

KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

Interim Report for the Period Ended 30 September 2015

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KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

INTERIM CONDENSED STATEMENTS OF FINANCIAL POSITION

Note	Group		Bank	
	30 Sep 2015 RM'000	31 Dec 2014 RM'000	30 Sep 2015 RM'000	31 Dec 2014 RM'000
ASSETS				
	1,344,397	1,526,907	1,344,397	1,526,002
Cash and short-term funds				
Deposits and placements with banks and other financial institutions	A3 108,349	52,964	137,713	78,266
Securities held-for-trading	A4 4,376	17,483	4,376	17,483
Hedging financial instruments	A7 11,870	11,361	11,870	11,361
Securities available-for-sale	A4 1,285,471	1,395,879	1,185,262	1,271,419
Securities held-to-maturity	A4 60,464	81,494	60,464	81,494
Financing, advances and other receivables	A5 6,813,275	6,703,522	6,813,275	6,703,522
Other assets	A6 231,691	221,216	230,986	220,277
Statutory deposits with Bank Negara Malaysia		222,200	225,000	222,200
Musyarakah capital investment	A8 5,898	5,898	5,898	5,898
Investment in subsidiaries	-	-	18,680	19,432
Property and equipment	20,369	26,900	20,122	26,596
Intangible assets	7,859	7,660	7,338	7,049
Deferred tax assets	196,420	198,097	196,420	198,028
	10,315,439	10,471,581	10,261,801	10,389,027
LIABILITIES				
Deposits from customers	A9 4,061,628	4,060,371	3,944,102	3,963,543
Deposits and placements of banks and other financial institutions	A10 3,992,401	4,180,232	4,088,264	4,217,000
Hedging financial instruments	A7 1,619	147	1,619	147
Subordinated Murabahah Tawarruq	A12 439,680	352,627	439,680	352,627
Other liabilities	A11 112,795	172,096	112,151	171,173
	8,608,123	8,765,473	8,585,816	8,704,490
SHAREHOLDER'S EQUITY				
Share capital	A13 1,425,272	1,425,272	1,425,272	1,425,272
Reserves	282,044	280,836	250,713	259,265
	1,707,316	1,706,108	1,675,985	1,684,537
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY				
	10,315,439	10,471,581	10,261,801	10,389,027
COMMITMENTS AND CONTINGENCIES				
	A18 996,245	977,418	996,245	977,418
CAPITAL ADEQUACY				
Common Equity Tier I/ Tier I Capital Ratio	A19 19.490%	19.598%	18.716%	18.885%
Total Capital Ratio	A19 26.333%	25.298%	25.561%	24.628%
NET ASSETS PER SHARE (RM)				
	1.20	1.20	1.18	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.

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INTERIM CONDENSED CONSOLIDATED INCOME STATEMENTS

Group	Note	3rd Quarter ended 30 Sep		Nine-months ended 30 Sep	
		2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Continuing operations					
Operating revenue		116,058	116,842	357,125	341,773
Income derived from investment of depositors' funds and others	A14	95,762	93,642	294,420	272,379
Income derived from investment of shareholder's equity	A15	20,296	23,200	62,705	69,394
Total gross income		116,058	116,842	357,125	341,773
Impairment loss on others		-	-	-	-
Impairment write-back/(loss) on securities		(276)	-	(1,325)	3,328
Impairment write-back on financing	A16	(47,869)	26,146	(43,060)	73,001
Total distributable income		67,913	142,988	312,740	418,102
Income attributable to the depositors	A17	(59,673)	(48,980)	(182,396)	(138,543)
Total net income		8,240	94,008	130,344	279,559
Personnel expenses		(21,649)	(26,407)	(64,390)	(79,376)
Other overheads and expenditures		(19,493)	(26,357)	(60,738)	(78,644)
Finance cost		(3,318)	(3,590)	(9,022)	(11,129)
Profit before zakat and taxation		(36,220)	37,654	(3,806)	110,410
Taxation		7,979	(12,064)	(2,110)	(34,634)
Net profit for the period		(28,241)	25,590	(5,916)	75,776
Attributable to:					
Equity holders of the Bank		(28,241)	25,590	(5,916)	75,776
Earnings per share attributable to equity holders of the Bank					
- Basic/Diluted (sen)		(1.98)	1.80	(0.42)	5.32

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 CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	3rd Quarter ended 30 Sep		Nine-months ended 30 Sep	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Group				
Net profit for the period	(28,241)	25,590	(5,916)	75,776
Other comprehensive income/(loss):				
Securities available-for-sale:				
Net income/(loss) taken to equity	6,107	577	8,212	102
Reclassified to income				
Income tax relating to components of other comprehensive (loss)/income	1,221	(950)	363	(6,810)
Other comprehensive income/(loss) for the period, net of tax	2,446	3,509	7,124	20,531
Total comprehensive income for the period	(25,795)	29,099	1,208	96,307
Total comprehensive income for the period attributable to equity holders of the Bank	(25,795)	29,099	1,208	96,307

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

	Note	3rd Quarter ended 30 Sep		Nine-months ended 30 Sep	
		2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Bank					
Continuing operations					
Operating revenue		114,142	114,571	351,040	335,417
Income derived from investment of depositors' funds and others	A14	95,415	93,243	293,361	271,355
Income derived from investment of shareholder's equity	A15	18,727	21,328	57,679	64,062
Total gross income		114,142	114,571	351,040	335,417
Impairment write-back/(loss) on securities		-	-	(1,049)	116
Impairment write-back on financing	A16	(47,869)	26,145	(43,060)	73,001
Total distributable income		66,273	140,716	306,931	408,534
Income attributable to the depositors	A17	(59,711)	(48,989)	(182,461)	(138,539)
Total net income		6,562	91,727	124,470	269,995
Personnel expenses		(20,947)	(25,484)	(62,154)	(76,436)
Other overheads and expenditures		(18,862)	(25,383)	(58,846)	(76,041)
Finance cost		(3,318)	(3,589)	(9,022)	(11,129)
Profit before zakat and taxation		(36,565)	37,271	(5,552)	106,389
Taxation		7,983	(12,046)	(2,095)	(34,575)
Net profit for the period		(28,582)	25,225	(7,647)	71,814

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	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Bank				
Net profit for the period	(28,582)	25,225	(7,647)	71,814
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	(4,729)	4,039	(2,867)	25,506
- Net realised (loss)/gain on securities available-for-sale reclassified to the income statement	-	245	1,659	277
Income tax relating to components of other comprehensive (loss)/income	1,182	(1,051)	303	(6,446)
Other comprehensive income/(loss) for the period, net of tax	(3,547)	3,233	(905)	19,337
Total comprehensive income for the period	(32,129)	28,458	(8,552)	91,151

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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 2015	1,425,272	158,385	(2,951)	(5,340)	130,742	1,706,108
Total comprehensive (loss)/income	-	-	8,212	(1,088)	(5,916)	1,208
At 30 Sep 2015	1,425,272	158,385	5,261	(6,428)	124,826	1,707,316
At 1 Jan 2014	1,425,272	113,895	(5,088)	(26,871)	82,406	1,589,614
Total comprehensive income/(loss)	-	-	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
Bank						
At 1 Jan 2015	1,425,272	158,385	-	(5,982)	106,862	1,684,537
Total comprehensive income	-	-	-	(905)	(7,647)	(8,552)
At 30 Sep 2015	1,425,272	158,385	-	(6,887)	99,215	1,675,985
At 1 Jan 2014	1,425,272	113,895	-	(26,142)	62,372	1,575,397
Total comprehensive (loss)/income	-	-	-	19,337	71,814	91,151
At 30 Sep 2014	1,425,272	113,895	-	(6,805)	134,186	1,666,548

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 2015 RM'000	30 Sep 2014 RM'000	30 Sep 2015 RM'000	30 Sep 2014 RM'000
Profit before zakat and taxation	(3,806)	110,410	(5,552)	106,389
Adjustments for non-cash items	77,888	(40,354)	73,230	(37,483)
Operating profit before changes in working capital	74,082	70,056	67,678	68,906
<u>Changes in the working capital</u>				
Net changes in operating assets	(229,247)	(479,227)	(228,624)	(503,637)
Net changes in operating liabilities	(172,262)	501,828	(135,897)	480,983
Zakat and taxation refund/(paid)	(20)	3,118	-	3,138
Net cash generated from operating activities	(401,529)	25,719	(364,521)	(19,516)
Net purchases of assets	139,676	19,898	115,238	34,569
Net cash used in investing activities	139,676	19,898	115,238	34,569
Net change in cash and cash equivalents	(187,770)	115,673	(181,605)	83,959
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	5,261	(4,985)	-	-
Cash and cash equivalents at end of the period	1,344,397	1,516,897	1,344,397	1,515,834

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 loss before zakat and taxation of RM3.8 million and RM5.6 million respectively for the period ended 30 September 2015.

A2 Prospects for 2015

The Malaysian economy is expected to remain on a broadly steady growth at 4.5% - 5.5% in 2015. In the 2Q 2015, the gross domestic product (GDP) rose 4.9%, after climbing 5.6% in the 1Q 2015, the least in almost two years after the introduction of Goods and Services Tax (GST). 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 implementation of the final year of the 10th Malaysian Plan (10MP) in 2015 and the start of the 11th Malaysian Plan (11MP) the following year will continue to support investment growth. The consumer price inflation is expected to average between 2.0% - 3.0% in 2015. Given the global economic growth is projected to improve at a moderate pace, 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. While global and domestic developments have continued to affect the ringgit exchange rate and domestic financial markets, overall domestic liquidity conditions remain stable. The financial system remains sound, with healthy growth in financing. Financial intermediation has therefore continued to support the economy. And we expect BNM to keep its main interest rate, the overnight policy rate (OPR) steady at 3.25% throughout 2015.

A3 Deposits and Placements with Banks and Other Financial Institutions

	Group		Bank	
	30 Sep 2015 RM'000	31 Dec 2014 RM'000	30 Sep 2015 RM'000	31 Dec 2014 RM'000
Other financial institutions	108,349	52,964	137,713	78,266
	108,349	52,964	137,713	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

	Group		Bank	
	30 Sep 2015 RM'000	31 Dec 2014 RM'000	30 Sep 2015 RM'000	31 Dec 2014 RM'000
At fair value				
Unquoted Islamic private debt securities/sukuk	4,376	17,483	4,376	17,483

ii) Securities Available-For-Sale

	Group		Bank	
	30 Sep 2015 RM'000	31 Dec 2014 RM'000	30 Sep 2015 RM'000	31 Dec 2014 RM'000
At fair value				
Unquoted securities				
- Islamic private debt securities/sukuks	581,972	638,747	534,143	565,093
- Government guaranteed sukuk	514,625	604,320	491,614	572,029
Mutual Fund	88,671	70,558	88,671	70,558
	1,185,268	1,313,625	1,114,428	1,207,680
At cost				
Unquoted shares in Malaysia	36,100	36,100	36,100	36,100
Property funds	29,368	18,515	-	-
Collective Investment Scheme	34,734	27,639	34,734	27,639
	100,202	82,254	70,834	63,739
	1,285,471	1,395,879	1,185,262	1,271,419

iii) Securities Held-To-Maturity

	Group		Bank	
	30 Sep 2015 RM'000	31 Dec 2014 RM'000	30 Sep 2015 RM'000	31 Dec 2014 RM'000
At amortised cost				
Unquoted Islamic private debt securities/sukuk	60,464	81,494	60,464	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 and Bank	
	30 Sep 2015 RM'000	31 Dec 2014 RM'000
Term financing		
- House financing	563,290	468,663
- Personal financing	1,320,878	1,378,094
- Leasing financing	121,736	130,791
- Cashline financing	5,988	51
- Syndicated financing	479,683	396,596
- Hire purchase receivables	369,947	322,243
- Other term financing	4,324,024	4,410,615
Staff financing	13,664	11,643
	7,199,210	7,118,696
Less: Impairment allowances on financing		
- Collective assessment	(121,212)	(148,032)
- Individual assessment	(264,723)	(267,142)
Net financing, advances and other receivables	6,813,275	6,703,522

ii) By contract

	Group and Bank	
	30 Sep 2015 RM'000	31 Dec 2014 RM'000
Ijarah Muntahia Bittamlik (lease ended with ownership)	1,838,097	1,698,017
Murabahah (cost-plus)	5,020,560	5,025,767
Mudharabah (profit sharing)	80,488	77,313
Qard (benevolent financing)	2,636	1,157
Musarakah (profit and loss sharing)	255,912	314,876
Istisna'	1,517	1,566
	7,199,210	7,118,696

iii) By type of customer

	Group and Bank	
	30 Sep 2015 RM'000	31 Dec 2014 RM'000
Domestic business enterprises		
- Small medium enterprises	1,217,829	1,379,336
- Others	3,443,209	3,360,473
Individuals	2,275,760	2,112,654
Foreign entities	62,547	128,364
Domestic non-bank financial institutions	199,865	137,869
	7,199,210	7,118,696

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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 2015 RM'000	31 Dec 2014 RM'000
4,364,318	4,363,325
34,355	49,628
334,974	305,351
2,465,563	2,400,392
7,199,210	7,118,696

(v) By geographical distribution

Malaysia
Middle East
Other countries

Group and Bank	
30 Sep 2015 RM'000	31 Dec 2014 RM'000
7,163,771	7,072,249
6,745	7,251
28,694	39,196
7,199,210	7,118,696

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 2015 RM'000	31 Dec 2014 RM'000
59,935	75,996
369,947	326,025
479,683	396,596
1,287,468	1,458,317
503,355	395,664
4,498,822	4,466,098
7,199,210	7,118,696

vii) By economic purpose

Merger and acquisition
Purchase of securities
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 2015 RM'000	31 Dec 2014 RM'000
200,427	229,321
22,110	30,349
380,049	333,113
656,944	559,194
531,980	575,251
217,014	241,335
2,898,849	2,631,284
466,740	592,010
1,317,213	1,369,611
507,884	557,228
7,199,210	7,118,696

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

viii) By sector

	Group and Bank	
	30 Sep 2015 RM'000	31 Dec 2014 RM'000
Construction	580,929	610,463
Electricity, gas and water	138,706	93,132
Finance, insurance and business services	403,729	369,789
Household	2,275,752	2,125,573
Manufacturing	946,612	1,032,532
Mining and quarrying	-	37,845
Agriculture, hunting, forestry & fishing	249,131	236,545
Real Estate	1,381,777	1,378,557
Transports, storage and communication	489,805	489,675
Wholesale & retail trade and restaurants & hotels	645,594	505,781
Others	87,175	238,804
	7,199,210	7,118,696

(ix) Financing by types and Shariah contract

	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
30 Sep 2015	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
House financing	529,754	97	-	31,922	-	1,517	563,290
Personal financing	-	1,319,169	-	-	1,709	-	1,320,878
Leasing financing	40,973	43,980	36,783	-	-	-	121,736
Syndicated financing	66,596	413,087	-	-	-	-	479,683
Cashline financing	-	5,988	-	-	-	-	5,988
Hire purchase receivables	362,885	-	-	7,062	-	-	369,947
Other term financing	826,701	3,237,068	43,705	216,550	-	-	4,324,024
Staff financing	11,188	1,171	-	377	927	-	13,664
	1,838,097	5,020,560	80,488	255,912	2,636	1,517	7,199,210

	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
31 Dec 2014	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
House financing	433,097	100	-	33,901	-	1,565	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
	1,698,018	5,025,767	77,313	314,876	1,157	1,565	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.)

x) Purpose and Source of Qard financing

	Group and Bank	
	30 Sep 2015 RM'000	31 Dec 2014 RM'000
As at 1 January	1,157	805
Source of Qard fund:	2,432	621
- Depositors' Fund	2,005	504
- Shareholders' Fund	427	117
Uses of Qard fund:	(953)	(269)
- Financing for asset purchase	(786)	(218)
- Staff Benevolent	(167)	(51)
Closing balance	2,636	1,157

xi) Movements in impaired financing, advances and other receivables

	Group and Bank	
	30 Sep 2015 RM'000	31 Dec 2014 RM'000
At 1 Jan	526,625	690,626
Impaired during the period/year	10,266	(164,001)
- Impaired during the period/year	169,450	180,757
- Reclassified to performing during the year	(6,155)	(107,477)
- Amount recovered	(75,844)	(132,130)
- Amount written off	(77,185)	(105,151)
Closing balance	536,891	526,625
Ratio of net impaired financing, advances and other receivables to gross financing, advances and other receivables less individual impairment	3.92%	3.79%

xii) Movements in impairment and allowance on financing

	Group and Bank	
	30 Sep 2015 RM'000	31 Dec 2014 RM'000
Collective impairment		
At 1 Jan	148,032	190,926
Allowance charged during the year	(26,820)	(42,894)
Closing balance	121,212	148,032
As % of total gross financing, advances and other receivables less individual impairment	1.75%	2.16%

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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 2015 RM'000	31 Dec 2014 RM'000
Individual impairment		
At 1 Jan	267,142	316,077
Allowance reversed during the year	74,766	56,217
- Allowance made	104,927	114,539
- Allowance written-back	(30,161)	(58,322)
Amount written off	(77,185)	(105,152)
Closing balance	264,723	267,142

xiii) Impaired financing by sector

	Group and Bank	
	30 Sep 2015 RM'000	31 Dec 2014 RM'000
Agriculture, hunting, forestry and fishing	12,021	-
Electricity, gas and water	79	79
Finance, insurance and business services	10,853	34,796
Household	25,774	26,055
Manufacturing	300,336	313,902
Real Estate	20,955	27,946
Transport, storage and communication	62,720	87,512
Wholesale & retail trade and restaurants & hotels	104,153	36,335
	536,891	526,625

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A6 Other Assets

	Group		Bank	
	30 Sep 2015 RM'000	31 Dec 2014 RM'000	30 Sep 2015 RM'000	31 Dec 2014 RM'000
Deposits and prepayments	10,484	9,723	10,349	9,569
Amount due from subsidiaries	-	-	4	4
Amount due from other related parties	51,561	51,600	51,561	51,600
Fee receivable	-	119	-	119
Sundry debtors	1,366	936	791	146
Gold depository	168,280	158,838	168,281	158,839
	231,691	221,216	230,986	220,277

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 2015			
Forward foreign exchange related contracts	24,067	466	433
Ijarah rental swap related contracts	264,762	11,404	1,186
Total	288,829	11,870	1,619
At 31 Dec 2014			
Forward foreign exchange related contracts	13,868	12	22
Ijarah rental swap related contracts	241,906	11,349	125
Total	255,774	11,361	147

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 2015 RM'000	31 Dec 2014 RM'000	30 Sep 2015 RM'000	31 Dec 2014 RM'000
Non Mudharabah				
- Demand deposits	457,305	501,170	375,511	432,717
- Gold deposits	168,205	158,748	168,205	158,748
- Wakalah deposits	484	10,766	-	10,382
Mudharabah				
- Savings deposits	49,099	56,192	49,099	56,192
- Investment deposits	3,313	-	3,313	-
Murabahah	3,383,222	3,333,495	3,347,975	3,305,504
	4,061,628	4,060,371	3,944,102	3,963,543

(ii) By type of customer

	Group		Bank	
	30 Sep 2015 RM'000	31 Dec 2014 RM'000	30 Sep 2015 RM'000	31 Dec 2014 RM'000
Business enterprises	1,632,274	1,731,786	1,437,882	1,610,185
Individuals	325,662	387,940	325,662	387,940
Subsidiaries	-	-	76,865	24,772
Government and statutory bodies	1,432,944	1,443,160	1,432,944	1,443,160
Other enterprises	670,748	497,486	670,748	497,486
	4,061,628	4,060,372	3,944,102	3,963,543

(iii) By contractual maturity

	Group		Bank	
	30 Sep 2015 RM'000	31 Dec 2014 RM'000	30 Sep 2015 RM'000	31 Dec 2014 RM'000
Due within six months	3,851,409	3,509,764	3,733,882	3,412,935
More than six months to one year	176,823	381,615	176,823	381,615
More than one year to three years	33,396	168,993	33,396	168,993
	4,061,628	4,060,372	3,944,102	3,963,543

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A10 Deposits and Placements of Banks and Other Financial Institutions

	Group		Bank	
	30 Sep 2015 RM'000	31 Dec 2014 RM'000	30 Sep 2015 RM'000	31 Dec 2014 RM'000
<u>Murabahah</u>				
Licensed Islamic banks	4,934	223,336	4,934	223,335
Other financial institutions	3,971,672	3,923,807	4,083,331	3,993,665
<u>Wakalah</u>				
Other financial institutions	15,795	33,089	-	-
	3,992,401	4,180,232	4,088,264	4,217,000

A11 Other Liabilities

	Group		Bank	
	30 Sep 2015 RM'000	31 Dec 2014 RM'000	30 Sep 2015 RM'000	31 Dec 2014 RM'000
Sundry creditors	64,408	124,925	64,355	124,860
Accrued restoration cost	5,471	5,514	5,364	5,407
Undistributed charity funds	5,052	2,241	5,052	2,241
Other provisions and accruals	37,864	39,416	37,380	38,665
	112,795	172,096	112,151	171,173

(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 2015 RM'000	31 Dec 2014 RM'000
Sources of charity funds:		
Undistributed charity funds as at 1 January	2,241	1,259
Penalty charges on late payment	3,365	2,046
Total sources of funds during the year	5,606	3,305
Uses of charity funds:		
Contribution to Baitulmal	(80)	-
Compensation of late payment charges	-	(680)
Contribution to non profit organisations	(406)	(202)
Aid to needy family	(67)	(182)
Total uses of funds during the year	(553)	(1,064)
Closing balance	5,052	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 USD100,040,903 or equivalent RM439,679,768 (31 Dec 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

	Number of ordinary shares at RM1.00 each		Amount	
	30 Sep 2015 Units'000	31 Dec 2014 Units'000	30 Sep 2015 RM'000	31 Dec 2014 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	1,425,272	1,425,272	1,425,272
At 1 January/At closing balance	1,425,272	1,425,272	1,425,272	1,425,272

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A14 Income derived from Investment of Depositors' Funds and Others

	3rd Quarter ended 30 Sep		Nine-months ended 30 Sep	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Group				
Income derived from investment of:				
- General investment deposits	-	523	9	3,886
- Other deposits	95,762	93,119	294,411	268,493
	95,762	93,642	294,420	272,379
Bank				
Income derived from investment of:				
- General investment deposits	-	527	9	3,893
- Other deposits	95,415	92,716	293,352	267,462
	95,415	93,243	293,361	271,355

(i) Income derived from investment of general investment deposits

	3rd Quarter ended 30 Sep		Nine-months ended 30 Sep	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Group				
Finance income from financing, advances and other receivables	-	432	7	3,237
Finance income from impaired financing	-	1	-	14
Securities				
- Available-for-sale	-	39	1	308
- Held-to-maturity	-	5	-	36
Money at call and deposits with financial institutions	-	35	1	199
	-	512	9	3,794
Amortisation of premium less accretion of discounts	-	(5)	-	(42)
Total finance income and hibah	-	507	9	3,752
Foreign exchange gain				
- Realised	-	11	-	93
Gain/(loss) on Ijarah rental swap obligation	-	5	-	41
	-	523	9	3,886

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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	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Bank				
Finance income from financing, advances and other receivables	-	436	7	3,256
Finance income from impaired financing	-	1	-	14
Securities				
- Available-for-sale	-	37	1	293
- Held-to-maturity	-	5	-	37
Money at call and deposits with financial institutions	-	36	1	200
	-	515	9	3,800
Amortisation of premium less accretion of discounts	-	(5)	-	(42)
Total finance income and hibah	-	510	9	3,758
Gain arising from sale of securities				
- Held-for-trading	-	1	-	1
Foreign exchange gain				
- Realised	-	11	-	93
Gain/(loss) on Ijarah rental swap obligation	-	5	-	41
	-	527	9	3,893

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

(ii) Income derived from investment of other deposits

Group	3rd Quarter ended 30 Sep		Nine-months ended 30 Sep	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Finance income from financing, advances and other receivables	77,406	76,651	237,714	222,732
Finance income from impaired financing	239	261	261	725
Securities				
- Held-for-trading	2	105	97	182
- Available-for-sale	7,706	6,775	21,931	20,850
- Held-to-maturity	717	854	2,432	2,504
Money at call and deposits with financial institutions	7,047	6,518	23,453	15,423
Amortisation of premium less accretion of discounts	93,117	91,164	285,888	262,416
Total finance income and hibah	(1,140)	(928)	(1,563)	(2,822)
	91,977	90,236	284,325	259,594
Gain arising from sale of securities				
- Held-for-trading	(28)	106	117	147
- Available-for-sale	728	-	1,541	-
Foreign exchange gain				
- Realised	2,102	1,889	5,607	6,014
Gain/(loss) on Ijarah rental swap obligation	983	888	2,821	2,738
	95,762	93,119	294,411	268,493

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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	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Bank				
Finance income from financing, advances and other receivables	77,516	76,653	238,025	222,854
Finance income from impaired financing	239	260	261	726
Securities				
- Held-for-trading	1	105	97	182
- Available-for-sale	7,274	6,392	20,585	19,742
- Held-to-maturity	719	854	2,436	2,505
Money at call and deposits with financial institutions	7,057	6,517	23,484	15,410
	92,806	90,781	284,888	261,419
Amortisation of premium less accretion of discounts	(1,142)	(928)	(1,565)	(2,823)
Total finance income and hibah	91,664	89,853	283,323	258,596
Gain arising from sale of securities				
- Held-for-trading	(28)	106	117	147
- Available-for-sale	729	-	1,543	-
Foreign exchange gain				
- Realised	2,065	1,869	5,544	5,979
Gain/(loss) on Ijarah rental swap obligation	985	888	2,825	2,740
	95,415	92,716	293,352	267,462

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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	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Finance income from financing, advances and other receivables	17,055	17,790	51,086	52,948
Finance income from impaired financing	54	60	68	179
Securities				
- Held-for-trading	-	24	21	42
- Available-for-sale	1,698	1,573	4,714	4,960
- Held-to-maturity	158	198	522	595
Money at call and deposits with financial institutions	1,549	1,510	4,976	3,639
	20,514	21,155	61,387	62,363
Amortisation of premium less accretion of discounts	(251)	(215)	(339)	(671)
Total finance income and hibah	20,263	20,940	61,048	61,692
Fee income				
- Commission	464	551	1,760	2,687
- Other fee income	1,686	1,390	3,307	5,232
- Fund management fee	769	1,152	3,081	3,104
Gain arising from sale of securities				
- Held-for-trading	(6)	25	26	34
- Available-for-sale	158	-	339	-
Unrealised (loss)/gain on revaluation of securities held-for-trading and Ijarah rental swap (net)	(1,079)	(1,002)	(3,383)	(3,582)
Foreign exchange gain/(loss)				
- Realised	474	480	1,208	1,483
- Unrealised	(3,344)	(1,058)	(7,153)	(3,323)
Gain on disposal of property, plant and equipment	-	-	-	11
Management fee	39	39	174	134
Gain/(loss) on Ijarah rental swap obligation	217	206	607	652
Other income	655	162	1,691	294
Gross dividend from property funds	-	315	-	976
	20,296	23,200	62,705	69,394

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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	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Bank				
Finance income from financing, advances and other receivables	16,945	17,784	50,775	52,807
Finance income from impaired financing	54	60	68	179
Securities				
- Held-for-trading	-	24	21	42
- Available-for-sale	1,591	1,483	4,392	4,681
- Held-to-maturity	157	198	519	594
Money at call and deposits with financial institutions	1,539	1,510	4,945	3,626
	20,286	21,059	60,720	61,929
Amortisation of premium less accretion of discounts	(249)	(215)	(336)	(670)
Total finance income and hibah	20,037	20,844	60,384	61,259
Fee income				
- Commission	525	554	2,016	2,692
- Other fee income	1,685	1,371	3,301	5,205
Gain arising from sale of securities				
- Held-for-trading	(6)	25	26	34
- Available-for-sale	157	-	337	-
Unrealised (loss)/gain on revaluation of securities held-for-trading and Ijarah rental swap (net)	(1,078)	(1,002)	(3,383)	(3,583)
Foreign exchange gain/(loss)				
- Realised	462	475	1,185	1,470
- Unrealised	(3,393)	(1,019)	(7,216)	(3,272)
Gain on disposal of property, plant and equipment	-	-	-	11
Management fee	123	(126)	426	(404)
Gain/(loss) on Ijarah rental swap obligation	215	206	603	650
	18,727	21,328	57,679	64,062

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A16 Impairment and Allowance on Financing, Advances and Other Receivables

	3rd Quarter ended 30 Sep		Nine-months ended 30 Sep	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Group				
Impairment and allowance on financing				
- Collective impairment (net)	-	(18,000)	(26,820)	12,946
- Individual write-back (net)	49,061	21,546	74,766	(1,310)
Allowance charge during the period	51,489	27,832	104,927	53,260
Allowance written-back during the period	(2,428)	(6,286)	(30,161)	(54,570)
- Bad debt recovered on financing	(1,192)	(29,692)	(4,886)	(84,638)
	47,869	(26,146)	43,060	(73,001)
Bank				
Impairment and allowance on financing				
- Collective impairment (net)	-	(18,000)	(26,820)	12,946
- Individual write-back (net)	49,061	21,547	74,766	(1,310)
Allowance charge during the period	51,489	27,833	104,927	53,260
Allowance written-back during the period	(2,428)	(6,286)	(30,161)	(54,570)
- Bad debt recovered on financing	(1,192)	(29,692)	(4,886)	(84,638)
	47,869	(26,145)	43,060	(73,001)

A17 Income Attributable to the Depositors

	3rd Quarter ended 30 Sep		Nine-months ended 30 Sep	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Group				
Deposits from customers				
- Mudharabah	15	842	413	3,505
- Murabahah	25,811	29,662	80,544	79,599
- Wakalah	12	309	34	11,866
- Negotiable Instrument Deposit	-	22	-	1,217
Deposits and placements of banks and other financial institutions				
- Murabahah and Wakalah	33,694	18,044	100,979	42,018
Others	141	101	426	338
	59,673	48,980	182,396	138,543
Bank				
Deposits from customers				
- Mudharabah	15	842	413	3,505
- Murabahah	25,743	29,608	80,359	79,533
- Wakalah	-	244	-	11,400
- Negotiable Instrument Deposit	-	22	-	1,217
Deposits and placements of banks and other financial institutions				
- Murabahah and Wakalah	33,812	18,173	101,264	42,546
Others	141	100	425	338
	59,711	48,989	182,461	138,539

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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 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
Group and Bank						
Direct credit substitutes	124,020	124,020	116,247	104,544	104,544	94,303
Transaction related contingencies	99,273	49,636	42,994	116,969	58,484	32,340
Trade related contingencies	12,117	2,423	2,423	10,892	2,178	2,178
Irrevocable commitments to extend credit						
- maturity less than one year	259,800	51,960	51,568	371,642	74,328	56,641
- maturity more than one year	212,207	106,092	97,788	117,597	58,798	55,345
Foreign exchange related contracts *						
- less than one year	24,067	827	686	13,868	13	4
Profit rate related contracts (Ijarah rental swap obligation) *						
- five years and above	264,762	19,212	16,035	241,906	18,477	15,574
	996,245	354,171	327,742	977,418	316,822	256,385

* 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 2015	31 Dec 2014	30 Sep 2015	31 Dec 2014
Common Equity Tier I/ Tier I Capital Ratio				
Credit risk	20.991%	21.191%	20.112%	20.389%
Credit, market, operational and large exposure risks	19.490%	19.598%	18.716%	18.885%
Total Capital Ratio				
Credit risk	28.362%	27.356%	27.467%	26.590%
Credit, market, operational and large exposure risks	26.333%	25.298%	25.561%	24.628%

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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 2015 RM'000	31 Dec 2014 RM'000	30 Sep 2015 RM'000	31 Dec 2014 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	158,385	158,385	158,385	158,385
Other reserves	121,520	122,450	92,328	100,879
	1,705,177	1,706,107	1,675,985	1,684,536
Less: Deferred tax assets (net)	(198,028)	(198,080)	(198,028)	(198,028)
Less: Investment in subsidiaries	-	-	(30,200)	(46,193)
Total CET I capital	1,507,149	1,508,027	1,447,757	1,440,315
<u>Tier II capital</u>				
Subordinated Murabahah Tawarruq	439,500	349,725	439,500	349,725
Collective impairment on financing	89,750	88,954	89,981	88,301
Total Tier II capital	529,250	438,679	529,481	438,026
Total capital	2,036,399	1,946,706	1,977,238	1,878,341

(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 2015 RM'000	31 Dec 2014 RM'000	30 Sep 2015 RM'000	31 Dec 2014 RM'000
Computation of Total Risk-Weighted Assets (RWA)				
Total Credit RWA	7,179,992	7,116,278	7,198,479	7,064,119
Total Market RWA	48,211	48,843	48,211	48,843
Total Operational RWA	484,876	509,794	468,693	493,770
Large Exposure Risk RWA for Equity Holdings	20,048	20,048	20,048	20,048
Total Risk-Weighted Assets	7,733,127	7,694,963	7,735,431	7,626,780
Computation of Capital Ratios				
Total CET I capital	1,507,149	1,508,027	1,447,757	1,440,315
Total capital	2,036,399	1,946,706	1,977,238	1,878,341
Common Equity Tier I/ Tier I Capital Ratio	19.490%	19.598%	18.716%	18.885%
Total Capital Ratio	26.333%	25.298%	25.561%	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
30 Sep 2015			
Financial assets			
Securities held-for-trading	4,376	-	4,376
Securities available-for-sale	1,185,268	-	1,185,268
Securities held-to-maturity	60,128	-	60,128
Financing, advances and other receivables	857,456	5,954,453	6,811,909
Hedging financial instruments	11,870	-	11,870
Total	2,119,099	5,954,453	8,073,552
Financial liability			
Deposits from customers	4,059,591	-	4,059,591
Hedging financial instruments	1,619	-	1,619
Subordinated Murabahah Tawarruq	-	439,411	439,411
	4,061,210	439,411	4,500,621
31 Dec 2014			
Financial assets			
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
Total	2,146,995	5,977,665	8,124,660
Financial liability			
Deposits from customers	4,031,404	-	4,031,404
Hedging financial instruments	147	-	147
Subordinated Murabahah Tawarruq	-	342,558	342,558
	4,031,551	342,558	4,374,109

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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
Bank			
30 Sep 2015			
Financial assets			
Securities held-for-trading	4,376	-	4,376
Securities available-for-sale	1,114,428	-	1,114,428
Securities held-to-maturity	60,128	-	60,128
Financing, advances and other receivables	857,456	5,954,453	6,811,909
Hedging financial instruments	11,870	-	11,870
Total	2,048,259	5,954,453	8,002,712
Financial liability			
Deposits from customers	3,942,008	-	3,942,008
Hedging financial instruments	1,619	-	1,619
Subordinated Murabahah Tawarruq	-	439,411	439,411
	3,943,627	439,411	4,383,038
31 Dec 2014			
Financial assets			
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
Total	2,041,050	5,977,665	8,018,715
Financial liability			
Deposits from customers	3,949,559	-	3,949,559
Hedging financial instruments	147	-	147
Subordinated Murabahah Tawarruq	-	342,558	342,558
	3,949,706	342,558	4,292,264

Description of significant unobservable inputs to valuation:

	Valuation technique	Significant Unobservable inputs	Range (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			
		30 Sep 2015		31 Dec 2014	
		Carrying Value	Fair Value	Carrying Value	Fair Value
		RM'000	RM'000	RM'000	RM'000
Financial Assets					
	Securities held-to-maturity	60,464	60,128	81,494	81,255
	Financing, advances and other receivables	6,813,275	6,811,909	6,703,522	6,700,936
		6,873,739	6,872,037	6,785,016	6,782,191
Financial Liabilities					
	Deposits from customers	4,061,628	4,059,591	4,060,371	4,031,404
	Subordinated Murabahah Tawarruq	439,680	439,411	352,627	342,558
		4,501,308	4,499,002	4,412,998	4,373,962
		Bank			
		30 Sep 2015		31 Dec 2014	
		Carrying Value	Fair Value	Carrying Value	Fair Value
		RM'000	RM'000	RM'000	RM'000
Financial Assets					
	Securities held-to-maturity	60,464	60,128	81,494	81,255
	Financing, advances and other receivables	6,813,275	6,811,909	6,703,522	6,700,936
		6,873,739	6,872,037	6,785,016	6,782,191
Financial Liabilities					
	Deposits from customers	3,944,102	3,942,008	3,963,543	3,949,559
	Subordinated Murabahah Tawarruq	439,680	439,411	352,627	342,558
		4,383,782	4,381,419	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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A21 FINANCIAL RISK MANAGEMENT (Cont'd.)

(a) RATE OF RETURN RISK

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

Group	Non-trading book						Trading book	Total	Effective profit rate
	Up to 1 month	>1 - 3 months	>3 - 12 months	>1 - 5 years	Over 5 years	Non-profit sensitive			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000			
30 Sep 2015									
ASSETS									
Cash and short-term funds	1,306,467	-	-	-	-	37,930	-	1,344,397	2.69
Deposits and placements with banks and other financial institutions	-	77,416	30,933	-	-	-	-	108,349	0.74
Securities held-for-trading	-	-	-	4,376	-	-	-	4,376	2.71
Securities available-for-sale	42,852	-	44,783	479,490	529,953	188,393	-	1,285,471	2.96
Securities held-to-maturity	-	-	-	60,464	-	-	-	60,464	5.21
Financing, advances and receivables	2,070,470	2,864,257	512,553	69,894	1,296,101	-	-	6,813,275	5.30
Musarakah capital investment	-	-	-	-	-	5,898	-	5,898	
Other assets	-	-	-	-	-	693,209	-	693,209	
TOTAL ASSETS	3,419,789	2,941,673	588,269	614,224	1,826,054	925,430	-	10,315,439	
LIABILITIES AND SHAREHOLDER'S EQUITY									
Deposits from customers	1,693,938	1,234,284	482,780	25,028	-	625,598	-	4,061,628	2.87
Deposits and placements of banks and other financial institutions	-	-	-	-	-	-	-	-	
Subordinated Murabahah Tawarruq	1,833,721	722,949	1,417,483	18,248	-	-	-	3,992,401	3.39
Other liabilities	-	439,680	-	-	-	-	-	439,680	2.95
	-	-	-	-	-	114,414	-	114,414	
Total Liabilities	3,527,659	2,396,912	1,900,263	43,276	-	740,013	-	8,608,123	
Shareholder's equity	-	-	-	-	-	1,707,316	-	1,707,316	
Total Liabilities and Shareholder's Equity	3,527,659	2,396,912	1,900,263	43,276	-	2,447,329	-	10,315,439	
On-balance sheet profit sensitivity gap	(107,870)	544,761	(1,311,994)	570,948	1,826,054	(1,521,899)	-	-	
Off-balance sheet profit sensitivity gap	-	-	-	-	-	-	-	-	
Total profit sensitivity gap	(107,870)	544,761	(1,311,994)	570,948	1,826,054	(1,521,899)	-	-	

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A21 FINANCIAL RISK MANAGEMENT (Cont'd.)

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

Group	Non-trading book						Trading book	Total	Effective profit rate
	Up to 1 month	>1 - 3 months	>3 - 12 months	>1 - 5 years	Over 5 years	Non-profit sensitive			
31 Dec 2014	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	%
ASSETS									
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	-
TOTAL ASSETS	3,345,246	3,198,520	225,141	1,047,695	1,724,972	930,007	-	10,471,581	
LIABILITIES AND SHAREHOLDER'S EQUITY									
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	-
Total Liabilities	4,292,213	2,237,848	1,237,360	165,891	-	832,161	-	8,765,473	
Shareholder's equity	-	-	-	-	-	1,706,108	-	1,706,108	-
Total Liabilities and Shareholder's Equity	4,292,213	2,237,848	1,237,360	165,891	-	2,538,269	-	10,471,581	
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	-	-	-	-	-	-	-	-	-
Total profit sensitivity gap	(946,967)	960,672	(1,012,219)	881,804	1,724,972	(1,608,262)	-	-	

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A21 FINANCIAL RISK MANAGEMENT (Cont'd.)

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

	Non-trading book					Non-profit sensitive	Trading book	Total	Effective profit rate
	Up to 1 month	>1 - 3 months	>3 - 12 months	>1 - 5 years	Over 5 years				
Bank									
30 Sep 2015	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	%
ASSETS									
Cash and short-term funds	1,306,467	-	-	-	-	37,930	-	1,344,397	2.69
Deposits and placements with banks and other financial institutions	-	106,780	30,933	-	-	-	-	137,713	0.73
Securities held-for-trading	-	-	-	4,376	-	-	-	4,376	2.71
Securities available-for-sale	25,163	-	44,783	412,667	529,953	172,696	-	1,185,262	3.02
Securities held-to-maturity	-	-	-	60,464	-	-	-	60,464	5.21
Financing, advances and receivables	2,070,470	2,864,257	512,553	69,894	1,296,101	-	-	6,813,275	5.30
Musarakah capital investment	-	-	-	-	-	5,898	-	5,898	-
Other assets	-	-	-	-	-	710,416	-	710,416	-
TOTAL ASSETS	3,402,100	2,971,037	588,269	547,401	1,826,054	926,940	-	10,261,801	
LIABILITIES AND SHAREHOLDER'S EQUITY									
Deposits from customers	1,693,938	1,199,124	482,296	25,028	-	543,715	-	3,944,102	2.96
Deposits and placements of banks and other financial institutions	2,607,849	953,276	527,140	-	-	-	-	4,088,264	3.33
Subordinated Murabahah Tawarruq	-	439,680	-	-	-	-	-	439,680	2.95
Other liabilities	-	-	-	-	-	113,770	-	113,770	-
Total Liabilities	4,301,787	2,592,080	1,009,436	25,028	-	657,485	-	8,585,816	
Shareholder's equity	-	-	-	-	-	1,675,985	-	1,675,985	-
Total Liabilities and Shareholder's Equity	4,301,787	2,592,080	1,009,436	25,028	-	2,333,470	-	10,261,801	
On-balance sheet profit sensitivity gap	(899,687)	378,957	(421,167)	522,373	1,826,054	(1,406,530)	-	-	-
Off-balance sheet profit sensitivity gap	-	-	-	-	-	-	-	-	-
Total profit sensitivity gap	(899,687)	378,957	(421,167)	522,373	1,826,054	(1,406,530)	-	-	

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A21 FINANCIAL RISK MANAGEMENT (Cont'd.)

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

	Non-trading book					Non-profit sensitive	Trading book	Total	Effective profit rate
	Up to 1 month	>1 - 3 months	>3 - 12 months	>1 - 5 years	Over 5 years				
Bank									
31 Dec 2014	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	%
ASSETS									
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
Musyarakah capital investment	-	-	-	-	-	5,898	-	5,898	-
Other assets	-	-	-	-	-	704,943	-	704,943	-
TOTAL ASSETS	3,345,246	3,188,817	196,789	1,005,106	1,724,972	928,097	-	10,389,027	
LIABILITIES AND SHAREHOLDER'S EQUITY									
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	-
Total Liabilities	4,295,989	2,242,849	1,236,976	165,891	-	762,785	-	8,704,490	
Shareholder's equity	-	-	-	-	-	1,684,537	-	1,684,537	-
Total Liabilities and Shareholder's Equity	4,295,989	2,242,849	1,236,976	165,891	-	2,447,322	-	10,389,027	
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	-	-	-	-	-	-	-	-	-
Total profit sensitivity gap	(950,743)	945,968	(1,040,187)	839,215	1,724,972	(1,519,225)	-	-	

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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 nine months ended 30 September 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:

FRSs, Amendments to FRSs and Interpretations	Effective for financial period beginning on or after
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

KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

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

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 nine-months ended 30 September 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 nine-months ended 30 September 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 nine-months ended 30 September 2015.

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 2015.

B8 Dividends Paid

There were no dividends paid during the nine-months ended 30 September 2015.

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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 2015	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
External revenue	70,377	131,308	56,412	99,028		357,125
Revenue from other segments	157,571	1,219	3,069	42,723	(204,582)	-
Total Revenue	153,106	89,715	40,823	95,231	(137,808)	357,125
Segment results	8,112	(19,496)	2,537	75,588		66,741
Unallocated expenses						(70,547)
Profit from operations						(3,806)
Taxation						(2,110)
Net profit for the year						(5,916)
Other information						
Segment assets	2,798,910	3,530,597	1,186,491	2,501,247	(236,573)	9,780,672
Unallocated corporate assets						534,767
Total assets						10,315,439
Segment liabilities	6,561,094	95,410	104,732	1,539,399	(217,892)	8,082,743
Unallocated corporate liabilities						525,380
Total liabilities						8,608,123
Other segment items						
Purchase of property and equipment	-	-	-	801	-	801
Purchase of intangible assets	-	-	-	3,096	-	3,096
Depreciation of property and equipment	-	-	-	7,143	-	7,143
Amortisation of intangible assets	-	-	-	2,897	-	2,897
Other non-cash expense other than depreciation	-	(47,070)	(16,324)	19,009	-	(44,385)

(ii) By Geographical Locations

Group	Operating Revenue RM'000	Profit Before Zakat and Taxation RM'000	Total Assets RM'000
30 Sep 2015			
Malaysia	357,125	(3,806)	10,315,439
Outside Malaysia	-	-	-
	357,125	(3,806)	10,315,439

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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	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
Zakat						(34,634)
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	340,972	110,243	10,059,067
Outside Malaysia	801	167	645
	341,773	110,410	10,059,712

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 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 30 September 2015 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
655	655
3,511	3,511
-	-
4,166	4,166
-	-
-	-
-	-

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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, Ahmed S. Al Kharji, 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.



Ahmed S. Al Kharji
Chief Executive Officer and Managing Director