS</b>	<b>3,345,246</b>	<b>3,198,520</b>	<b>225,141</b>	<b>1,047,695</b>	<b>1,724,972</b>	<b>930,007</b>	<b>-</b>	<b>10,471,581</b>	<b>-</b>
<b>LIABILITIES AND SHAREHOLDER'S EQUITY</b>									
Deposits from customers	1,542,684	942,850	749,028	165,891	-	659,918	-	4,060,371	2.91
Deposits and placements of banks and other financial institutions	2,749,529	942,371	488,332	-	-	-	-	4,180,232	3.42
Subordinated Murabahah Tawarruq	-	352,627	-	-	-	-	-	352,627	3.08
Other liabilities	-	-	-	-	-	172,243	-	172,243	
<b>Total Liabilities</b>	<b>4,292,213</b>	<b>2,237,848</b>	<b>1,237,360</b>	<b>165,891</b>	<b>-</b>	<b>832,161</b>	<b>-</b>	<b>8,765,473</b>	<b>-</b>
Shareholder's equity						1,706,108	-	1,706,108	
<b>Total Liabilities and Shareholder's Equity</b>	<b>4,292,213</b>	<b>2,237,848</b>	<b>1,237,360</b>	<b>165,891</b>	<b>-</b>	<b>2,538,269</b>	<b>-</b>	<b>10,471,581</b>	<b>-</b>
On-balance sheet profit sensitivity gap	(946,967)	960,672	(1,012,219)	881,804	1,724,972	(1,608,262)	-	-	
Off-balance sheet profit sensitivity gap	-	-	-	-	-	-	-	-	
<b>Total profit sensitivity gap</b>	<b>(946,967)</b>	<b>960,672</b>	<b>(1,012,219)</b>	<b>881,804</b>	<b>1,724,972</b>	<b>(1,608,262)</b>	<b>-</b>	<b>-</b>	<b>-</b>

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

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

**A22 FINANCIAL RISK MANAGEMENT (Cont'd.)**

**(d) 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				
<b>Bank</b>									
<b>31 Mar 2015</b>	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	%
<b>ASSETS</b>									
Cash and short-term funds	964,385	-	-	-	-	63,437	-	1,027,822	3.16
Deposits and placements with banks and other financial institutions	-	69,137	80,842	-	-	-	-	149,979	0.55
Securities available-for-sale	44,489	115,563	-	364,253	633,021	19,085	-	1,176,412	2.65
Securities held-to-maturity	-	-	-	80,955	-	-	-	80,955	5.21
Financing, advances and receivables	1,861,970	2,735,220	696,839	130,548	1,281,541	-	-	6,706,118	5.43
Musarakah capital investment	-	-	-	-	-	5,898	-	5,898	
Other assets	-	-	-	-	-	707,578	-	707,578	
<b>TOTAL ASSETS</b>	<b>2,870,844</b>	<b>2,919,920</b>	<b>777,680</b>	<b>575,756</b>	<b>1,914,562</b>	<b>795,999</b>	<b>-</b>	<b>9,854,761</b>	
<b>LIABILITIES AND SHAREHOLDER'S EQUITY</b>									
Deposits from customers	1,388,472	885,569	785,631	172,265	-	580,973	-	3,812,911	2.96
Deposits and placements of banks and other financial institutions	1,944,815	1,467,346	378,305	-	-	-	-	3,790,466	3.27
Subordinated Murabahah Tawarruq	-	-	370,544	-	-	-	-	370,544	3.08
Other liabilities	-	-	-	-	-	179,607	-	179,607	
<b>Total Liabilities</b>	<b>3,333,287</b>	<b>2,352,915</b>	<b>1,534,480</b>	<b>172,265</b>	<b>-</b>	<b>760,580</b>	<b>-</b>	<b>8,153,528</b>	
Shareholder's equity	-	-	-	-	-	1,701,233	-	1,701,233	
<b>Total Liabilities and Shareholder's Equity</b>	<b>3,333,287</b>	<b>2,352,915</b>	<b>1,534,480</b>	<b>172,265</b>	<b>-</b>	<b>2,461,813</b>	<b>-</b>	<b>9,854,761</b>	
On-balance sheet profit sensitivity gap	(462,443)	567,005	(756,799)	403,491	1,914,562	(1,665,814)	-	-	
Off-balance sheet profit sensitivity gap	-	-	-	-	-	-	-	-	
<b>Total profit sensitivity gap</b>	<b>(462,443)</b>	<b>567,005</b>	<b>(756,799)</b>	<b>403,491</b>	<b>1,914,562</b>	<b>(1,665,814)</b>	<b>-</b>	<b>-</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

### A22 FINANCIAL RISK MANAGEMENT (Cont'd.)

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

Bank 31 Dec 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	%
<b>ASSETS</b>									
Cash and short-term funds	1,452,657	-	-	-	-	73,345	-	1,526,002	3.05
Deposits and placements with banks and other financial institutions	-	51,783	26,483	-	-	-	-	78,266	0.44
Securities held-for-trading	-	17,483	-	-	-	-	-	17,483	0.53
Securities available-for-sale	-	193,031	100,214	370,716	463,547	143,911	-	1,271,419	2.81
Securities held-to-maturity	-	-	-	81,494	-	-	-	81,494	5.24
Financing, advances and receivables	1,892,589	2,926,520	70,092	552,896	1,261,425	-	-	6,703,522	5.46
Musarakah capital investment	-	-	-	-	-	5,898	-	5,898	
Other assets	-	-	-	-	-	704,943	-	704,943	
<b>TOTAL ASSETS</b>	<b>3,345,246</b>	<b>3,188,817</b>	<b>196,789</b>	<b>1,005,106</b>	<b>1,724,972</b>	<b>928,097</b>	<b>-</b>	<b>10,389,027</b>	
<b>LIABILITIES AND SHAREHOLDER'S EQUITY</b>									
Deposits from customers	1,542,684	942,850	720,653	165,891	-	591,465	-	3,963,543	2.98
Deposits and placements of banks and other financial institutions	2,753,305	947,372	516,323	-	-	-	-	4,217,000	3.40
Subordinated Murabahah Tawarruq	-	352,627	-	-	-	-	-	352,627	3.08
Other liabilities	-	-	-	-	-	171,320	-	171,320	
<b>Total Liabilities</b>	<b>4,295,989</b>	<b>2,242,849</b>	<b>1,236,976</b>	<b>165,891</b>	<b>-</b>	<b>762,785</b>	<b>-</b>	<b>8,704,490</b>	
Shareholder's equity	-	-	-	-	-	1,684,537	-	1,684,537	
<b>Total Liabilities and Shareholder's Equity</b>	<b>4,295,989</b>	<b>2,242,849</b>	<b>1,236,976</b>	<b>165,891</b>	<b>-</b>	<b>2,447,322</b>	<b>-</b>	<b>10,389,027</b>	
On-balance sheet profit sensitivity gap	(950,743)	945,968	(1,040,187)	839,215	1,724,972	(1,519,225)	-	-	
Off-balance sheet profit sensitivity gap	-	-	-	-	-	-	-	-	
<b>Total profit sensitivity gap</b>	<b>(950,743)</b>	<b>945,968</b>	<b>(1,040,187)</b>	<b>839,215</b>	<b>1,724,972</b>	<b>(1,519,225)</b>	<b>-</b>	<b>-</b>	

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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 three months ended 31 March 2015 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 2014. 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 2014.

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 2014, and modified for the adoption of the following accounting standards applicable for financial periods beginning on or after 1 January 2015:

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:

<b>FRSS, Amendments to FRSS and Interpretations</b>	<b>Effective for financial period beginning on or after</b>
MFRS 11: <i>Accounting for acquisitions in Joint Operations</i>	1 January 2016
Amendments to MFRS 127: <i>Equity Method in Separate Financial Statements</i>	1 January 2016
Amendments to MFRS 10 and MFRS 128: <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	1 January 2016
Amendments to MFRSS contained in the document entitled "Annual Improvements to MFRSS 2012–2014 Cycle"	1 January 2016
MFRS 14: <i>Regulatory Deferral Accounts</i>	1 January 2016
Amendments to MFRS 116 and MFRS 138: <i>Clarification of Acceptable Methods of Depreciation and Amortisation</i>	1 January 2016
Amendments to MFRS 116 and MFRS 141: <i>Agriculture: Bearer Plants</i>	1 January 2016
MFRS 15: <i>Revenue from Contracts with Customers</i>	1 January 2017
MFRS 9: <i>Financial Instruments</i> (IFRS 9 Financial Instruments as issued by IASB in July 2014)	1 January 2018



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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 2014 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 three-months ended 31 March 2015.

**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 three-months ended 31 March 2015.

**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 three-months ended 31 March 2015.

**B7 Debt and Equity Securities**

There were no issuances, cancellation, repurchases, resales or repayments of debt and equity securities during the three-months ended 31 March 2015.

**B8 Dividends Paid**

There were no dividends paid during the three-months ended 31 March 2015.

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

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

<b>Group</b>	<b>Treasury &amp; Capital Markets</b>	<b>Corporate &amp; Investment Banking</b>	<b>Commercial Banking</b>	<b>Others</b>	<b>Elimination</b>	<b>Total</b>
<b>31 Mar 2015</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
External revenue	21,555	46,025	19,649	33,229		120,458
Revenue from other segments	49,828	475	1,110	14,699	(66,111)	-
<b>Total Revenue</b>	<b>71,383</b>	<b>46,499</b>	<b>20,759</b>	<b>47,927</b>	<b>(66,111)</b>	<b>120,458</b>
Segment results	3,791	7,697	15,767	16,868	-	44,123
Unallocated expenses						(24,474)
<b>Profit from operations</b>						<b>19,649</b>
Taxation						(6,369)
<b>Net profit for the year</b>						<b>13,280</b>
<b>Other information</b>						
Segment assets	2,476,921	3,440,495	1,196,503	2,415,516	(136,603)	9,392,832
Unallocated corporate assets						512,698
Total assets						<b>9,905,530</b>
Segment liabilities	6,029,958	104,847	132,636	1,505,012	(117,171)	7,655,282
Unallocated corporate liabilities						525,032
Total liabilities						<b>8,180,314</b>
<b>Other segment items</b>						
Purchase of property and equipment	-	-	-	42	-	42
Purchase of intangible assets	-	-	-	729	-	729
Depreciation of property and equipment	-	-	-	2,413	-	2,413
Amortisation of intangible assets	-	-	-	1,009	-	1,009
Other non-cash expense other than depreciation	-	(2,245)	8,658	(3,668)	-	2,745

**(ii) By Geographical Locations**

<b>Group</b>	<b>Operating Revenue RM'000</b>	<b>Profit Before Zakat and Taxation RM'000</b>	<b>Total Assets RM'000</b>
<b>31 Mar 2015</b>			
Malaysia	120,475	20,038	9,904,758
Outside Malaysia	(17)	(389)	772
	<b>120,458</b>	<b>19,649</b>	<b>9,905,530</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**

<b>Group</b>	<b>Treasury &amp; Capital Markets</b>	<b>Corporate &amp; Investment Banking</b>	<b>Commercial Banking</b>	<b>Others</b>	<b>Elimination</b>	<b>Total</b>
<b>31 Mar 2014</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
External revenue	16,726	43,769	18,347	32,958	-	111,800
Revenue from other segments	26,961	1,382	2,088	19,749	(50,180)	-
<b>Total Revenue</b>	<b>43,687</b>	<b>45,151</b>	<b>20,435</b>	<b>52,707</b>	<b>(50,180)</b>	<b>111,800</b>
Segment results	1,926	66,244	11,946	6,976	-	87,092
Unallocated expenses						(33,986)
<b>Profit from operations</b>						<b>53,106</b>
Taxation						(17,287)
<b>Net profit for the year</b>						<b>35,819</b>
<b>Other information</b>						
Segment assets	2,606,381	3,318,918	848,545	2,286,581	(369,537)	8,690,888
Unallocated corporate assets						481,101
Total assets						<b>9,171,989</b>
Segment liabilities	4,498,471	273,270	237,707	2,223,158	(350,104)	6,882,502
Unallocated corporate liabilities						655,137
Total liabilities						<b>7,537,639</b>
<b>Other segment items</b>						
Purchase of property and equipment	-	-	-	59	-	59
Purchase of intangible assets	-	-	-	1,102	-	1,102
Depreciation of property and equipment	-	-	-	2,709	-	2,709
Amortisation of intangible assets	-	-	-	2,077	-	2,077
Other non-cash expense other than depreciation	-	51,314	1,916	(11,981)	-	41,249

**(ii) By Geographical Locations**

<b>Group</b>	<b>Operating Revenue RM'000</b>	<b>Profit/(loss) Before Zakat and Taxation RM'000</b>	<b>Total Assets RM'000</b>
<b>31 Mar 2014</b>			
Malaysia	111,534	53,042	9,170,565
Outside Malaysia	266	64	1,424
	<b>111,800</b>	<b>53,106</b>	<b>9,171,989</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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**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 2014.

**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 2014.

**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 2014 other than those as disclosed in note A18.

**B14 Capital Commitments**

The capital commitments not provided for in the interim financial statements as at 31 March 2015 are as follows:

Capital expenditure

Authorised and contracted for:

- renovation
- purchase of IT hardware & software

Authorised and not contracted for:

- purchase of IT hardware & software

Group	Bank
RM'000	RM'000
675	675
121	121
<b>796</b>	<b>796</b>
234	-
<b>234</b>	<b>-</b>


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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, Mr Ahmed S A A Alkharji, being the Chief Executive Officer and Managing Director 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.



Mr Ahmed S A A Alkharji  
Chief Executive Officer and Managing Director