



# KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

## Interim Report for the Period Ended 31 March 2016

Interim Condensed Statements of Financial Position	1
Interim Condensed Consolidated Income Statements	2
Interim Condensed Consolidated Statements of Comprehensive Income	3
Interim Condensed Income Statements	4
Interim Condensed Statements of Comprehensive Income	5
Interim Condensed Statements of Changes in Equity	6
Interim Condensed Statements of Cash Flows	7
Selected Explanatory Notes to the Condensed Financial Statements	8 - 42
Certification of Financial Statements	43

# KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

## INTERIM CONDENSED STATEMENTS OF FINANCIAL POSITION

Note	Group		Bank	
	31 Mar 2016 RM'000	31 Dec 2015 RM'000	31 Mar 2016 RM'000	31 Dec 2015 RM'000
<b>ASSETS</b>				
Cash and short-term funds	1,206,149	1,558,023	1,206,149	1,558,023
Deposits and placements with banks and other financial institutions	A3 218,030	211,618	244,385	239,536
Investment accounts due from designated financial institutions	A11 7,797	7,490	7,797	7,490
Securities held-for-trading	A4 -	-	-	-
Hedging financial instruments	A7 8,049	9,267	8,049	9,267
Securities available-for-sale	A4 1,128,131	1,135,222	1,071,123	1,052,370
Securities held-to-maturity	A4 60,455	61,251	60,455	61,251
Financing, advances and other receivables	A5 6,811,963	7,002,145	6,811,963	7,002,145
Other assets	A6 212,668	211,325	211,839	210,372
Statutory deposits with Bank Negara Malaysia	215,250	242,000	215,250	242,000
Musarakah capital investment	A8 5,898	5,898	5,898	5,898
Investment in subsidiaries	-	-	18,680	18,680
Property and equipment	17,684	17,885	17,431	17,683
Intangible assets	7,159	7,763	6,701	7,240
Deferred tax assets	190,460	198,141	190,460	198,141
	<b>10,089,693</b>	<b>10,668,028</b>	<b>10,076,180</b>	<b>10,630,096</b>
<b>LIABILITIES</b>				
Deposits from customers	A9 4,595,451	3,640,007	4,514,312	3,556,307
Investment accounts of customers	A11 7,797	7,490	7,797	7,490
Deposits and placements of banks and other financial institutions	A10 3,325,189	4,849,350	3,417,182	4,922,132
Hedging financial instruments	A7 1,061	459	1,061	459
Subordinated Murabahah Tawarruq	A13 389,950	429,538	389,950	429,538
Other liabilities	A12 79,105	73,713	78,268	72,931
	<b>8,398,553</b>	<b>9,000,557</b>	<b>8,408,570</b>	<b>8,988,857</b>
<b>SHAREHOLDER'S EQUITY</b>				
Share capital	A14 1,425,272	1,425,272	1,425,272	1,425,272
Reserves	265,868	242,199	242,338	215,967
	<b>1,691,140</b>	<b>1,667,471</b>	<b>1,667,610</b>	<b>1,641,239</b>
<b>TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY</b>	<b>10,089,693</b>	<b>10,668,028</b>	<b>10,076,180</b>	<b>10,630,096</b>
<b>COMMITMENTS AND CONTINGENCIES</b>	A20 875,082	918,748	875,082	918,748
<b>CAPITAL ADEQUACY</b>				
Common Equity Tier I/ Tier I Capital Ratio	A21 19.525%	18.827%	18.925%	18.241%
Total Capital Ratio	A21 25.838%	25.493%	25.268%	24.953%
<b>NET ASSETS PER SHARE (RM)</b>	<b>1.19</b>	<b>1.17</b>	<b>1.17</b>	<b>1.15</b>

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

# KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

## INTERIM CONDENSED CONSOLIDATED INCOME STATEMENTS

Group	Note	1st Quarter ended 31 Mar		Three-months ended 31 Mar	
		2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
<b>Continuing operations</b>					
Operating revenue		<b>129,633</b>	120,458	<b>129,633</b>	120,458
Income derived from investment of depositors' funds and others	A15	<b>109,002</b>	98,234	<b>109,002</b>	98,234
Income derived from investment of investment account funds	A19	<b>56</b>	-	<b>56</b>	-
Income derived from investment of shareholder's equity	A16	<b>20,575</b>	22,224	<b>20,575</b>	22,224
Total gross income		<b>129,633</b>	120,458	<b>129,633</b>	120,458
Impairment write-back on others		<b>45</b>	-	<b>45</b>	-
Impairment write-back on financing	A17	<b>13,316</b>	2,745	<b>13,316</b>	2,745
Total distributable income		<b>142,994</b>	123,203	<b>142,994</b>	123,203
Income attributable to the depositors	A18	<b>(77,284)</b>	(58,200)	<b>(77,284)</b>	(58,200)
Profit distributed to investment account holders	A19	<b>(34)</b>	-	<b>(34)</b>	-
Total net income		<b>65,676</b>	65,003	<b>65,676</b>	65,003
Personnel expenses		<b>(20,822)</b>	(21,547)	<b>(20,822)</b>	(21,547)
Other overheads and expenditures		<b>(20,391)</b>	(21,009)	<b>(20,391)</b>	(21,009)
Finance cost		<b>(3,294)</b>	(2,798)	<b>(3,294)</b>	(2,798)
Profit before zakat and taxation		<b>21,169</b>	19,649	<b>21,169</b>	19,649
Taxation		<b>(7,246)</b>	(6,369)	<b>(7,246)</b>	(6,369)
Net profit for the period		<b>13,923</b>	13,280	<b>13,923</b>	13,280
Attributable to:					
Equity holders of the Bank		<b>13,923</b>	13,280	<b>13,923</b>	13,280
Earnings per share attributable to equity holders of the Bank					
- Basic/Diluted (sen)		<b>0.98</b>	0.93	<b>0.98</b>	0.93

*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>2016 RM'000</b>	<b>2015 RM'000</b>	<b>2016 RM'000</b>	<b>2015 RM'000</b>
Net profit for the period	<b>13,923</b>	13,280	<b>13,923</b>	13,280
Other comprehensive income/(loss):				
Securities available-for-sale:				
- Net unrealised gain/(loss) on securities available-for-sale	<b>20,010</b>	4,165	<b>20,010</b>	4,165
- Net realised (loss)/gain on securities available-for-sale reclassified to the income statement	<b>(2,147)</b>	1,075	<b>(2,147)</b>	1,075
Exchange differences on translation of foreign operations: Net income/(loss) taken to equity	<b>(3,651)</b>	1,898	<b>(3,651)</b>	1,898
Income tax relating to components of other comprehensive (loss)/income	<b>(4,466)</b>	(1,310)	<b>(4,466)</b>	(1,310)
Other comprehensive income/(loss) for the period, net of tax	<b>9,746</b>	5,828	<b>9,746</b>	5,828
Total comprehensive income for the period	<b>23,669</b>	19,108	<b>23,669</b>	19,108
Total comprehensive income for the period attributable to equity holders of the Bank	<b>23,669</b>	19,108	<b>23,669</b>	19,108

*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 INCOME STATEMENTS**

	Note	1st Quarter ended 31 Mar		Three-months ended 31 Mar	
		2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
<b>Bank</b>					
<b>Continuing operations</b>					
Operating revenue		<b>127,935</b>	118,519	<b>127,935</b>	118,519
Income derived from investment of depositors' funds and others	A15	<b>108,918</b>	97,765	<b>108,918</b>	97,765
Income derived from investment of investment account funds	A19	<b>56</b>	-	<b>56</b>	-
Income derived from investment of shareholder's equity	A16	<b>18,961</b>	20,754	<b>18,961</b>	20,754
Total gross income		<b>127,935</b>	118,519	<b>127,935</b>	118,519
Impairment write-back on others		<b>45</b>	-	<b>45</b>	-
Impairment write-back on financing	A17	<b>13,316</b>	2,745	<b>13,316</b>	2,745
Total distributable income		<b>141,296</b>	121,264	<b>141,296</b>	121,264
Income attributable to the depositors	A18	<b>(77,444)</b>	(58,217)	<b>(77,444)</b>	(58,217)
Profit distributed to investment account holders	A19	<b>(34)</b>	-	<b>(34)</b>	-
Total net income		<b>63,818</b>	63,047	<b>63,818</b>	63,047
Personnel expenses		<b>(20,088)</b>	(20,554)	<b>(20,088)</b>	(20,554)
Other overheads and expenditures		<b>(19,746)</b>	(20,324)	<b>(19,746)</b>	(20,324)
Finance cost		<b>(3,294)</b>	(2,798)	<b>(3,294)</b>	(2,798)
Profit before zakat and taxation		<b>20,690</b>	19,369	<b>20,690</b>	19,369
Taxation		<b>(7,241)</b>	(6,295)	<b>(7,241)</b>	(6,295)
Net profit for the period		<b>13,449</b>	13,074	<b>13,449</b>	13,074

*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 STATEMENTS OF COMPREHENSIVE INCOME**

**Bank**

Net profit for the period

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

- Net realised (loss)/gain on securities  
available-for-sale reclassified to the income statement

Income tax relating to components of other comprehensive  
(loss)/income

Other comprehensive income/(loss) for the period, net of tax

Total comprehensive income for the period

	1st Quarter ended 31 Mar		Three-months ended 31 Mar	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Net profit for the period	13,449	13,074	13,449	13,074
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	17,229	3,732	17,229	3,732
- Net realised (loss)/gain on securities available-for-sale reclassified to the income statement	-	1,096	-	1,096
Income tax relating to components of other comprehensive (loss)/income	(4,307)	(1,206)	(4,307)	(1,206)
Other comprehensive income/(loss) for the period, net of tax	12,922	3,622	12,922	3,622
Total comprehensive income for the period	26,371	16,696	26,371	16,696

*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 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
<b>Group</b>						
<b>At 1 Jan 2016</b>	1,425,272	158,385	4,702	(14,450)	93,562	1,667,471
Total comprehensive (loss)/income	-	-	(3,651)	13,397	13,923	23,669
<b>At 31 Mar 2016</b>	<b>1,425,272</b>	<b>158,385</b>	<b>1,051</b>	<b>(1,053)</b>	<b>107,485</b>	<b>1,691,140</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>Bank</b>						
<b>At 1 Jan 2016</b>	1,425,272	158,385	-	(13,918)	71,500	1,641,239
Total comprehensive income	-	-	-	12,922	13,449	26,371
<b>At 31 Mar 2016</b>	<b>1,425,272</b>	<b>158,385</b>	<b>-</b>	<b>(996)</b>	<b>84,949</b>	<b>1,667,610</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>

*These condensed consolidated statements of changes in equity 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 STATEMENTS OF CASH FLOWS

	Group		Bank	
	31 Mar 2016 RM'000	31 Mar 2015 RM'000	31 Mar 2016 RM'000	31 Mar 2015 RM'000
Profit before zakat and taxation	21,169	19,649	20,690	19,369
Adjustments for non-cash items	(3,827)	5,125	(3,930)	5,008
Operating profit before changes in working capital	17,342	24,774	16,760	24,377
<u>Changes in the working capital</u>				
Net changes in operating assets	222,680	(69,874)	224,105	(70,488)
Net changes in operating liabilities	(611,762)	(603,963)	(585,335)	(569,768)
Zakat and taxation refund/(paid)	(20)	(20)	-	-
Net cash generated from operating activities	(389,102)	(673,857)	(361,230)	(640,256)
Net purchases of assets	18,835	151,051	(7,404)	117,699
Net cash used in investing activities	18,835	151,051	(7,404)	117,699
Net change in cash and cash equivalents	(352,925)	(498,032)	(351,874)	(498,180)
Cash and cash equivalents at beginning of the period	1,558,023	1,526,907	1,558,023	1,526,002
Exchange differences on translation of opening balances	1,051	(1,053)	-	-
Cash and cash equivalents at end of the period	1,206,149	1,027,822	1,206,149	1,027,822

*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**  
**(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**

**A1 Performance Review**

The Group and the Bank recorded a profit before zakat and taxation of RM21.2 million and RM20.7 million respectively for the period ended 31 March 2016.

**A2 Prospects for 2016**

The Malaysian economy is expected to grow at a moderate pace of 4.0% to 4.5% in 2016. Domestic demand will continue to be the principal driver of growth, while private consumption is set to trend below its long term average. The gross domestic product (GDP) recorded a slower growth of 4.5% in the 4Q 2015 compared to 4.7% expansion in the 3Q 2015. In the whole year 2015, Malaysia's economy moderated to 5.0% compared to a 6.0% growth in 2014. On the supply side, services will continue to account for the largest share of GDP and Malaysia's global pre-eminence in the provision of Islamic finance will support the growth of the financial services sector. The consumer price inflation is forecast to be higher in the range of 2.5% to 3.5% in 2016, partly due to the adjustments in price mechanism and weaker ringgit. Downside risks to growth remain high in view of the external environment for 2016 that is shrouded in uncertainties, owing to several factors that include moderate recovery in the major economies and uncertainty surrounding energy and commodity prices. Overall, we continue to expect BNM to keep the overnight policy rate (OPR) steady throughout 2016 and the current monetary policy stance is appropriate to support the economic activity.

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

	<b>Group</b>		<b>Bank</b>	
	<b>31 Mar 2016 RM'000</b>	<b>31 Dec 2015 RM'000</b>	<b>31 Mar 2016 RM'000</b>	<b>31 Dec 2015 RM'000</b>
Other financial institutions	<b>218,030</b>	211,618	<b>244,385</b>	239,536
	<b>218,030</b>	211,618	<b>244,385</b>	239,536

# 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

### A4 Securities

#### i) Securities Available-For-Sale

	Group		Bank	
	31 Mar 2016 RM'000	31 Dec 2015 RM'000	31 Mar 2016 RM'000	31 Dec 2015 RM'000
<b>At fair value</b>				
Unquoted securities				
- Islamic private debt securities/sukuks	467,991	508,778	428,968	444,640
- Government guaranteed sukuk	508,238	462,849	508,238	462,849
Mutual Fund	78,674	86,638	78,674	86,638
	<b>1,054,903</b>	1,058,265	<b>1,015,880</b>	994,127
<b>At cost</b>				
Unquoted shares in Malaysia	36,100	36,100	36,100	36,100
Property funds	17,985	18,714	-	-
Collective Investment Scheme	19,143	22,143	19,143	22,143
	<b>73,228</b>	76,957	<b>55,243</b>	58,243
	<b>1,128,131</b>	1,135,222	<b>1,071,123</b>	1,052,370

#### ii) Securities Held-To-Maturity

	Group		Bank	
	31 Mar 2016 RM'000	31 Dec 2015 RM'000	31 Mar 2016 RM'000	31 Dec 2015 RM'000
<b>At amortised cost</b>				
Unquoted Islamic private debt securities/sukuk	60,455	61,251	60,455	61,251

# 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

### A5 Financing, Advances and Other Receivables

#### i) At amortised cost

##### Term financing

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

##### Staff financing

##### Less: Impairment allowances on financing

- Collective assessment
- Individual assessment

##### Net financing, advances and other receivables

Group and Bank	
31 Mar 2016 RM'000	31 Dec 2015 RM'000
632,759	588,527
1,277,675	1,294,582
60,503	100,201
322,946	333,548
6,041	5,960
450,649	407,936
4,452,343	4,671,417
12,310	12,850
<b>7,215,226</b>	<b>7,415,021</b>
(92,712)	(92,212)
(310,551)	(320,664)
<b>6,811,963</b>	<b>7,002,145</b>

#### ii) By contract

##### Ijarah Muntahia Bittamlik

(lease ended with ownership)

##### Murabahah (cost-plus)

##### Mudharabah (profit sharing)

##### Qard (benevolent financing)

##### Musarakah (profit and loss sharing)

##### Istisna'

Group and Bank	
31 Mar 2016 RM'000	31 Dec 2015 RM'000
1,942,739	1,894,939
4,953,171	5,193,684
72,994	77,816
894	1,147
244,045	245,935
1,383	1,500
<b>7,215,226</b>	<b>7,415,021</b>

#### iii) By type of customer

##### Domestic business enterprises

- Small medium enterprises
- Others

##### Individuals

##### Foreign entities

##### Domestic non-bank financial institutions

Group and Bank	
31 Mar 2016 RM'000	31 Dec 2015 RM'000
1,178,721	1,203,198
3,599,717	3,694,872
2,397,286	2,326,615
31,766	34,421
7,736	155,915
<b>7,215,226</b>	<b>7,415,021</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

### 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	
31 Mar 2016 RM'000	31 Dec 2015 RM'000
4,349,190	4,578,875
214,881	20,013
106,875	323,627
2,544,280	2,492,506
<b>7,215,226</b>	<b>7,415,021</b>

#### (v) By geographical distribution

Malaysia  
Middle East  
Other countries

Group and Bank	
31 Mar 2016 RM'000	31 Dec 2015 RM'000
7,197,998	7,395,927
6,226	6,639
11,002	12,455
<b>7,215,226</b>	<b>7,415,021</b>

#### 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	
31 Mar 2016 RM'000	31 Dec 2015 RM'000
45,210	46,439
450,649	407,936
322,946	333,548
1,465,760	1,475,067
587,549	542,087
4,343,112	4,609,944
<b>7,215,226</b>	<b>7,415,021</b>

#### 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	
31 Mar 2016 RM'000	31 Dec 2015 RM'000
-	230,759
241,338	22,120
459,229	416,739
726,114	687,640
928,970	972,781
156,365	176,683
2,468,542	2,650,879
424,844	435,355
1,274,773	1,291,879
535,051	530,186
<b>7,215,226</b>	<b>7,415,021</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

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

#### viii) By sector

	Group and Bank	
	31 Mar 2016 RM'000	31 Dec 2015 RM'000
Construction	716,290	739,278
Electricity, gas and water	169,561	162,030
Finance, insurance and business services	237,299	367,248
Household	2,397,286	2,326,614
Manufacturing	850,402	904,930
Mining and quarrying	-	-
Agriculture, hunting, forestry & fishing	298,643	297,983
Real Estate	1,396,188	1,400,648
Transports, storage and communication	471,996	486,073
Wholesale & retail trade and restaurants & hotels	604,016	646,954
Others	73,545	83,262
	<b>7,215,226</b>	<b>7,415,021</b>

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

31 Mar 2016	Ijarah Muntahia Bittamlik/ Al-Ijarah Thumma Al-Bai' (lease ended with ownership)	Murabahah (cost-plus)	Mudharabah (profit sharing)	Musarakah (profit and loss sharing)	Qard (benevolent financing)	Istisna'	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
House financing	606,840	95	-	24,441	-	1,383	632,759
Personal financing	-	1,277,160	-	-	515	-	1,277,675
Leasing financing	-	31,214	29,289	-	-	-	60,503
Syndicated financing	66,027	256,919	-	-	-	-	322,946
Cashline financing	-	6,041	-	-	-	-	6,041
Hire purchase receivables	444,383	-	-	6,266	-	-	450,649
Other term financing	814,830	3,380,833	43,705	212,975	-	-	4,452,343
Staff financing	10,659	909	-	363	379	-	12,310
	<b>1,942,739</b>	<b>4,953,171</b>	<b>72,994</b>	<b>244,045</b>	<b>894</b>	<b>1,383</b>	<b>7,215,226</b>

31 Dec 2015	Group and Bank						
	Ijarah Muntahia Bittamlik/ Al-Ijarah Thumma Al-Bai' (lease ended with ownership)	Murabahah (cost-plus)	Mudharabah (profit sharing)	Musarakah (profit and loss sharing)	Qard (benevolent financing)	Istisna'	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
House financing	562,511	97	-	24,419	-	1,500	588,527
Personal financing	-	1,294,074	-	-	508	-	1,294,582
Leasing financing	27,413	38,677	34,111	-	-	-	100,201
Syndicated financing	65,083	268,465	-	-	-	-	333,548
Cashline financing	-	5,960	-	-	-	-	5,960
Hire purchase receivables	401,035	-	-	6,901	-	-	407,936
Other term financing	828,082	3,585,385	43,705	214,245	-	-	4,671,417
Staff financing	10,815	1,026	-	370	639	-	12,850
	<b>1,894,939</b>	<b>5,193,684</b>	<b>77,816</b>	<b>245,935</b>	<b>1,147</b>	<b>1,500</b>	<b>7,415,021</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

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

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

As at 1 January	1,147	1,157
Source of Qard fund:	88	1,312
- Depositors' Fund	74	1,084
- Shareholders' Fund	14	229
Uses of Qard fund:	(341)	(1,322)
- Financing for asset purchase	(286)	(1,092)
- Staff Benevolent	(55)	(230)
Closing balance	894	1,147

Group and Bank	
31 Mar 2016 RM'000	31 Dec 2015 RM'000
1,147	1,157
88	1,312
74	1,084
14	229
(341)	(1,322)
(286)	(1,092)
(55)	(230)
894	1,147

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

At 1 Jan	550,898	526,625
Impaired during the period/year	1,722	24,273
- Impaired during the period/year	13,505	283,019
- Reclassified to performing during the year	(1,061)	(7,137)
- Amount recovered	(10,722)	(138,588)
- Amount written off	-	(113,021)
Closing balance	552,620	550,898

Group and Bank	
31 Mar 2016 RM'000	31 Dec 2015 RM'000
550,898	526,625
1,722	24,273
13,505	283,019
(1,061)	(7,137)
(10,722)	(138,588)
-	(113,021)
552,620	550,898
3.51%	3.25%

Ratio of net impaired financing, advances and other receivables to gross financing, advances and other receivables less individual impairment	3.51%	3.25%
---	-------	-------

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

##### Collective impairment

At 1 Jan	92,212	148,032
Allowance charged during the year	500	(55,820)
Closing balance	92,712	92,212
As % of total gross financing, advances and other receivables less individual impairment	1.34%	1.30%

Group and Bank	
31 Mar 2016 RM'000	31 Dec 2015 RM'000
92,212	148,032
500	(55,820)
92,712	92,212
1.34%	1.30%

# 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

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

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

	Group and Bank	
	31 Mar 2016 RM'000	31 Dec 2015 RM'000
<b>Individual impairment</b>		
At 1 Jan	320,664	267,142
Allowance reversed during the year	(10,113)	166,543
- Allowance made	5,911	199,951
- Allowance written-back	(16,024)	(33,408)
Amount written off	-	(113,021)
Closing balance	310,551	320,664

#### xiii) Impaired financing by sector

	Group and Bank	
	31 Mar 2016 RM'000	31 Dec 2015 RM'000
Agriculture, hunting, forestry and fishing	12,021	12,021
Electricity, gas and water	79	79
Finance, insurance and business services	-	28
Household	29,590	24,987
Manufacturing	281,272	274,946
Real Estate	87,578	88,202
Transport, storage and communication	25,283	25,917
Wholesale & retail trade and restaurants & hotels	116,797	124,718
	552,620	550,898

# 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

### A6 Other Assets

	Group		Bank	
	31 Mar 2016 RM'000	31 Dec 2015 RM'000	31 Mar 2016 RM'000	31 Dec 2015 RM'000
Deposits and prepayments	9,498	8,526	9,148	8,311
Amount due from subsidiaries	-	-	4	4
Amount due from other related parties	51,561	51,561	51,561	51,561
Fee receivable	318	403	318	403
Sundry debtors	1,138	1,190	655	448
Gold depository	150,153	149,645	150,153	149,645
	<b>212,668</b>	<b>211,325</b>	<b>211,839</b>	<b>210,372</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 2016</b>			
Forward foreign exchange related contracts	9,549	327	339
Ijarah rental swap related contracts	210,771	7,722	722
Total	<b>220,320</b>	<b>8,049</b>	<b>1,061</b>
<b>At 31 Dec 2015</b>			
Forward foreign exchange related contracts	8,873	265	249
Ijarah rental swap related contracts	245,505	9,002	210
Total	<b>254,378</b>	<b>9,267</b>	<b>459</b>

### A8 Musyarakah Capital Investment

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



# 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

### A9 Deposits from Customers

#### (i) By type of deposit

	Group		Bank	
	31 Mar 2016 RM'000	31 Dec 2015 RM'000	31 Mar 2016 RM'000	31 Dec 2015 RM'000
Non Mudharabah				
- Demand deposits	667,966	664,685	587,257	581,459
- Gold deposits	148,395	149,585	148,396	149,585
- Wakalah deposits	431	474	-	-
- Savings deposits	44,188	51,407	44,188	51,407
Murabahah	3,734,471	2,773,857	3,734,471	2,773,857
	<b>4,595,451</b>	<b>3,640,007</b>	<b>4,514,312</b>	<b>3,556,307</b>

#### (ii) By type of customer

	Group		Bank	
	31 Mar 2016 RM'000	31 Dec 2015 RM'000	31 Mar 2016 RM'000	31 Dec 2015 RM'000
Business enterprises	1,930,856	1,739,879	1,784,626	1,591,087
Individuals	305,961	276,670	305,961	276,670
Subsidiaries	-	-	65,091	65,091
Government and statutory bodies	1,771,783	1,058,300	1,771,783	1,058,302
Other enterprises	586,851	565,157	586,851	565,157
	<b>4,595,451</b>	<b>3,640,007</b>	<b>4,514,312</b>	<b>3,556,307</b>

#### (iii) By contractual maturity

	Group		Bank	
	31 Mar 2016 RM'000	31 Dec 2015 RM'000	31 Mar 2016 RM'000	31 Dec 2015 RM'000
Due within six months	4,187,829	3,263,593	4,107,710	3,213,578
More than six months to one year	398,657	367,782	397,636	334,097
More than one year to three years	8,965	8,632	8,966	8,632
	<b>4,595,451</b>	<b>3,640,007</b>	<b>4,514,312</b>	<b>3,556,307</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

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

	Group		Bank	
	31 Mar 2016 RM'000	31 Dec 2015 RM'000	31 Mar 2016 RM'000	31 Dec 2015 RM'000
<u>Murabahah</u>				
Licensed Islamic banks	4,428	247,633	4,428	247,633
Other financial institutions	3,287,152	4,597,615	3,412,754	4,674,499
<u>Wakalah</u>				
Other financial institutions	33,609	4,102	-	-
	<b>3,325,189</b>	<b>4,849,350</b>	<b>3,417,182</b>	<b>4,922,132</b>

### A11 INVESTMENT ACCOUNTS

	Group and Bank	
	31 Mar 2016 RM'000	31 Dec 2015 RM'000
As at 1 January	7,490	-
Net placement during the year	274	7,449
Income from investment	56	68
Profit distributed to mudarib	(22)	(27)
As at 31 December	<b>7,797</b>	<b>7,490</b>
Investment asset:		
Wadiah placement with BNM	<b>7,797</b>	<b>7,490</b>

### Profit Sharing Ratio, Rate of Return and Performance Incentive Fee

	Investment account holder	
	Average profit sharing ratio	Average rate of return
	(%)	(%)
<b>Unrestricted investment accounts:</b>		
Less than 3 months	60	1.87

# 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

### A12 Other Liabilities

	Group		Bank	
	31 Mar 2016 RM'000	31 Dec 2015 RM'000	31 Mar 2016 RM'000	31 Dec 2015 RM'000
Sundry creditors	43,357	39,107	43,240	39,007
Accrued restoration cost	5,807	5,807	5,700	5,700
Undistributed charity funds	4,749	5,587	4,749	5,587
Other provisions and accruals	25,192	23,212	24,579	22,637
	<b>79,105</b>	<b>73,713</b>	<b>78,268</b>	<b>72,931</b>

(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 / (Reversal) 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 2016 RM'000	31 Dec 2015 RM'000
5,587	2,241
(846)	3,947
<b>4,741</b>	<b>6,188</b>
-	(80)
-	-
-	(455)
8	(66)
<b>8</b>	<b>(601)</b>
<b>4,749</b>	<b>5,587</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

### A13 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 USD100,000,000 or equivalent RM389,950,000 (31 Dec 2015: USD100,026,396 or equivalent RM429,538,350) 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").

### A14 Share Capital

	Number of ordinary shares at RM1.00 each		Amount	
	31 Mar 2016 Units'000	31 Dec 2015 Units'000	31 Mar 2016 RM'000	31 Dec 2015 RM'000
<b>Authorised:</b>				
At 1 January/At closing balance	<b>3,000,000</b>	3,000,000	<b>3,000,000</b>	3,000,000
<b>Issued and fully paid:</b>				
At 1 January	<b>1,425,272</b>	1,425,272	<b>1,425,272</b>	1,425,272
At 1 January/At closing balance	<b>1,425,272</b>	1,425,272	<b>1,425,272</b>	1,425,272

# 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

### A15 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	
2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
-	8	-	8
<b>109,002</b>	<b>98,226</b>	<b>109,002</b>	<b>98,226</b>
<b>109,002</b>	<b>98,234</b>	<b>109,002</b>	<b>98,234</b>
-	8	-	8
<b>108,918</b>	<b>97,757</b>	<b>108,918</b>	<b>97,757</b>
<b>108,918</b>	<b>97,765</b>	<b>108,918</b>	<b>97,765</b>

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

#### Group

Finance income from financing, advances and other receivables

Securities

- Available-for-sale

Total finance income and hibah

#### Bank

Finance income from financing, advances and other receivables

Securities

- Available-for-sale

Total finance income and hibah

1st Quarter ended 31 Mar		Three-months ended 31 Mar	
2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
-	7	-	7
-	1	-	1
-	<b>8</b>	-	<b>8</b>
-	7	-	7
-	1	-	1
-	<b>8</b>	-	<b>8</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

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

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

<u>Group</u>	1st Quarter ended 31 Mar		Three-months ended 31 Mar	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Finance income from financing, advances and other receivables	82,984	80,716	82,984	80,716
Finance income from impaired financing	218	302	218	302
Securities				
- Held-for-trading	4	69	4	69
- Available-for-sale	7,519	7,037	7,519	7,037
- Held-to-maturity	659	848	659	848
Money at call and deposits with financial institutions	14,958	5,534	14,958	5,534
	<b>106,342</b>	94,506	<b>106,342</b>	94,506
Amortisation of premium less accretion of discounts	(1,166)	46	(1,166)	46
Total finance income and hibah	<b>105,176</b>	94,552	<b>105,176</b>	94,552
Gain arising from sale of securities				
- Held-for-trading	327	336	327	336
- Available-for-sale	-	813	-	813
- Realised	2,590	1,599	2,590	1,599
Gain/(loss) on Ijarah rental swap obligation	909	926	909	926
	<b>109,002</b>	98,226	<b>109,002</b>	98,226

# 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

### A15 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	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
<b>Bank</b>				
Finance income from financing, advances and other receivables	83,061	80,740	83,061	80,740
Finance income from impaired financing	219	302	219	302
Securities				
- Held-for-trading	4	69	4	69
- Available-for-sale	7,314	6,553	7,314	6,553
- Held-to-maturity	660	849	660	849
Money at call and deposits with financial institutions	15,013	5,536	15,013	5,536
	<b>106,271</b>	94,049	<b>106,271</b>	94,049
Amortisation of premium less accretion of discounts	(1,166)	46	(1,166)	46
Total finance income and hibah	<b>105,105</b>	94,095	<b>105,105</b>	94,095
Gain arising from sale of securities				
- Held-for-trading	327	337	327	337
- Available-for-sale	-	814	-	814
Foreign exchange gain				
- Realised	2,576	1,584	2,576	1,584
Gain/(loss) on Ijarah rental swap obligation	910	927	910	927
	<b>108,918</b>	97,757	<b>108,918</b>	97,757

# 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

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

<u>Group</u>	1st Quarter ended 31 Mar		Three-months ended 31 Mar	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Finance income from financing, advances and other receivables	15,111	17,631	15,111	17,631
Finance income from impaired financing	40	66	40	66
Securities				
- Held-for-trading	1	15	1	15
- Available-for-sale	1,371	1,532	1,371	1,532
- Held-to-maturity	120	185	120	185
Money at call and deposits with financial institutions	2,706	1,208	2,706	1,208
	<b>19,349</b>	20,638	<b>19,349</b>	20,638
Amortisation of premium less accretion of discounts	(212)	11	(212)	11
Total finance income and hibah	<b>19,137</b>	20,649	<b>19,137</b>	20,649
Fee income				
- Commission	371	629	371	629
- Fund management fee	995	779	995	779
- Other fee income	833	1,076	833	1,076
Gain arising from sale of securities				
- Held-for-trading	62	74	62	74
- Available-for-sale	-	181	-	181
Unrealised (loss)/gain on revaluation of securities held-for-trading and Ijarah rental swap (net)	(1,778)	(1,099)	(1,778)	(1,099)
Foreign exchange gain/(loss)				
- Realised	502	339	502	339
- Unrealised	(447)	(1,108)	(447)	(1,108)
Gain/(loss) on Ijarah rental swap obligation	166	202	166	202
Other income	676	443	676	443
Management fee	58	58	58	58
	<b>20,575</b>	22,224	<b>20,575</b>	22,224



# 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

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

	1st Quarter ended 31 Mar		Three-months ended 31 Mar	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
<b>Bank</b>				
Finance income from financing, advances and other receivables	15,034	17,607	15,034	17,607
Finance income from impaired financing	40	66	40	66
Securities				
- Held-for-trading	1	15	1	15
- Available-for-sale	1,326	1,425	1,326	1,425
- Held-to-maturity	119	185	119	185
Money at call and deposits with financial institutions	2,699	1,206	2,699	1,206
	<b>19,219</b>	20,504	<b>19,219</b>	20,504
Amortisation of premium less accretion of discounts	(211)	11	(211)	11
Total finance income and hibah	<b>19,008</b>	20,515	<b>19,008</b>	20,515
Fee income				
- Commission	472	733	472	733
- Other fee income	832	775	832	775
Gain arising from sale of securities				
- Held-for-trading	62	74	62	74
- Available-for-sale	-	180	-	180
Unrealised (loss)/gain on revaluation of securities held-for-trading and Ijarah rental swap (net)	(1,778)	(1,099)	(1,778)	(1,099)
Foreign exchange gain/(loss)				
- Realised	496	336	496	336
- Unrealised	(438)	(1,104)	(438)	(1,104)
Gain/(loss) on Ijarah rental swap obligation	165	202	165	202
Management fee	142	142	142	142
	<b>18,961</b>	20,754	<b>18,961</b>	20,754

# 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

### A17 Impairment and Allowance on Financing, Advances and Other Receivables

#### Group

Impairment and allowance on financing

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

#### Bank

Impairment and allowance on financing

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

1st Quarter ended 31 Mar		Three-months ended 31 Mar	
2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
500	300	500	300
(10,113)	(2,305)	(10,113)	(2,305)
5,911	10,322	5,911	10,322
(16,024)	(12,627)	(16,024)	(12,627)
(3,703)	(740)	(3,703)	(740)
(13,316)	(2,745)	(13,316)	(2,745)
500	300	500	300
(10,113)	(2,305)	(10,113)	(2,305)
5,911	10,322	5,911	10,322
(16,024)	(12,627)	(16,024)	(12,627)
(3,703)	(740)	(3,703)	(740)
(13,316)	(2,745)	(13,316)	(2,745)

### A18 Income Attributable to the Depositors

#### Group

Deposits from customers

- Mudharabah
- Murabahah
- Wakalah

Deposits and placements of banks and  
other financial institutions

- Murabahah and Wakalah

Others

#### Bank

Deposits from customers

- Mudharabah
- Murabahah

Deposits and placements of banks and  
other financial institutions

- Murabahah and Wakalah

Others

1st Quarter ended 31 Mar		Three-months ended 31 Mar	
2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
-	478	-	478
28,179	27,781	28,179	27,781
5	15	5	15
48,635	29,837	48,635	29,837
465	89	465	89
77,284	58,200	77,284	58,200
-	478	-	478
28,179	27,723	28,179	27,723
48,800	29,927	48,800	29,927
465	89	465	89
77,444	58,217	77,444	58,217

**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**

**A19 Profit Distributed to Investment Account Holders**

**Group & Bank**

Income derived from investment of investment account funds  
Profit distributed to mudarib

1st Quarter ended 31 Mar		Three-months ended 31 Mar	
2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
56	-	56	-
22	-	22	-
34	-	34	-

**A20 Commitments and Contingencies**

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

	As at 31 Mar 2016			As at 31 Dec 2015		
	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	18,043	18,043	12,434	28,618	28,618	20,129
Transaction related contingencies	82,754	41,377	31,258	85,700	42,850	32,888
Trade related contingencies	3,707	741	741	10,146	2,029	2,029
Irrevocable commitments to extend credit						
- maturity less than one year	282,042	56,408	53,641	269,352	53,870	52,465
- maturity more than one year	268,216	134,108	120,427	270,554	135,277	124,479
Foreign exchange related contracts *						
- less than one year	9,549	447	400	8,873	350	163
Profit rate related contracts (Ijarah rental swap obligation) *						
- five years and above	210,771	11,808	10,121	245,505	13,763	11,799
	<b>875,082</b>	<b>262,932</b>	<b>229,022</b>	<b>918,748</b>	<b>276,758</b>	<b>243,952</b>

\*

The foreign exchange related contracts and Ijarah rental swap related contracts are subject to market risk and credit risk.

**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**

**A21 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 2016</b>	<b>31 Dec 2015</b>	<b>31 Mar 2016</b>	<b>31 Dec 2015</b>
<b>Common Equity Tier I/ Tier I Capital Ratio</b>				
Credit risk	<b>20.948%</b>	20.211%	<b>20.265%</b>	19.515%
Credit, market, operational and large exposure risks	<b>19.525%</b>	18.827%	<b>18.925%</b>	18.241%
<b>Total Capital Ratio</b>				
Credit risk	<b>27.721%</b>	27.368%	<b>27.057%</b>	26.696%
Credit, market, operational and large exposure risks	<b>25.838%</b>	25.493%	<b>25.268%</b>	24.953%

**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**

**A21 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 2016 RM'000	31 Dec 2015 RM'000	31 Mar 2016 RM'000	31 Dec 2015 RM'000
<b><u>CET I / 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	93,401	83,814	70,505	57,583
	<b>1,677,058</b>	1,667,471	<b>1,654,162</b>	1,641,240
Less: Deferred tax assets (net)	<b>(198,141)</b>	(198,141)	<b>(198,141)</b>	(198,141)
Less: Investment in subsidiaries	-	-	<b>(30,200)</b>	(30,200)
<b>Total CET I / Tier I capital</b>	<b>1,478,917</b>	1,469,330	<b>1,425,821</b>	1,412,899
<b><u>Tier II capital</u></b>				
Subordinated Murabahah Tawarruq	389,950	429,425	389,950	429,425
Collective impairment on financing	88,249	90,873	87,950	90,500
<b>Total Tier II capital</b>	<b>478,199</b>	520,298	<b>477,900</b>	519,925
<b>Total capital</b>	<b>1,957,116</b>	1,989,628	<b>1,903,721</b>	1,932,824

(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	
	31 Mar 2016 RM'000	31 Dec 2015 RM'000	31 Mar 2016 RM'000	31 Dec 2015 RM'000
<b>Computation of Total Risk-Weighted Assets (RWA)</b>				
Total Credit RWA	7,059,942	7,269,805	7,036,038	7,240,016
Total Market RWA	33,301	32,918	33,301	32,918
Total Operational RWA	461,364	481,780	444,654	452,784
Large Exposure Risk RWA for Equity Holdings	20,048	20,048	20,048	20,048
<b>Total Risk-Weighted Assets</b>	<b>7,574,655</b>	7,804,551	<b>7,534,041</b>	7,745,766
<b>Computation of Capital Ratios</b>				
Core Capital	1,478,917	1,469,330	1,425,821	1,412,899
Capital Base	1,957,116	1,989,628	1,903,721	1,932,824
<b>CET I / Tier I Capital Ratio</b>	<b>19.525%</b>	18.827%	<b>18.925%</b>	18.241%
<b>Total Capital Ratio</b>	<b>25.838%</b>	25.493%	<b>25.268%</b>	24.953%

# 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 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 2016</b>			
<b>Financial assets</b>			
Securities available-for-sale	1,054,903	-	1,054,903
Securities held-to-maturity	60,406	-	60,406
Financing, advances and other receivables	995,083	5,813,206	6,808,289
Hedging financial instruments	8,049	-	8,049
<b>Total</b>	<b>2,118,441</b>	<b>5,813,206</b>	<b>7,931,648</b>
<b>Financial liability</b>			
Deposits from customers	4,595,379	-	4,595,379
Hedging financial instruments	1,061	-	1,061
Subordinated Murabahah Tawarruq	-	389,865	389,865
	<b>4,596,440</b>	<b>389,865</b>	<b>4,986,305</b>
<b>31 Dec 2015</b>			
<b>Financial assets</b>			
Securities available-for-sale	1,058,265	-	1,058,265
Securities held-to-maturity	61,088	-	61,088
Financing, advances and other receivables	913,296	6,087,520	7,000,816
Hedging financial instruments	9,267	-	9,267
<b>Total</b>	<b>2,041,916</b>	<b>6,087,520</b>	<b>8,129,436</b>
<b>Financial liability</b>			
Deposits from customers	3,647,051	-	3,647,051
Hedging financial instruments	459	-	459
Subordinated Murabahah Tawarruq	-	429,337	429,337
	<b>3,647,510</b>	<b>429,337</b>	<b>4,076,847</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 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 2016</b>			
<b>Financial assets</b>			
Securities available-for-sale	1,015,880	-	1,015,880
Securities held-to-maturity	60,406	-	60,406
Financing, advances and other receivables	995,083	5,813,206	6,808,289
Hedging financial instruments	8,049	-	8,049
<b>Total</b>	<b>2,079,418</b>	<b>5,813,206</b>	<b>7,892,624</b>
<b>Financial liability</b>			
Deposits from customers	4,514,239	-	4,514,239
Hedging financial instruments	1,061	-	1,061
Subordinated Murabahah Tawarruq	-	389,865	389,865
	<b>4,515,300</b>	<b>389,865</b>	<b>4,905,165</b>
<b>31 Dec 2015</b>			
<b>Financial assets</b>			
Securities available-for-sale	994,127	-	994,127
Securities held-to-maturity	61,088	-	61,088
Financing, advances and other receivables	913,296	6,087,520	7,000,816
Hedging financial instruments	9,267	-	9,267
<b>Total</b>	<b>1,977,778</b>	<b>6,087,520</b>	<b>8,065,298</b>
<b>Financial liability</b>			
Deposits from customers	3,563,341	-	3,563,341
Hedging financial instruments	459	-	459
Subordinated Murabahah Tawarruq	-	429,337	429,337
	<b>3,563,800</b>	<b>429,337</b>	<b>3,993,137</b>

#### 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%

# 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 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:

		<b>Group</b>			
		<b>31 Mar 2016</b>		<b>31 Dec 2015</b>	
		<b>Carrying Value</b>	<b>Fair Value</b>	<b>Carrying Value</b>	<b>Fair Value</b>
		<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Financial Assets</b>					
Securities held-to-maturity		60,455	60,406	61,251	61,088
Financing, advances and other receivables		6,811,963	6,808,289	7,002,145	7,000,816
		<b>6,872,418</b>	<b>6,868,695</b>	7,063,396	7,061,904
<b>Financial Liabilities</b>					
Deposits from customers		4,595,451	4,595,379	3,640,007	3,639,561
Subordinated Murabahah Tawarruq		389,950	389,865	429,538	429,337
		<b>4,985,401</b>	<b>4,985,244</b>	4,069,545	4,068,898

		<b>Bank</b>			
		<b>31 Mar 2016</b>		<b>31 Dec 2015</b>	
		<b>Carrying Value</b>	<b>Fair Value</b>	<b>Carrying Value</b>	<b>Fair Value</b>
		<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Financial Assets</b>					
Securities held-to-maturity		60,455	60,406	61,251	61,088
Financing, advances and other receivables		6,811,963	6,808,289	7,002,145	7,000,816
		<b>6,872,419</b>	<b>6,868,695</b>	7,063,396	7,061,904
<b>Financial Liabilities</b>					
Deposits from customers		4,514,312	4,514,239	3,556,307	3,555,851
Subordinated Murabahah Tawarruq		389,950	389,865	429,538	429,337
		<b>4,904,262</b>	<b>4,904,104</b>	3,985,845	3,985,188



# 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 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.

# 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 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.

# 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

### A23 FINANCIAL RISK MANAGEMENT

#### (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			
31 Mar 2016	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	%
<b>ASSETS</b>									
Cash and short-term funds	1,139,770	-	-	-	-	66,379	-	1,206,149	2.84
Deposits and placements with banks and other financial institutions	-	43,610	174,420	-	-	-	-	218,030	1.30
Securities available-for-sale	-	39,438	78,304	287,078	723,311	-	-	1,128,131	3.04
Securities held-to-maturity	-	-	-	60,455	-	-	-	60,455	5.21
Financing, advances and receivables	1,971,790	2,837,894	196,443	513,901	1,291,935	-	-	6,811,963	5.37
Musarakah capital investment	-	-	-	-	-	5,898	-	5,898	
Other assets	-	-	-	-	-	659,067	-	659,067	
<b>TOTAL ASSETS</b>	<b>3,111,560</b>	<b>2,920,942</b>	<b>449,167</b>	<b>861,434</b>	<b>2,015,246</b>	<b>731,344</b>	<b>-</b>	<b>10,089,693</b>	
<b>LIABILITIES AND SHAREHOLDER'S EQUITY</b>									
Deposits from customers	1,792,784	1,323,329	661,602	840	-	816,896	-	4,595,451	3.04
Deposits and placements of banks and other financial institutions	1,785,836	1,168,468	364,605	6,280	-	-	-	3,325,189	3.60
Subordinated Murabahah Tawarruq	389,950	-	-	-	-	-	-	389,950	3.19
Other liabilities	-	-	-	-	-	87,963	-	87,963	
<b>Total Liabilities</b>	<b>3,968,570</b>	<b>2,491,797</b>	<b>1,026,207</b>	<b>7,120</b>	<b>-</b>	<b>904,859</b>	<b>-</b>	<b>8,398,553</b>	
Shareholder's equity	-	-	-	-	-	1,691,140	-	1,691,140	
<b>Total Liabilities and Shareholder's Equity</b>	<b>3,968,570</b>	<b>2,491,797</b>	<b>1,026,207</b>	<b>7,120</b>	<b>-</b>	<b>2,595,999</b>	<b>-</b>	<b>10,089,693</b>	
On-balance sheet profit sensitivity gap	(857,010)	429,145	(577,040)	854,314	2,015,246	(1,864,655)	-	-	
Off-balance sheet profit sensitivity gap	-	-	-	-	-	-	-	-	
<b>Total profit sensitivity gap</b>	<b>(857,010)</b>	<b>429,145</b>	<b>(577,040)</b>	<b>854,314</b>	<b>2,015,246</b>	<b>(1,864,655)</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

### A23 FINANCIAL RISK MANAGEMENT (Cont'd.)

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

Group	Non-trading book					Non-profit sensitive	Trading book	Total	Effective profit rate
	Up to 1 month	>1 - 3 months	>3 - 12 months	>1 - 5 years	Over 5 years				
31 Dec 2015	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	%
<b>ASSETS</b>									
Cash and short-term funds	1,511,355	-	-	-	-	46,668	-	1,558,023	3.11
Deposits and placements with banks and other financial institutions	-	44,152	167,466	-	-	-	-	211,618	1.22
Securities available-for-sale	21,499	-	121,383	300,920	518,212	173,208	-	1,135,222	2.93
Securities held-to-maturity	-	-	-	61,251	-	-	-	61,251	5.21
Financing, advances and receivables	2,148,013	2,969,990	534,309	78,583	1,271,250	-	-	7,002,145	5.36
Musarakah capital investment	-	-	-	-	-	5,898	-	5,898	
Other assets	-	-	-	-	-	693,871	-	693,871	
<b>TOTAL ASSETS</b>	<b>3,680,867</b>	<b>3,014,141</b>	<b>823,158</b>	<b>440,754</b>	<b>1,789,462</b>	<b>919,645</b>	<b>-</b>	<b>10,668,028</b>	
<b>LIABILITIES AND SHAREHOLDER'S EQUITY</b>									
Deposits from customers	1,516,625	580,273	734,961	5,469	-	802,679	-	3,640,006	2.88
Deposits and placements of banks and other financial institutions	2,174,522	1,783,757	891,071	-	-	-	-	4,849,351	4.01
Subordinated Murabahah Tawarruq	429,538	-	-	-	-	-	-	429,538	3.17
Other liabilities	-	-	-	-	-	81,662	-	81,662	
<b>Total Liabilities</b>	<b>4,120,685</b>	<b>2,364,030</b>	<b>1,626,032</b>	<b>5,469</b>	<b>-</b>	<b>884,340</b>	<b>-</b>	<b>9,000,557</b>	
Shareholder's equity	-	-	-	-	-	1,667,471	-	1,667,471	
<b>Total Liabilities and Shareholder's Equity</b>	<b>4,120,685</b>	<b>2,364,030</b>	<b>1,626,032</b>	<b>5,469</b>	<b>-</b>	<b>2,551,811</b>	<b>-</b>	<b>10,668,028</b>	
On-balance sheet profit sensitivity gap	(439,818)	650,111	(802,874)	435,285	1,789,462	(1,632,166)	-	-	
Off-balance sheet profit sensitivity gap	-	-	-	-	-	-	-	-	
<b>Total profit sensitivity gap</b>	<b>(439,818)</b>	<b>650,111</b>	<b>(802,874)</b>	<b>435,285</b>	<b>1,789,462</b>	<b>(1,632,166)</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

### A23 FINANCIAL RISK MANAGEMENT (Cont'd.)

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

Bank	Non-trading book						Trading book	Total	Effective profit rate
	Up to 1 month	>1 - 3 months	>3 - 12 months	>1 - 5 years	Over 5 years	Non-profit sensitive			
31 Mar 2016	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	%
<b>ASSETS</b>									
Cash and short-term funds	1,139,770	-	-	-	-	66,379	-	1,206,149	2.90
Deposits and placements with banks and other financial institutions	-	69,965	174,420	-	-	-	-	244,385	1.23
Securities available-for-sale	-	39,438	78,304	248,054	705,327	-	-	1,071,123	3.11
Securities held-to-maturity	-	-	-	60,455	-	-	-	60,455	5.21
Financing, advances and receivables	1,971,790	2,837,894	196,443	513,901	1,291,935	-	-	6,811,963	5.37
Musarakah capital investment	-	-	-	-	-	5,898	-	5,898	
Other assets	-	-	-	-	-	676,207	-	676,207	
<b>TOTAL ASSETS</b>	<b>3,111,560</b>	<b>2,947,297</b>	<b>449,167</b>	<b>822,410</b>	<b>1,997,262</b>	<b>748,484</b>	<b>-</b>	<b>10,076,180</b>	
<b>LIABILITIES AND SHAREHOLDER'S EQUITY</b>									
Deposits from customers	1,792,784	1,323,329	661,602	840	-	735,757	-	4,514,312	3.09
Deposits and placements of banks and other financial institutions	1,872,445	1,173,852	364,605	6,280	-	-	-	3,417,182	3.52
Subordinated Murabahah Tawarruq	389,950	-	-	-	-	-	-	389,950	3.19
Other liabilities	-	-	-	-	-	87,126	-	87,126	
<b>Total Liabilities</b>	<b>4,055,179</b>	<b>2,497,181</b>	<b>1,026,207</b>	<b>7,120</b>	<b>-</b>	<b>822,883</b>	<b>-</b>	<b>8,408,570</b>	
Shareholder's equity	-	-	-	-	-	1,667,610	-	1,667,610	
<b>Total Liabilities and Shareholder's Equity</b>	<b>4,055,179</b>	<b>2,497,181</b>	<b>1,026,207</b>	<b>7,120</b>	<b>-</b>	<b>2,490,493</b>	<b>-</b>	<b>10,076,180</b>	
On-balance sheet profit sensitivity gap	(943,619)	450,116	(577,040)	815,290	1,997,262	(1,742,009)	-	-	
Off-balance sheet profit sensitivity gap	-	-	-	-	-	-	-	-	
<b>Total profit sensitivity gap</b>	<b>(943,619)</b>	<b>450,116</b>	<b>(577,040)</b>	<b>815,290</b>	<b>1,997,262</b>	<b>(1,742,009)</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

### A23 FINANCIAL RISK MANAGEMENT (Cont'd.)

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

Bank	Non-trading book					Non-profit sensitive	Trading book	Total	Effective profit rate
	Up to 1 month	>1 - 3 months	>3 - 12 months	>1 - 5 years	Over 5 years				
31 Dec 2015	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	%
<b>ASSETS</b>									
Cash and short-term funds	1,511,355	-	-	-	-	46,668	-	1,558,023	3.11
Deposits and placements with banks and other financial institutions	-	72,070	167,466	-	-	-	-	239,536	1.16
Securities available-for-sale	121,383	-	258,281	518,212	154,494	-	-	1,052,370	3.05
Securities held-to-maturity	-	-	-	61,251	-	-	-	61,251	5.21
Financing, advances and receivables	2,148,013	2,969,990	534,309	78,583	1,271,250	-	-	7,002,145	5.36
Musarakah capital investment	-	-	-	-	-	5,898	-	5,898	
Other assets	-	-	-	-	-	710,873	-	710,873	
<b>TOTAL ASSETS</b>	<b>3,780,751</b>	<b>3,042,060</b>	<b>960,056</b>	<b>658,046</b>	<b>1,425,744</b>	<b>763,439</b>	<b>-</b>	<b>10,630,096</b>	
<b>LIABILITIES AND SHAREHOLDER'S EQUITY</b>									
Deposits from customers	1,512,523	579,801	734,961	5,469	-	723,553	-	3,556,307	2.94
Deposits and placements of banks and other financial institutions	-	-	-	-	-	-	-	-	
Subordinated Murabahah Tawarruq	2,241,979	1,789,083	891,070	-	-	-	-	4,922,132	3.96
Other liabilities	429,538	-	-	-	-	-	-	429,538	3.17
	-	-	-	-	-	80,880	-	80,880	
<b>Total Liabilities</b>	<b>4,184,040</b>	<b>2,368,884</b>	<b>1,626,031</b>	<b>5,469</b>	<b>-</b>	<b>804,433</b>	<b>-</b>	<b>8,988,857</b>	
Shareholder's equity	-	-	-	-	-	1,641,239	-	1,641,239	
<b>Total Liabilities and Shareholder's Equity</b>	<b>4,184,040</b>	<b>2,368,884</b>	<b>1,626,031</b>	<b>5,469</b>	<b>-</b>	<b>2,445,672</b>	<b>-</b>	<b>10,630,096</b>	
On-balance sheet profit sensitivity gap	(403,289)	673,176	(665,975)	652,577	1,425,744	(1,682,233)	-	-	
Off-balance sheet profit sensitivity gap	-	-	-	-	-	-	-	-	
<b>Total profit sensitivity gap</b>	<b>(403,289)</b>	<b>673,176</b>	<b>(665,975)</b>	<b>652,577</b>	<b>1,425,744</b>	<b>(1,682,233)</b>	<b>-</b>	<b>-</b>	

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

**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 2016 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 2015. 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 2015.

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 2015, and modified for the adoption of the following accounting standards applicable for financial periods beginning on or after 1 January 2016:

Amendments to MFRS 119 Defined Benefit Plans: Employee Contributions  
Annual Improvements to MFRSs 2010–2012 Cycle  
    MFRS 8 Operating Segments  
    MFRS 116 Property, Plant and Equipment and MFRS 138 Intangible Assets  
    MFRS 124 Related Party Disclosures  
Annual Improvements to MFRSs 2011–2013 Cycle  
    MFRS 3 Business Combinations  
    MFRS 13 Fair Value Measurement  
    MFRS 140 Investment Property

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>
Annual Improvements to MFRSs 2012 – 2014 Cycle	1 January 2016
Amendments to MFRS 116 and MFRS 138: Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
<i>Amendments to MFRS 116 and MFRS 141:</i> Agriculture: Bearer Plants	1 January 2016
MFRS 141 Agriculture - Agriculture: Bearer Plants (Amendments to MFRS 141)	1 January 2016
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred
Amendments to MFRS 11: Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
Amendments to MFRS 127: Equity Method in Separate Financial Statements	1 January 2016
Amendments to MFRS 101: Disclosure Initiatives	1 January 2016
Amendments to MFRS 10, MFRS 12 and MFRS 128: Investment Entities: Applying the Consolidation Exception	1 January 2016
MFRS 14 Regulatory Deferral Accounts	1 January 2016
MFRS 15 Revenue from Contracts with Customers	1 January 2016
MFRS 9 Financial Instruments	1 January 2016

**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 2015 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 2016.

**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 2016.

**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 2016.

**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 2016.

**B8 Dividends Paid**

There were no dividends paid during the three-months ended 31 March 2016.



# 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

### 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
31 Mar 2016	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
External revenue	29,839	44,597	18,005	37,192		129,633
Revenue from other segments	65,033	412	1,596	13,990	(81,031)	-
<b>Total Revenue</b>	<b>94,872</b>	<b>45,009</b>	<b>19,601</b>	<b>51,182</b>	<b>(81,031)</b>	<b>129,633</b>
Segment results	(3,340)	7,028	22,894	15,437		42,019
Unallocated expenses						(20,850)
<b>Profit from operations</b>						<b>21,169</b>
Taxation						(7,246)
<b>Net profit for the year</b>						<b>13,923</b>
<b>Other information</b>						
Segment assets	2,648,189	3,526,528	1,027,081	2,585,220	(228,075)	9,558,943
Unallocated corporate assets						530,750
<b>Total assets</b>						<b>10,089,693</b>
Segment liabilities	6,091,338	197,803	315,519	1,557,624	(209,428)	7,952,856
Unallocated corporate liabilities						445,697
<b>Total liabilities</b>						<b>8,398,553</b>
<b>Other segment items</b>						
Purchase of property and equipment				2,140		2,140
Purchase of intangible assets				81		81
Depreciation of property and equipment				2,331		2,331
Amortisation of intangible assets				685		685
Other non-cash expense other than depreciation	-	-	16,175	(2,814)	-	13,361

#### (ii) By Geographical Locations

Group	Operating Revenue RM'000	Profit Before Zakat and Taxation RM'000	Total Assets RM'000
<b>31 Mar 2016</b>			
Malaysia	129,633	21,169	10,089,693
Outside Malaysia	-	-	-
	<b>129,633</b>	<b>21,169</b>	<b>10,089,693</b>

# 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

### 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
31 Mar 2015	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
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>
Zakat						-
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

Group	Operating Revenue RM'000	Profit Before Zakat and Taxation RM'000	Total Assets RM'000
<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>

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

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

**B10 Valuation of Property and Equipment**

There was no change in the valuation of property and equipment that were brought forward from the previous audited financial statements for the year ended 31 December 2015.

**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 2015.

**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 2015 other than those as disclosed in note A19.

**B14 Capital Commitments**

The capital commitments not provided for in the interim financial statements as at 31 March 2016 are as follows:

Capital expenditure

Authorised and contracted for:

- renovation
- purchase of IT hardware & software

Group	Bank
RM'000	RM'000
428	428
498	498
<b>926</b>	<b>926</b>

# KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

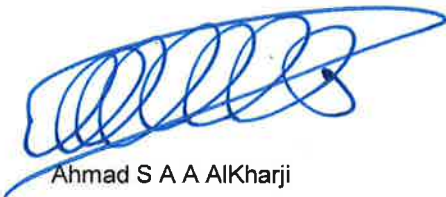
## Certification of Financial Statements

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



Mohd Hazran Abd Hadi  
Chief Financial Officer

I, Ahmad 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.



Ahmad S A A AlKharji  
Chief Executive Officer and Managing Director