



# KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(200401033666)

(Incorporated in Malaysia)

## Interim Report for the Period Ended 30 September 2020

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# KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(200401033666)

(Incorporated in Malaysia)

## INTERIM CONDENSED STATEMENTS OF FINANCIAL POSITION

	Note	Group		Bank	
		30 Sep 2020 RM'000	31 Dec 2019 RM'000	30 Sep 2020 RM'000	31 Dec 2019 RM'000
<b>ASSETS</b>					
Cash and short-term funds	A3	116,887	61,870	116,887	61,870
Deposits and placements with banks and other financial institutions	A4	6,307	6,820	6,307	6,820
Gold depository		105,226	84,677	105,226	84,677
Financial assets at FVTPL	A5	-	219	-	219
Equity instruments at FVOCI	A7	18	18	18	18
Debt instruments at FVOCI	A6	3,842,792	3,647,186	3,842,792	3,647,186
Financing, advances and other receivables	A8	4,306,321	4,786,413	4,306,321	4,786,413
Other assets	A9	121,807	129,394	121,807	129,374
Hedging financial instruments	A10	1,893	5,190	1,893	5,190
Statutory deposits with Bank Negara Malaysia		19,337	184,624	19,337	184,624
Investment in subsidiaries		-	-	10,200	10,200
Right of use of assets	A11	76,895	82,546	76,895	82,546
Property and equipment		23,023	22,826	23,023	22,826
Intangible assets		15,996	19,500	15,996	19,500
Deferred tax assets		5,554	45,181	5,554	45,181
		<b>8,642,055</b>	<b>9,076,464</b>	<b>8,652,255</b>	<b>9,086,644</b>
<b>LIABILITIES</b>					
Deposits from customers	A12	4,830,940	5,121,638	4,847,439	5,138,082
Investment accounts of customers	A14	6,307	6,820	6,307	6,820
Deposits and placements of banks and other financial institutions	A13	1,817,034	2,053,750	1,817,034	2,053,750
Hedging financial instruments	A10	2,124	7,626	2,124	7,626
Lease Liabilities	A11	79,317	84,112	79,317	84,112
Other liabilities	A15	109,803	85,161	109,348	84,859
		<b>6,845,526</b>	<b>7,359,107</b>	<b>6,861,569</b>	<b>7,375,249</b>
<b>SHAREHOLDER'S EQUITY</b>					
Share capital	A16	1,425,272	1,425,272	1,425,272	1,425,272
Reserves		371,257	292,085	365,414	286,123
		<b>1,796,529</b>	<b>1,717,357</b>	<b>1,790,686</b>	<b>1,711,395</b>
<b>TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY</b>		<b>8,642,055</b>	<b>9,076,464</b>	<b>8,652,255</b>	<b>9,086,644</b>
<b>COMMITMENTS AND CONTINGENCIES</b>		<b>1,649,884</b>	<b>1,935,549</b>	<b>1,649,884</b>	<b>1,935,549</b>
<b>CAPITAL ADEQUACY</b>					
Common Equity Tier I / Tier I Capital Ratio	A24	33.542%	30.446%	33.154%	30.114%
Total Capital Ratio	A24	34.681%	31.600%	34.292%	31.267%
<b>NET ASSETS PER SHARE (RM)</b>		<b>1.26</b>	<b>1.20</b>	<b>1.26</b>	<b>1.20</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

(200401033666)

(Incorporated in Malaysia)

## INTERIM CONDENSED CONSOLIDATED INCOME STATEMENTS

<u>Group</u>	Note	3rd Quarter ended 30-Sep		Nine-months ended 30-Sep	
		2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
<b><u>Continuing Operations</u></b>					
Operating revenue		108,790	117,325	325,542	356,033
Income derived from investment of depositors' funds and others	A17	85,757	87,137	255,838	277,199
Income derived from investment of investment account funds	A21	30	40	122	126
Income derived from investment of shareholder's equity	A18	23,003	30,148	69,582	78,707
Total gross income		108,790	117,325	325,542	356,033
Modification loss	B5	-	-	(54,183)	-
Impairment loss on FVTPL		(524)	-	(524)	-
Credit loss (charge)/writeback on financial assets	A19	(15,266)	(6,175)	(20,720)	(5,510)
Total distributable income		93,000	111,150	250,116	350,523
Income attributable to the depositors	A20	(43,588)	(59,824)	(148,462)	(190,943)
Profit distributed to investment account holders	A21	(18)	(24)	(73)	(76)
Total net income		49,394	51,303	101,581	159,504
Personnel expenses		(17,412)	(20,853)	(53,601)	(66,598)
Other overheads and expenditures		(18,317)	(20,278)	(52,631)	(60,453)
Profit/(loss) before zakat and taxation		13,665	10,172	(4,651)	32,454
Taxation		(2,654)	(2,448)	(10,558)	(7,811)
Net profit/(loss) for the period		11,010	7,723	(15,210)	24,643
<b><u>Discontinued Operations</u></b>					
Profit/(loss) before zakat and taxation from discontinued operations		38	934	(268)	2,169
Profit/(loss) before zakat and taxation		13,703	11,105	(4,919)	34,623
Taxation		-	(25)	-	(56)
Profit/(loss) after zakat and taxation for the year from discontinued operations	A22	38	908	(268)	2,113
Net profit/(loss) for the period		11,049	8,631	(15,478)	26,756
Attributable to:					
Equity holders of the Bank		11,049	8,631	(15,478)	26,756
Earnings per share attributable to equity holders of the Bank - Basic/Diluted (sen)		0.78	0.61	(1.09)	1.88

*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

	3rd Quarter ended 30-Sep		Nine-months ended 30-Sep	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
<b>Group</b>				
Net profit/(loss) for the period	11,049	8,631	(15,478)	26,756
Other comprehensive income/(loss):				
Items that may be reclassified subsequently to profit or loss:				
Securities held at FVOCI:				
- Net unrealised gain on securities held at FVOCI	49,941	36,178	126,354	126,636
- Net realised (loss)/gain on securities held at FVOCI reclassified to the income statement	(2,876)	788	(2,876)	(99)
- Changes in allowance for expected credit losses	-	295	-	2,695
Exchange differences on translation of foreign operations:				
Net (loss)/gain taken to equity	(484)	537	240	513
Income tax relating to components of other comprehensive income	(11,400)	(8,677)	(29,069)	(28,249)
Other comprehensive income for the period, net of tax	35,182	29,121	94,650	101,495
Total comprehensive income for the period	<b>46,230</b>	37,752	<b>79,172</b>	128,252
Total comprehensive income for the period attributable to equity holders of the Bank	<b>46,230</b>	37,752	<b>79,172</b>	128,252

*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**  
**(200401033666)**  
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**INTERIM CONDENSED INCOME STATEMENTS**

	Note	3rd Quarter ended 30-Sep		Nine-months ended 30-Sep	
		2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
<b>Bank</b>					
Operating revenue		<b>108,820</b>	117,355	<b>325,632</b>	356,123
Income derived from investment of depositors' funds and others	A17	<b>85,757</b>	87,137	<b>255,838</b>	277,199
Income derived from investment of investment account funds	A21	<b>30</b>	40	<b>122</b>	126
Income derived from investment of shareholder's equity	A18	<b>23,033</b>	30,178	<b>69,672</b>	78,797
Total gross income		<b>108,820</b>	117,355	<b>325,632</b>	356,123
Modification loss	B5	-	-	<b>(54,183)</b>	-
Impairment loss on FVTPL		<b>(524)</b>	-	<b>(524)</b>	-
Credit loss (charge)/writeback on financial assets	A19	<b>(15,266)</b>	(6,175)	<b>(20,720)</b>	(5,510)
Total distributable income		<b>93,030</b>	111,180	<b>250,206</b>	350,613
Income attributable to the depositors	A20	<b>(43,588)</b>	(59,824)	<b>(148,462)</b>	(190,943)
Profit distributed to investment account holders	A21	<b>(18)</b>	(24)	<b>(73)</b>	(76)
Total net income		<b>49,424</b>	51,333	<b>101,671</b>	159,595
Personnel expenses		<b>(17,412)</b>	(20,853)	<b>(53,601)</b>	(66,598)
Other overheads and expenditures		<b>(18,317)</b>	(20,278)	<b>(52,631)</b>	(60,453)
Finance cost		-	-	-	-
Profit/(loss) before zakat and taxation		<b>13,695</b>	10,202	<b>(4,561)</b>	32,544
Taxation		<b>(2,654)</b>	(2,448)	<b>(10,558)</b>	(7,811)
Net profit/(loss) for the period		<b>11,041</b>	7,753	<b>(15,119)</b>	24,733

*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)**  
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**INTERIM CONDENSED STATEMENTS OF COMPREHENSIVE INCOME**

	3rd Quarter ended 30-Sep		Nine-months ended 30-Sep	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
<b>Bank</b>				
Net profit/(loss) for the period	11,041	7,753	(15,119)	24,733
Other comprehensive income/(loss):				
Securities held at FVOCI:				
- Net unrealised gain on securities held at FVOCI	49,941	36,325	126,354	126,634
- Net realised (loss)/gain on securities held at FVOCI reclassified to the income statement	(2,876)	606	(2,876)	(282)
- Changes in allowance for expected credit losses	-	300	-	2,700
Income tax relating to components of other comprehensive income	(11,400)	(8,677)	(29,069)	(28,249)
Other comprehensive income for the period, net of tax	35,665	28,554	94,410	100,803
Total comprehensive income for the period	<b>46,706</b>	36,307	<b>79,291</b>	125,537

*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 CHANGES IN EQUITY

	Non-distributable			Distributable	Total Equity RM'000	
	Share Capital RM'000	Statutory Reserve RM'000	Exchange Fluctuation Reserve RM'000	FVOCI Reserve RM'000		Retained Earnings RM'000
<b>Group</b>						
<b>At 1 Jan 2020</b>	1,425,272	170,648	3,546	117,800	91	1,717,357
Total comprehensive income	-	-	240	94,409	(15,478)	79,172
<b>At 30 September 2020</b>	<b>1,425,272</b>	<b>170,648</b>	<b>3,786</b>	<b>212,209</b>	<b>(15,387)</b>	<b>1,796,529</b>
<b>At 1 January 2019</b>	1,425,272	170,648	3,990	18,527	79,114	1,697,551
Total comprehensive income	-	-	(444)	99,273	(79,023)	19,806
<b>At 31 December 2019</b>	<b>1,425,272</b>	<b>170,648</b>	<b>3,546</b>	<b>117,800</b>	<b>91</b>	<b>1,717,357</b>
<b>Bank</b>						
<b>At 1 Jan 2020</b>	1,425,272	170,648	-	117,800	(2,325)	1,711,395
Total comprehensive income	-	-	-	94,410	(15,119)	79,291
<b>At 30 September 2020</b>	<b>1,425,272</b>	<b>170,648</b>	<b>-</b>	<b>212,210</b>	<b>(17,444)</b>	<b>1,790,686</b>
<b>At 1 January 2019</b>	1,425,272	170,648	-	18,707	54,051	1,668,678
Total comprehensive income	-	-	-	99,093	(56,376)	42,717
<b>At 31 December 2019</b>	<b>1,425,272</b>	<b>170,648</b>	<b>-</b>	<b>117,800</b>	<b>(2,325)</b>	<b>1,711,395</b>

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

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## INTERIM CONDENSED STATEMENTS OF CASH FLOWS

	Group		Bank	
	30-Sep 2020 RM'000	30-Sep 2019 RM'000	30-Sep 2020 RM'000	30-Sep 2019 RM'000
Profit before zakat and taxation	(4,651)	34,622	(4,561)	32,544
Adjustments for non-cash items	88,594	15,007	88,968	17,691
Operating profit before changes in working capital	83,942	49,629	84,408	50,235
<u>Changes in the working capital</u>				
Net changes in operating assets	584,802	559,220	584,782	559,215
Net changes in operating liabilities	(543,510)	(257,709)	(538,655)	(241,397)
Zakat and taxation refund/(paid)	-	(20)	-	-
Net cash generated from operating activities	41,292	301,491	46,128	317,818
Net purchases of assets	(74,003)	(369,629)	(75,519)	(382,059)
Net cash used in investing activities	(74,003)	(369,629)	(75,519)	(382,059)
Net change in cash and cash equivalents	51,231	(18,509)	55,017	(14,006)
Cash and cash equivalents at beginning of the period	61,870	135,339	61,870	135,339
Exchange differences on translation of opening balances	3,786	4,503	-	-
Cash and cash equivalents at end of the period	116,887	121,333	116,887	121,333

*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 tax of RM4.9 million and RM4.6 million respectively for the period ended 30 September 2020.

BNM had in March 2020 announced a measure to relieve the burden on businesses and households through 6 months automatic moratorium on loan and financing repayments. The automatic moratorium is automatically granted to eligible customers. In accordance with MFRS 9, the Bank has recognised a modification loss of RM54.2 million in June 2020 due to cashflow modification on Personal Financing and Hire Purchase accounts which are granted with the automatic 6 months moratorium.

**A2 OUTLOOK FOR 2020**

The Malaysian economy is to record a contraction in 2020, from 4.3% recorded in 2019, as the economy will continue to be dragged down by the adverse effects of the pandemic on consumption, exports, and investment. However, some recovery is expected towards the later part of 2020 as the Covid-19 will affect domestic growth particularly in the first half of this year.

Nevertheless, the monetary policy is expected to remain supportive of economic growth by focusing in providing support to the domestic economic growth in an environment of subdued price pressures as the Covid-19 pandemic increases risks to the country's growth outlook. The policy considerations will continue to be guided by the balance of risks surrounding the outlook.

Expansionary monetary policy and proactive boosts to fiscal spending will stabilise domestic demand and partially ease the impact of the Covid-19 situation. Among these policies are the economic stimulus package announced by the government driven by three objectives: protect the people, support businesses and strengthen the economy. These policies formulated to address the adverse impact of Covid-19 on the economy while preserving the welfare of citizens.

**A3 Cash and short term funds**

Cash and balance with banks and other financial institutions  
Money at call and interbank placement with remaining  
maturity less than one month  
  
Less : ECL allowance

<b>Group and Bank</b>	
<b>30 Sep 2020</b>	<b>31 Dec 2019</b>
<b>RM'000</b>	<b>RM'000</b>
<b>54,034</b>	58,120
<b>63,354</b>	3,831
<b>117,388</b>	61,951
<b>(501)</b>	(81)
<b>116,887</b>	61,870

**A3.1 Impairment allowance for cash and short term funds**

The table below shows the credit quality and the maximum exposure to credit risk based on the Bank's internal credit rating system and year-end stage classification. The amounts presented are gross of impairment allowances.

<b>Group and Bank</b>	<b>30 Sep 2020</b>			
	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Internal rating grade :				
Performing	117,388	-	-	117,388
Past due but not impaired	-	-	-	-
Individually impaired	-	-	-	-
Total	117,388	-	-	117,388

<b>Group and Bank</b>	<b>31 Dec 2019</b>			
	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Internal rating grade :				
Performing	61,951	-	-	61,951
Past due but not impaired	-	-	-	-
Individually impaired	-	-	-	-
Total	61,951	-	-	61,951

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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

### A3.1 Impairment allowance for cash and short term funds (Cont'd.)

An analysis of changes in the gross carrying amount and the corresponding ECL allowances is, as follows:

2020 Group and Bank	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Gross carrying amount as at 1 January 2020	61,951	-	-	61,951
Net remeasurement of outstanding balance	(186,925)	-	-	(186,925)
New financial assets originated or purchased	247,259	-	-	247,259
Financial assets that have matured	(4,897)	-	-	(4,897)
<b>Gross carrying amount as at 30 Sep 2020</b>	<b>117,388</b>	<b>-</b>	<b>-</b>	<b>117,388</b>

2020 Group and Bank	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
ECL allowance as at 1 January 2020	81	-	-	81
Allowance made during the year	420	-	-	420
<b>ECL allowance as at 30 Sep 2020</b>	<b>501</b>	<b>-</b>	<b>-</b>	<b>501</b>
Net carrying amount (after ECL)	116,887	-	-	116,887

2019 Group and Bank	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Gross carrying amount as at 1 January 2019	136,151	-	-	136,151
Net remeasurement of outstanding balance	(247,725)	-	-	(247,725)
New financial assets originated or purchased	475,541	-	-	475,541
Financial assets that have matured	(302,016)	-	-	(302,016)
<b>Gross carrying amount as at 31 December 2019</b>	<b>61,951</b>	<b>-</b>	<b>-</b>	<b>61,951</b>

2019 Group and Bank	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
ECL allowance as at 1 January 2019	812	-	-	812
Allowance reversed during the year	(731)	-	-	(731)
<b>ECL allowance as at 31 December 2019</b>	<b>81</b>	<b>-</b>	<b>-</b>	<b>81</b>
Net carrying amount (after ECL)	61,870	-	-	61,870

### A4 Placements of Investment Accounts with Bank Negara Malaysia

	Group		Bank	
	30 Sep 2020 RM'000	31 Dec 2019 RM'000	30 Sep 2020 RM'000	31 Dec 2019 RM'000
Bank Negara Malaysia ^	6,307	6,820	6,307	6,820

^ The placement with Bank Negara Malaysia are funded by investment accounts of customers as disclosed in Note A14.

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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 Financial assets at FVTPL

**At fair value**

Collective Investment Scheme

Group and Bank	
30 Sep 2020 RM'000	31 Dec 2019 RM'000
-	219
-	219

The financial assets at FVTPL were fully impaired as at 30 September 2020.

### A6 Debt instruments measured at FVOCI

The table below shows the fair value of the Bank's debt instruments measured at FVOCI by credit risk, based on the Bank's internal credit rating system and year-end stage classification.

<b>Group and Bank</b>	30 Sep 2020			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Internal rating grade :				
Performing	3,842,792	-	-	3,842,792
Past due but not impaired	-	-	-	-
Individually impaired	-	-	-	-
<b>Total</b>	<b>3,842,792</b>	<b>-</b>	<b>-</b>	<b>3,842,792</b>

<b>Group and Bank</b>	31 Dec 2019			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Internal rating grade :				
Performing	3,647,186	-	-	3,647,186
Past due but not impaired	-	-	-	-
Individually impaired	-	-	-	-
<b>Total</b>	<b>3,647,186</b>	<b>-</b>	<b>-</b>	<b>3,647,186</b>

An analysis of changes in the fair value and the corresponding ECLs is, as follows:

<b>Group and Bank</b>	30 Sep 2020			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
<b>Fair value amount as at 30 Sep 2020</b>	<b>3,842,792</b>	<b>-</b>	<b>-</b>	<b>3,842,792</b>

<b>Group and Bank</b>	30 Sep 2020			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
<b>ECL allowance as at 1 January 2020</b>	<b>25,300</b>	<b>-</b>	<b>-</b>	<b>25,300</b>
Allowance made during the year	-	-	-	-
<b>ECL allowance as at 30 Sep 2020 *</b>	<b>25,300</b>	<b>-</b>	<b>-</b>	<b>25,300</b>

\* The ECL allowance for financial instruments measured at FVOCI is grouped together with FVOCI reserves under equity.

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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

### A6 Debt instruments measured at FVOCI (Cont'd.)

<u>Group and Bank</u>	31 Dec 2019			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Fair value amount as at 31 Dec 2019	3,647,186	-	-	3,647,186

<u>Group and Bank</u>	31 Dec 2019			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
ECL allowance as at 1 January 2019	19,505	-	-	19,505
Allowance made during the year	5,795	-	-	5,795
<b>ECL allowance as at 31 Dec 2019 *</b>	<b>25,300</b>	<b>-</b>	<b>-</b>	<b>25,300</b>

\* The ECL allowance for financial instruments measured at FVOCI is grouped together with FVOCI reserves under equity.

### A7 Equity instruments measured at FVOCI

The table below shows the fair value of the Bank's equity instruments measured at FVOCI by credit risk, based on the Bank's internal credit rating system and year-end stage classification.

	Group and Bank	
	30 Sep 2020 RM'000	31 Dec 2019 RM'000
Musyarakah Capital Investment	18	18
	<b>18</b>	<b>18</b>

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 fair value. The Bank's participation in the entities involved is limited to safeguarding its interest under the Musyarakah financing.

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### A8 Financing, Advances and Other Receivables

#### i) At amortised cost

Term financing	
- House financing	
- Personal financing	
- Cashline financing	
- Syndicated financing	
- Hire purchase receivables	
- Other term financing	
Credit card	
Staff financing	
Less : Modification loss	
Less: Impairment allowances	
- Stage 1 Financing	
- Stage 2 Financing	
- Stage 3 Financing	
Net financing and advances to customers	
Less: Impairment allowances	
- Stage 1 Undrawn	
- Stage 1 Trade facilities	
- Stage 2 Trade facilities	
Net financing, advances and other receivables	

Group and Bank	
30 Sep 2020	31 Dec 2019
RM'000	RM'000
1,135,198	1,134,160
1,060,084	1,124,529
6,676	9,401
136,751	125,408
708,583	725,036
1,512,295	1,896,856
81	144
24,602	26,612
<b>4,638,453</b>	<b>5,042,146</b>
<b>(54,183)</b>	-
<b>4,584,270</b>	<b>5,042,146</b>
<b>(86,176)</b>	<b>(79,727)</b>
<b>(33,270)</b>	<b>(15,930)</b>
<b>(154,841)</b>	<b>(156,413)</b>
<b>4,309,983</b>	<b>4,790,076</b>
<b>(1,615)</b>	<b>(1,615)</b>
<b>(2,047)</b>	<b>(1,838)</b>
-	<b>(210)</b>
<b>4,306,321</b>	<b>4,786,413</b>

#### ii) By contract

Ijarah Muntahia Bittamlik (lease ended with ownership)	
Murabahah (cost-plus)	
Mudharabah (profit sharing)	
Qard (benevolent financing)	
Musyarakah (profit and loss sharing)	
Istisna'	
Ujrah (Credit card)	

Group and Bank	
30 Sep 2020	31 Dec 2019
RM'000	RM'000
2,068,279	2,143,284
2,452,758	2,832,442
43,705	43,705
1,369	1,540
17,152	20,056
926	975
81	144
<b>4,584,270</b>	<b>5,042,146</b>

#### iii) By type of customer

Domestic business enterprises	
- Small medium enterprises	
- Others	
Individuals	

Group and Bank	
30 Sep 2020	31 Dec 2019
RM'000	RM'000
336,119	342,311
1,301,029	1,672,384
2,947,122	3,027,451
<b>4,584,270</b>	<b>5,042,146</b>

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### A8 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 2020 RM'000	31 Dec 2019 RM'000
1,445,626	1,755,059
164,322	76,068
223,890	320,119
2,750,432	2,890,900
<b>4,584,270</b>	<b>5,042,146</b>

#### (v) By geographical distribution

Malaysia  
Middle East  
Other countries

Group and Bank	
30 Sep 2020 RM'000	31 Dec 2019 RM'000
4,579,430	5,037,237
3,495	3,552
1,345	1,357
<b>4,584,270</b>	<b>5,042,146</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	
30 Sep 2020 RM'000	31 Dec 2019 RM'000
2,909	3,047
708,582	725,036
136,751	125,408
993,089	1,036,857
1,132,537	1,131,505
1,610,402	2,020,293
<b>4,584,270</b>	<b>5,042,146</b>

#### (vii) By economic purpose

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 2020 RM'000	31 Dec 2019 RM'000
712,575	729,911
1,159,932	1,158,623
204,975	264,281
4,585	5,964
1,127,350	1,391,529
150,976	139,658
1,080,389	1,145,537
143,488	206,643
<b>4,584,270</b>	<b>5,042,146</b>

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### A8 Financing, Advances and Other Receivables (cont'd.)

#### viii) By sector

	Group and Bank	
	30 Sep 2020 RM'000	31 Dec 2019 RM'000
Construction	370,946	386,105
Electricity, gas and water	60,110	100,142
Finance, insurance and business services	150,510	98,203
Household	3,083,172	3,027,451
Manufacturing	158,541	213,772
Mining and quarrying	84	166
Agriculture, hunting, forestry & fishing	85,410	205,394
Real Estate	267,717	407,930
Transports, storage and communication	124,776	127,315
Wholesale & retail trade and restaurants & hotels	264,093	454,907
Others	18,911	20,761
<b>Total</b>	<b>4,584,270</b>	<b>5,042,146</b>

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

	Group and Bank							
	Ijarah Muntahia Bittamlik/ Al-Ijarah Thumma Al-Bai'/ (lease ended with ownership)	Murabahah (cost- plus)	Mudharabah (profit sharing)	Musyarakah (profit and loss sharing)	Qard (benevolent financing)	Istisna'	Ujrah	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>30 Sep 2020</b>								
House financing	1,126,241	80	-	7,951	-	926	-	1,135,198
Personal financing	-	1,058,992	-	-	1,092	-	-	1,060,084
Syndicated financing	-	136,751	-	-	-	-	-	136,751
Cashline financing	-	6,676	-	-	-	-	-	6,676
Hire purchase receivables	708,583	-	-	-	-	-	-	708,583
Other term financing	213,413	1,246,150	43,705	9,027	-	-	-	1,512,295
Staff financing	20,042	4,109	-	174	277	-	-	24,602
Credit card	-	-	-	-	-	-	81	81
<b>Total</b>	<b>2,068,279</b>	<b>2,452,758</b>	<b>43,705</b>	<b>17,152</b>	<b>1,369</b>	<b>926</b>	<b>81</b>	<b>4,584,270</b>

	Group and Bank							
	Ijarah Muntahia Bittamlik/ Al-Ijarah Thumma Al-Bai'/ (lease ended with ownership)	Murabahah (cost- plus)	Mudharabah (profit sharing)	Musyarakah (profit and loss sharing)	Qard (benevolent financing)	Istisna'	Ujrah	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>31 Dec 2019</b>								
House financing	1,123,350	79	-	9,755	-	975	-	1,134,160
Personal financing	-	1,123,411	-	-	1,118	-	-	1,124,529
Syndicated financing	-	125,408	-	-	-	-	-	125,408
Cashline financing	-	9,401	-	-	-	-	-	9,401
Hire purchase receivables	725,036	-	-	-	-	-	-	725,036
Other term financing	273,863	1,569,161	43,705	10,127	-	-	-	1,896,857
Staff financing	21,035	4,981	-	174	422	-	-	26,612
Credit card	-	-	-	-	-	-	144	144
<b>Total</b>	<b>2,143,284</b>	<b>2,832,442</b>	<b>43,705</b>	<b>20,056</b>	<b>1,540</b>	<b>975</b>	<b>144</b>	<b>5,042,146</b>

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### A8 Financing, Advances and Other Receivables (cont'd.)

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

As at 1 January	
Source of Qard fund:	
- Depositors' Fund	
- Shareholders' Fund	
Uses of Qard fund:	
- Financing for asset purchase	
- Staff Benevolent	
Closing balance	

Group and Bank	
30 Sep 2020 RM'000	31 Dec 2019 RM'000
1,540	1,375
609	1,326
478	1,062
131	264
(780)	(1,161)
(612)	(930)
(168)	(231)
1,369	1,540

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

At 1 Jan	
Impaired during the period/year	
- Impaired during the period/year	
- Reclassified to performing during the year	
- Amount recovered	
- Amount written off	
Reinstatement of previously written down accounts	
Closing balance	
Ratio of net impaired financing, advances and other receivables to gross financing, advances and other receivables less Stage 3 ECL	

Group and Bank	
30 Sep 2020 RM'000	31 Dec 2019 RM'000
301,426	267,288
16,311	33,275
39,713	119,508
(8,772)	(5,637)
(12,150)	(67,273)
(2,480)	(13,323)
811	863
318,548	301,426
3.70%	2.97%

#### xii) Movements in ECL on financing, advances and other receivables

<b>Stage 1 and 2 ECL</b>	
As at 1 Jan	
Allowance (writeback)/made during the year	
Closing balance	
As % of total gross financing, advances and other receivables less individual impairment	

Group and Bank	
30 Sep 2020 RM'000	31 Dec 2019 RM'000
99,320	89,394
23,788	9,926
123,108	99,320
2.78%	2.03%



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### A8 Financing, Advances and Other Receivables (cont'd.)

#### xii) Movements in ECL on financing, advances and other receivables (cont'd.)

	Group and Bank	
	30 Sep 2020 RM'000	31 Dec 2019 RM'000
<b>Stage 3 ECL</b>		
At 1 Jan	156,413	145,125
Allowance made during the year	97	23,747
- Allowance made	10,299	72,088
- Allowance written-back	(10,202)	(48,340)
Amount written off	(2,480)	(13,323)
Reinstatement of previously written down accounts	811	863
Closing balance	154,841	156,413

#### xiii) Impaired financing by sector

	Group and Bank	
	30 Sep 2020 RM'000	31 Dec 2019 RM'000
Finance, insurance and business services	6,273	7,624
Household	36,411	38,668
Manufacturing	82,611	83,110
Real Estate	182,499	161,270
Wholesale & retail trade and restaurants & hotels	10,754	10,754
	318,548	301,426

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**A8 Financing, Advances and Other Receivables (cont'd.)**

**xiii) Impairment allowance for financing and advances to customers**

The table below shows the credit quality and the maximum exposure to credit risk based on the Bank's internal credit rating system and year-end stage classification. The amounts presented are gross of impairment allowances.

<u>Group and Bank</u>	30 Sep 2020			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Internal rating grade :				
Performing	4,002,558	-	-	4,002,558
Past due but not impaired	-	263,164	-	263,164
Individually impaired	-	-	318,548	318,548
<b>Total</b>	<b>4,002,558</b>	<b>263,164</b>	<b>318,548</b>	<b>4,584,270</b>

<u>Group and Bank</u>	31 Dec 2019			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Internal rating grade :				
Performing	4,481,839	-	-	4,481,840
Past due but not impaired	-	258,881	-	258,880
Individually impaired	-	-	301,426	301,426
<b>Total</b>	<b>4,481,839</b>	<b>258,881</b>	<b>301,426</b>	<b>5,042,146</b>

An analysis of changes in the gross carrying amount and the corresponding ECL allowances in relation to financing and advances to customers is, as follows :

<u>Group and Bank</u>	30 Sep 2020			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
<b>Gross carrying amount as at 1 January 2020</b>	4,481,839	258,881	301,426	5,042,146
Transfer to 12-month ECL	77,386	(70,351)	(7,035)	-
Transfer to lifetime ECL not credit impaired	(13,811)	14,036	(226)	-
Transfer to lifetime ECL credit impaired	(1,154)	(7,146)	8,300	-
Net remeasurement of outstanding balance	(62,915)	217,005	56,536	210,626
New financial assets originated or purchased	1,109,242	-	-	1,109,242
Financial assets that have matured	(1,534,604)	(148,504)	(37,973)	(1,721,081)
Modification loss	(53,426)	(757)	-	(54,183)
Write-offs	-	-	(2,480)	(2,480)
<b>Gross carrying amount as at 30 Sep 2020</b>	<b>4,002,558</b>	<b>263,164</b>	<b>318,548</b>	<b>4,584,270</b>

<u>Group and Bank</u>	30 Sep 2020			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
<b>ECL allowance as at 1 January 2020</b>	83,180	16,140	156,413	255,733
Transfer to 12-month ECL	7,942	(4,176)	(3,766)	-
Transfer to lifetime ECL not credit impaired	(244)	470	(226)	-
Transfer to lifetime ECL credit impaired	(14)	(616)	630	-
Allowance (writeback)/made during the year	(1,027)	21,452	3,460	23,885
Write-offs	-	-	(2,480)	(2,480)
Reinstatement of previously written down accounts	-	-	811	811
<b>ECL allowance as at 30 Sep 2020</b>	<b>89,838</b>	<b>33,270</b>	<b>154,841</b>	<b>277,949</b>
Net carrying amount (after ECL)	3,912,720	229,894	163,707	4,306,321

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Group and Bank	31 Dec 2019			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
<b>Gross carrying amount as at 1 January 2019</b>	5,423,140	136,363	267,288	5,826,791
Transfer to 12-month ECL	30,341	(29,388)	(953)	-
Transfer to lifetime ECL not credit impaired	(64,479)	65,796	(1,317)	-
Transfer to lifetime ECL credit impaired	(13,158)	(12,529)	25,687	-
Net remeasurement of outstanding balance	(196,332)	143,986	261,239	208,893
New financial assets originated or purchased	1,984,967	-	-	1,984,967
Financial assets that have matured	(2,682,640)	(45,347)	(237,195)	(2,965,182)
Write-offs	-	-	(13,323)	(13,323)
<b>Gross carrying amount as at 31 Dec 2019</b>	<b>4,481,839</b>	<b>258,881</b>	<b>301,426</b>	<b>5,042,146</b>

Group and Bank	31 Dec 2019			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
<b>ECL allowance as at 1 January 2019</b>	73,573	15,821	145,125	234,519
Transfer to 12-month ECL	2,260	(1,712)	(548)	-
Transfer to lifetime ECL not credit impaired	(743)	918	(175)	-
Transfer to lifetime ECL credit impaired	(175)	(722)	897	-
Allowance made during the year	8,265	1,835	23,574	33,674
Reinstatement of previously written down accounts	-	-	863	863
Write-offs	-	-	(13,323)	(13,323)
<b>ECL allowance as at 31 Dec 2019</b>	<b>83,180</b>	<b>16,140</b>	<b>156,413</b>	<b>255,733</b>
<b>Net carrying amount (after ECL)</b>	<b>4,398,659</b>	<b>242,741</b>	<b>145,013</b>	<b>4,786,413</b>

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### A9 Other Assets

	Group		Bank	
	30 Sep 2020 RM'000	31 Dec 2019 RM'000	30 Sep 2020 RM'000	31 Dec 2019 RM'000
Deposits and prepayments	9,083	8,084	9,083	8,064
Amount due from other related parties	111,861	116,991	111,861	116,991
Fee receivable	80	276	80	276
Sundry debtors	783	4,043	783	4,043
<b>Total</b>	<b>121,807</b>	<b>129,394</b>	<b>121,807</b>	<b>129,374</b>

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

### A10 Hedging Financial Instruments

	Notional Amount RM'000	Fair Value	
		Assets RM'000	Liabilities RM'000
<b>Group and Bank</b>			
<b>At 30 September 2020</b>			
Forward foreign exchange related contracts			
- in connection with fair value hedges	260,207	844	1,052
- other derivatives without hedge accounting	545,368	1,049	1,072
<b>Total</b>	<b>805,575</b>	<b>1,893</b>	<b>2,124</b>

	Notional Amount RM'000	Fair Value	
		Assets RM'000	Liabilities RM'000
<b>Group and Bank</b>			
<b>At 31 Dec 2019</b>			
Forward foreign exchange related contracts			
- in connection with fair value hedges	635,527	755	3,191
- other derivatives without hedge accounting	569,696	4,435	4,435
<b>Total</b>	<b>1,205,223</b>	<b>5,190</b>	<b>7,626</b>

The Bank's derivatives designated for fair value hedges consists of forward foreign exchange related contracts that are used to protect against exposures to variability in foreign currency exchange rates. This hedging strategy is applied towards interbank borrowings and corporate customer deposits. The changes in the fair value of the forward foreign exchange contract and interbank borrowings or corporate customer deposits are recognised in the income statements. The measurement of the hedged item results in a net loss of RM1,700,748 recorded as accrued FX swap cost as at 30 September 2020 (31 December 2019: Net loss of RM1,740,421).

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### A11 RIGHT OF USE OF ASSETS AND LEASE LIABILITIES

Group and Bank				
Buildings	Office Equipments	Motor Vehicles	Total	
RM'000	RM'000	RM'000	RM'000	
<b>Cost</b>				
As at 1 January 2020	95,156	397	872	96,425
Additions	4,510	-	-	4,510
Disposals	(2,774)	-	-	(2,774)
<b>As at 30 September 2020</b>	<b>96,892</b>	<b>397</b>	<b>872</b>	<b>98,161</b>
<b>Accumulated depreciation</b>				
As at 1 January 2020	13,449	116	314	13,879
Charge	9,838	87	236	10,161
Disposal	(2,774)	-	-	(2,774)
<b>As at 30 September 2020</b>	<b>20,513</b>	<b>203</b>	<b>550</b>	<b>21,266</b>
<b>Net book value as at 30 September 2020</b>	<b>76,379</b>	<b>194</b>	<b>322</b>	<b>76,895</b>

Group and Bank				
Buildings	Office Equipments	Motor Vehicles	Total	
RM'000	RM'000	RM'000	RM'000	
<b>Cost</b>				
As at 1 January 2019	95,156	397	872	96,425
Additions	-	-	-	-
<b>As at 31 December 2019</b>	<b>95,156</b>	<b>397</b>	<b>872</b>	<b>96,425</b>
<b>Accumulated depreciation</b>				
As at 1 January 2019	-	-	-	-
Charge	13,449	116	314	13,879
Disposal	-	-	-	-
<b>As at 31 December 2019</b>	<b>13,449</b>	<b>116</b>	<b>314</b>	<b>13,879</b>
<b>Net book value as at 31 December 2019</b>	<b>81,707</b>	<b>281</b>	<b>558</b>	<b>82,546</b>

Set out below are the carrying amounts of lease liabilities and the movements during the year:

Group and Bank				
Buildings	Office Equipments	Motor Vehicles	Total	
RM'000	RM'000	RM'000	RM'000	
As at 1 January 2020	83,256	286	570	84,112
Addition	4,510	-	-	4,510
Accretion of profit	2,374	7	13	2,394
Payment	(11,356)	(93)	(250)	(11,699)
<b>As at 30 September 2020</b>	<b>78,784</b>	<b>200</b>	<b>333</b>	<b>79,317</b>

Group and Bank				
Buildings	Office Equipments	Motor Vehicles	Total	
RM'000	RM'000	RM'000	RM'000	
As at 1 January 2019	95,156	397	872	96,425
Accretion of profit	3,560	14	30	3,604
Payment	(15,460)	(125)	(332)	(15,917)
<b>As at 31 December 2019</b>	<b>83,256</b>	<b>286</b>	<b>570</b>	<b>84,112</b>

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### A11 RIGHT OF USE OF ASSETS AND LEASE LIABILITIES (Cont'd.)

The following are the amounts recognised in profit or loss:

#### 30 Sep 2020

Depreciation expense of right-of-use assets  
Profit expense on lease liabilities  
Total amount recognised in profit or loss

Group and Bank
RM'000
10,161
2,394
12,555

#### 31 December 2019

Depreciation expense of right-of-use assets  
Profit expense on lease liabilities  
Total amount recognised in profit or loss

Group and Bank
RM'000
13,879
3,604
17,483

### A12 Deposits from Customers

#### (i) By type of deposit

	Group		Bank	
	30 Sep 2020 RM'000	31 Dec 2019 RM'000	30 Sep 2020 RM'000	31 Dec 2019 RM'000
Qard				
- Demand deposits	355,178	302,251	371,677	319,165
- Gold deposits	105,040	84,341	105,040	84,341
Wakalah	-	471	-	-
Murabahah				
- Term placement	4,224,724	4,632,527	4,224,724	4,632,527
- Savings deposits	145,997	102,048	145,997	102,049
	<b>4,830,940</b>	<b>5,121,638</b>	<b>4,847,439</b>	<b>5,138,082</b>

#### (ii) By type of customer

	Group		Bank	
	30 Sep 2020 RM'000	31 Dec 2019 RM'000	30 Sep 2020 RM'000	31 Dec 2019 RM'000
Business enterprises	2,347,531	2,733,778	2,364,030	2,663,864
Individuals	390,350	364,479	390,350	364,479
Subsidiaries	-	-	-	86,357
Government and statutory bodies	1,639,821	1,591,688	1,639,821	1,591,689
Other enterprises	453,238	431,693	453,238	431,693
	<b>4,830,940</b>	<b>5,121,638</b>	<b>4,847,439</b>	<b>5,138,082</b>

#### (iii) By contractual maturity

	Group		Bank	
	30 Sep 2020 RM'000	31 Dec 2019 RM'000	30 Sep 2020 RM'000	31 Dec 2019 RM'000
Due within six months	3,545,943	3,353,049	3,562,441	3,372,017
More than six months to one year	1,114,413	1,479,201	1,114,413	1,507,828
More than one year to three years	170,585	289,388	170,585	258,237
	<b>4,830,940</b>	<b>5,121,638</b>	<b>4,847,439</b>	<b>5,138,082</b>

### A13 Deposits and Placements of Banks and Other Financial Institutions

	Group		Bank	
	30 Sep 2020 RM'000	31 Dec 2019 RM'000	30 Sep 2020 RM'000	31 Dec 2019 RM'000
<u>Murabahah</u>				
Licensed Islamic banks	135,035	70,560	135,035	70,560
Other financial institutions	1,681,999	1,983,190	1,681,999	1,983,190
	<b>1,817,034</b>	<b>2,053,750</b>	<b>1,817,034</b>	<b>2,053,750</b>

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### A14 INVESTMENT ACCOUNTS

	Group and Bank	
	30 Sep 2020 RM'000	31 Dec 2019 RM'000
As at 1 January	6,820	5,755
Net placement during the year	(586)	964
Income from investment	122	170
Profit distributed to mudarib	(49)	(69)
As at 30 September/31 December	6,307	6,820
Investment asset: Wadiah placement with BNM	6,307	6,820

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

	Investment account holder	
	Average profit sharing ratio	Average rate of return
	(%)	(%)
Unrestricted investment accounts: Less than 3 months	60	1.33

	Group and Bank	
	30 Sep 2020 RM'000	31 Dec 2019 RM'000
Business enterprises	2,268	3,126
Individuals	3,922	3,561
Other enterprises	117	133
	6,307	6,820

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### A15 Other Liabilities

	Group		Bank	
	30 Sep 2020 RM'000	31 Dec 2019 RM'000	30 Sep 2020 RM'000	31 Dec 2019 RM'000
Sundry creditors	62,635	40,490	62,385	40,465
Accrued restoration cost	5,214	5,595	5,214	5,595
Undistributed charity funds (i)	1,275	1,136	1,275	1,136
Other provisions and accruals	40,680	37,940	40,475	37,663
	<b>109,803</b>	<b>85,161</b>	<b>109,348</b>	<b>84,859</b>

(i) Sources and uses of charity funds:

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

Uses of charity funds:  
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	
30 Sep 2020 RM'000	31 Dec 2019 RM'000
1,136	3,192
242	1,836
<b>1,377</b>	<b>5,028</b>
-	(3,836)
(90)	(20)
(12)	(36)
<b>(102)</b>	<b>(3,892)</b>
<b>1,275</b>	<b>1,136</b>

### A16 Share Capital

	Number of ordinary shares at RM1.00 each		Amount	
	30 Sep 2020 Units'000	31 Dec 2019 Units'000	30 Sep 2020 RM'000	31 Dec 2019 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



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### A17 Income derived from investment of depositors' funds and others

	3rd Quarter ended 30-Sep		Nine-months ended 30-Sep	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
<b>Group</b>				
Finance income from financing, advances and other receivables	50,625	64,016	159,846	195,372
Finance income from impaired financing	546	1,022	2,520	2,706
Income from securities				
- Financial assets at FVOCI	30,422	27,809	91,141	81,003
Money at call and deposits with financial institutions	154	499	687	2,463
	<b>81,747</b>	93,346	<b>254,194</b>	281,544
Amortisation of premium less accretion of discounts	<b>(1,432)</b>	(1,253)	<b>(4,316)</b>	(3,709)
Total finance income and hibah	<b>80,315</b>	92,094	<b>249,878</b>	277,835
Gain/(loss) arising from sale of securities				
Gain/(loss) arising from sale of securities				
- Financial assets at FVTPL	-	1	-	1
- Financial assets at FVOCI	4,787	94	4,787	2,870
Foreign exchange (loss)/gain				
- Realised	655	(5,051)	1,173	(3,507)
	<b>85,757</b>	87,138	<b>255,838</b>	277,199

	3rd Quarter ended 30-Sep		Nine-months ended 30-Sep	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
<b>Bank</b>				
Finance income from financing, advances and other receivables	50,625	64,016	159,846	195,372
Finance income from impaired financing	546	1,022	2,520	2,706
Income from securities				
- Financial assets at FVOCI	30,422	27,809	91,141	81,003
Money at call and deposits with financial institutions	154	499	687	2,463
	<b>81,747</b>	93,346	<b>254,194</b>	281,544
Amortisation of premium less accretion of discounts	<b>(1,432)</b>	(1,253)	<b>(4,316)</b>	(3,709)
Total finance income and hibah	<b>80,315</b>	92,093	<b>249,878</b>	277,835
Gain/(loss) arising from sale of securities				
Gain/(loss) arising from sale of securities				
- Financial assets at FVTPL	-	1	-	1
- Financial assets at FVOCI	4,787	94	4,787	2,870
Foreign exchange gain				
- Realised	655	(5,051)	1,173	(3,507)
	<b>85,757</b>	87,137	<b>255,838</b>	277,199

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### A18 Income derived from Investment of Shareholder's Equity

	3rd Quarter ended 30-Sep		Nine-months ended 30-Sep	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
<b>Group</b>				
Finance income from financing, advances and other receivables	13,615	15,858	41,262	46,833
Finance income from impaired financing	148	253	648	655
Income from securities:				
- Financial assets at FVOCI	8,183	6,871	23,581	19,462
Money at call and deposits with financial institutions	41	127	173	608
Amortisation of premium less accretion of discounts	21,987	23,109	65,663	67,558
Total finance income and hibah	(385)	(310)	(1,117)	(891)
	21,601	22,799	64,546	66,667
Fee income				
- Commission	977	1,127	1,819	2,418
- Other fee income	485	1,589	5,978	5,086
Gain/(loss) arising from sale of securities				
- Financial assets at FVOCI	1,312	19	1,312	665
Foreign exchange (loss)/gain				
- Realised	(562)	4,450	2,130	5,089
- Unrealised	(822)	164	(6,205)	(1,552)
Loss on disposal of property, plant and equipment	-	-	(8)	334
Reversal of provision on property restoration	10	-	10	-
	23,003	30,148	69,582	78,707

	3rd Quarter ended 30-Sep		Nine-months ended 30-Sep	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
<b>Bank</b>				
Finance income from financing, advances and other receivables	13,615	15,858	41,262	46,833
Finance income from impaired financing	148	253	648	655
Income from securities:				
- Financial assets at FVOCI	8,183	6,871	23,581	19,462
Money at call and deposits with financial institutions	41	127	173	608
Amortisation of premium less accretion of discounts	21,987	23,109	65,663	67,558
Total finance income and hibah	(385)	(310)	(1,117)	(891)
	21,601	22,799	64,546	66,667
Fee income				
- Commission	977	1,127	1,819	2,418
- Other fee income	485	1,589	5,978	5,086
Gain/(loss) arising from sale of securities				
- Financial assets at FVOCI	1,312	19	1,312	665
Foreign exchange (loss)/gain				
- Realised	(562)	4,450	2,130	5,089
- Unrealised	(822)	164	(6,205)	(1,552)
Gain on disposal of property, plant and equipment	-	-	(8)	334
Reversal of provision on property restoration	10	-	10	-
Management fee	30	30	90	90
	23,033	30,178	69,672	78,797

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### A19 Credit Loss Expenses

The table below shows the ECL (charges)/writeback (net bad debt recovered) on financial instruments for the year recorded in the income statement:

	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
<b>30 Sep 2020</b>				
<b>Group and Bank</b>				
Cash and short-term funds	(420)	-	-	(420)
Financing and advances to customers	(6,449)	(17,340)	(97)	(23,886)
Bad debt recovered	-	-	3,587	3,587
Financial guarantees	(210)	210	-	-
<b>Total Impairment loss (writeback)/charges</b>	<b>(7,079)</b>	<b>(17,130)</b>	<b>3,489</b>	<b>(20,720)</b>
<b>30 Sep 2019</b>				
<b>Group and Bank</b>				
Cash and short-term funds	731	-	-	731
Financing and advances to customers	(9,307)	(320)	(4,235)	(13,862)
Bad debt recovered	-	-	10,321	10,321
Debt instruments measured at FVOCI	(2,700)	-	-	(2,700)
<b>Total Impairment loss (writeback)/charges</b>	<b>(11,276)</b>	<b>(320)</b>	<b>6,086</b>	<b>(5,510)</b>

### A20 Income Attributable to the Depositors

	3rd Quarter ended 30-Sep		Nine-months ended 30-Sep	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
<b>Group</b>				
Deposits from customers				
- Murabahah	33,796	35,482	113,755	112,781
Deposits and placements of banks and other financial institutions				
- Murabahah and Wakalah	9,752	24,221	34,483	77,734
Others	41	121	224	427
	<b>43,588</b>	<b>59,824</b>	<b>148,462</b>	<b>190,943</b>
<b>Bank</b>				
Deposits from customers				
- Murabahah	33,796	35,482	113,755	112,781
Deposits and placements of banks and other financial institutions				
- Murabahah and Wakalah	9,752	24,221	34,483	77,734
Others	41	121	224	427
	<b>43,588</b>	<b>59,824</b>	<b>148,462</b>	<b>190,943</b>

### A21 Profit Distributed to Investment Account Holders

	3rd Quarter ended 30-Sep		Nine-months ended 30-Sep	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
<b>Group &amp; Bank</b>				
Income derived from investment of investment account funds	30	40	122	126
Profit distributed to mudarib	(12)	(16)	(49)	(51)
	<b>18</b>	<b>24</b>	<b>73</b>	<b>76</b>

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### A22 Discontinued Operations

	3rd Quarter ended 30-Sep		Nine-months ended 30-Sep	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Income derived from investment of depositors' funds and others	-	2,587	-	5,587
Income derived from investment of shareholder's equity	56	750	147	1,721
Total gross income	56	3,337	147	7,308
Credit loss writeback on financial assets	-	5	-	5
Total distributable income	56	3,343	147	7,313
Income attributable to the depositors	-	(2,066)	-	(4,096)
Total net income	56	1,277	147	3,218
Personnel expenses	1	(93)	(53)	(338)
Other overheads and expenditures	(19)	(250)	(363)	(711)
Profit before zakat and taxation	38	934	(268)	2,169
Taxation	-	(26)	-	(56)
Net profit for the year	38	907	(268)	2,113

#### (i) Income derived from investment of depositors' funds and others

	3rd Quarter ended 30-Sep		Nine-months ended 30-Sep	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
<b>Discontinued Operations</b>				
Income from securities:				
- Financial assets at FVOCI	-	33	-	129
Money at call and deposits with financial institutions	-	2,149	-	4,926
Total finance income and hibah		2,182	-	5,055
Foreign exchange gain				
- Realised	-	405	-	532
	-	2,587	-	5,587

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(ii) **Income derived from Investment of Shareholder's Equity**

	3rd Quarter ended 30-Sep		Nine-months ended 30-Sep	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
<b><u>Discontinued Operations</u></b>				
Income from securitites:				
- Financial assets at FVOCI	-	7	-	28
Money at call and deposits with financial institutions	-	457	-	1,058
Total finance income and hibah		464	-	1,086
Foreign exchange (loss)/gain				
- Realised	-	87	-	114
- Unrealised	54	44	108	85
Other income	2	155	41	437
	<b>56</b>	<b>750</b>	<b>147</b>	<b>1,721</b>

(iii) **Income Attributable to the Depositors**

	3rd Quarter ended 30-Sep		Nine-months ended 30-Sep	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
<b><u>Discontinued Operations</u></b>				
Deposits from customers				
- Murabahah	-	242	-	783
- Wakalah	-	1,824	-	3,313
	-	2,066	-	4,096

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### A23 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 2020			As at 31 Dec 2019		
	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	52,159	51,524	50,643	52,860	52,409	51,524
Transaction related contingencies	112,284	54,767	46,012	112,849	54,908	42,925
Trade related contingencies	7,622	1,488	1,488	11,749	2,270	1,386
Irrevocable commitments to extend credit						
- maturity less than one year	640,484	99,598	93,963	412,592	70,748	66,601
- maturity more than one year	44,249	21,080	17,113	156,759	74,397	69,868
Foreign exchange related contracts *						
- less than one year	536,921	1,155	266	1,048,499	10,458	2,955
- one year to five years	256,165	6,473	2,481	140,241	3,386	995
	<b>1,649,884</b>	<b>236,085</b>	<b>211,966</b>	<b>1,935,549</b>	<b>268,576</b>	<b>236,254</b>

\* The foreign exchange related contracts are subject to market risk and credit risk.

To meet the financial needs of customers, the Bank enters into various irrevocable commitments and contingent liabilities. These consist of financial guarantees, letters of credit and other commitments to lend. Even though these obligations may not be recognised on the statement of financial position, they contain credit risk and, therefore, form part of the overall risk of the Bank.

Letters of credit and guarantees (including standby letters of credit) commit the Bank to make payments on behalf of customers in the event of a specific act, generally related to the import or export of goods. Guarantees and standby letters of credit carry a similar credit risk to financing. The nominal values of such commitments are listed below:

	Group and Bank	
	Sep 2020 RM'000	Dec 2019 RM'000
Financial guarantees	52,159	52,860
Letters of credit	119,906	124,598
Other undrawn commitments	684,733	569,351
Total commitment	856,798	746,809
Less : ECL (charge)/writeback	(3,662)	(3,663)
	<b>853,136</b>	<b>743,146</b>

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### A23(b) Impairment losses on guarantees and other commitments

An analysis of changes in the gross carrying amount and the corresponding allowance for impairment losses in relation to guarantees and other commitments is, as follows:

#### Financial guarantees

The table below shows the credit quality and the maximum exposure to credit risk based on the Bank's internal credit rating system and year-end stage classification.

<u>Group and Bank</u>	30 Sep 2020			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Internal rating grade :				
Performing	52,159	-	-	52,159
Past due but not impaired	-	-	-	-
Individually impaired	-	-	-	-
<b>Total</b>	<b>52,159</b>	<b>-</b>	<b>-</b>	<b>52,159</b>

<u>Group and Bank</u>	31 Dec 2019			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Internal rating grade :				
Performing	52,260	600	-	52,860
Past due but not impaired	-	-	-	-
Individually impaired	-	-	-	-
<b>Total</b>	<b>52,260</b>	<b>600</b>	<b>-</b>	<b>52,860</b>

An analysis of changes in the outstanding exposures and the corresponding ECLs are, as follows:

<u>Group and Bank</u>	30 Sep 2020			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
<b>Gross carrying amount as at 1 January 2020</b>	52,260	600	-	52,860
Net remeasurement of outstanding balance	887	-	-	887
New financial assets originated or purchased	335	-	-	335
Financial assets that have matured	(1,323)	(600)	-	(1,923)
<b>Gross carrying amount as at 30 Sep 2020</b>	<b>52,159</b>	<b>-</b>	<b>-</b>	<b>52,159</b>

<u>Group and Bank</u>	30 Sep 2020			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
<b>ECL allowance as at 1 January 2020</b>	241	210	-	451
Net remeasurement of loss allowance	394	-	-	394
New financial assets originated or purchased	10	-	-	10
Financial assets that have matured	(10)	(210)	-	(220)
<b>ECL allowance as at 30 Sep 2020</b>	<b>635</b>	<b>-</b>	<b>-</b>	<b>635</b>

Net carrying amount (after ECL)	51,524	-	-	51,524
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### A23(b) Impairment losses on guarantees and other commitments (Cont'd.)

Group and Bank	31 Dec 2019			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
<b>Gross carrying amount as at 1 January 2019</b>	53,058	400	-	53,458
Net remeasurement of outstanding balance	51,422	600	-	52,022
New financial assets originated or purchased	2,126	-	-	2,126
Financial assets that have matured	(54,346)	(400)	-	(54,746)
<b>Gross carrying amount as at 31 December 2019</b>	52,260	600	-	52,860

Group and Bank	31 Dec 2019			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
<b>ECL allowance as at 1 January 2019</b>	1,834	140	-	1,974
Net remeasurement of loss allowance	(682)	210	-	(472)
New financial assets originated or purchased	24	-	-	24
Financial assets that have matured	(935)	(140)	-	(1,075)
<b>ECL allowance as at 31 December 2019</b>	241	210	-	451
Net carrying amount (after ECL)	52,019	390	-	52,409



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### A23(b) Impairment losses on guarantees and other commitments (Cont'd.)

#### Letters of credit

The table below shows the credit quality and the maximum exposure to credit risk based on the Bank's internal credit rating system and year-end stage classification.

<u>Group and Bank</u>	30 Sep 2020			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Internal rating grade :				
Performing	119,906	-	-	119,906
Past due but not impaired	-	-	-	-
<b>Total</b>	<b>119,906</b>	<b>-</b>	<b>-</b>	<b>119,906</b>

<u>Group and Bank</u>	31 Dec 2019			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Internal rating grade :				
Performing	124,598	-	-	124,598
Past due but not impaired	-	-	-	-
<b>Total</b>	<b>124,598</b>	<b>-</b>	<b>-</b>	<b>124,598</b>

An analysis of changes in the outstanding exposures and the corresponding ECLs are, as follows:

<u>Group and Bank</u>	30 Sep 2020			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
<b>Gross carrying amount as at 1 January 2020</b>	124,598	-	-	124,598
Net remeasurement of outstanding balance	(565)	-	-	(565)
New financial assets originated or purchased	7,622	-	-	7,622
Financial assets that have matured	(11,749)	-	-	(11,749)
<b>Gross carrying amount as at 30 Sep 2020</b>	<b>119,906</b>	<b>-</b>	<b>-</b>	<b>119,906</b>

<u>Group and Bank</u>	30 Sep 2020			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
<b>ECL allowance as at 1 January 2020</b>	1,596	-	-	1,596
Net remeasurement of loss allowance	(141)	-	-	(141)
New financial assets originated or purchased	37	-	-	37
Financial assets that have matured	(80)	-	-	(80)
<b>ECL allowance as at 30 Sep 2020</b>	<b>1,412</b>	<b>-</b>	<b>-</b>	<b>1,412</b>
<b>Net carrying amount (after ECL)</b>	<b>118,494</b>	<b>-</b>	<b>-</b>	<b>118,494</b>

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### A23(b) Impairment losses on guarantees and other commitments (Cont'd.)

Group and Bank	31 Dec 2019			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
<b>Gross carrying amount as at 1 January 2019</b>	224,633	-	-	224,633
Net remeasurement of outstanding balance	(52,534)	-	-	(52,534)
New financial assets originated or purchased	11,749	-	-	11,749
Financial assets that have matured	(59,250)	-	-	(59,250)
<b>Gross carrying amount as at 31 December 2019</b>	124,598	-	-	124,598

Group and Bank	31 Dec 2019			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
<b>ECL allowance as at 1 January 2019</b>	3	-	-	3
Net remeasurement of loss allowance	1,516	-	-	1,516
New financial assets originated or purchased	80	-	-	80
Financial assets that have matured	(3)	-	-	(3)
<b>ECL allowance as at 31 December 2019</b>	1,596	-	-	1,596
Net carrying amount (after ECL)	123,002	-	-	123,002

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### A23(b) Impairment losses on guarantees and other commitments (Cont'd.)

#### Other undrawn commitments

The table below shows the credit quality and the maximum exposure for credit risk based on the Bank's internal credit rating system and year-end stage classification.

<u>Group and Bank</u>	30 Sep 2020			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Internal rating grade :				
Performing	639,334	45,399	-	684,733
Past due but not impaired	-	-	-	-
Individually impaired	-	-	-	-
<b>Total</b>	<b>639,334</b>	<b>45,399</b>	<b>-</b>	<b>684,733</b>

<u>Group and Bank</u>	31 Dec 2019			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Internal rating grade :				
Performing	565,042	4,272	37	569,351
Past due but not impaired	-	-	-	-
Individually impaired	-	-	-	-
<b>Total</b>	<b>565,042</b>	<b>4,272</b>	<b>37</b>	<b>569,351</b>

An analysis of changes in the gross carrying amount and the corresponding ECLs in relation to other undrawn commitments is, as follows:

<u>Group and Bank</u>	30 Sep 2020			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
<b>Gross carrying amount as at 1 January 2020</b>	565,080	4,271	-	569,351
Transfer to 12-month ECL	174	(174)	-	-
Net remeasurement of outstanding balance	2,028	44,908	-	46,936
New financial assets originated or purchased	538,988	-	-	538,988
Financial assets that have matured	(466,879)	(3,663)	-	(470,542)
<b>Gross carrying amount as at 30 Sep 2020</b>	<b>639,334</b>	<b>45,399</b>	<b>-</b>	<b>684,733</b>

<u>Group and Bank</u>	30 Sep 2020			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
<b>ECL allowance as at 1 January 2020</b>	1,615	-	-	1,615
New financial assets originated or purchased	158	-	-	158
Financial assets that have matured	(962)	-	-	(962)
<b>ECL allowance as at 30 Sep 2020</b>	<b>1,615</b>	<b>-</b>	<b>-</b>	<b>1,615</b>
<b>Net carrying amount (after ECL)</b>	<b>637,719</b>	<b>45,399</b>	<b>-</b>	<b>683,118</b>

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### A23(b) Impairment losses on guarantees and other commitments (Cont'd.)

Group and Bank	31 Dec 2019			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
<b>Gross carrying amount as at 1 January 2019</b>	545,006	23,370	-	568,376
Transfer to 12-month ECL	587	(587)	-	-
Transfer to lifetime ECL not credit impaired	(253)	253	-	-
Net remeasurement of outstanding balance	(19,955)	3,611	-	(16,344)
New financial assets originated or purchased	541,981	-	-	541,981
Financial assets that have matured	(502,286)	(22,376)	-	(524,662)
<b>Gross carrying amount as at 31 December 2019</b>	565,080	4,271	-	569,351

Group and Bank	31 Dec 2019			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
<b>ECL allowance as at 1 January 2019</b>	765	-	-	765
New financial assets originated or purchased	1,615	-	-	1,615
Financial assets that have matured	(765)	-	-	(765)
<b>ECL allowance as at 31 December 2019</b>	1,615	-	-	1,615

Net carrying amount (after ECL)	563,465	4,271	-	567,736
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### A25 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:

	Group		Bank	
	30 Sep 2020	31 Dec 2019	30 Sep 2020	31 Dec 2019
<b>Common Equity Tier I / Tier I Capital Ratio</b>				
Credit risk	<b>36.805%</b>	32.970%	<b>36.441%</b>	32.647%
Credit, market, operational and large exposure risks	<b>33.542%</b>	30.446%	<b>33.154%</b>	30.114%
<b>Total Capital Ratio</b>				
Credit risk	<b>38.055%</b>	34.220%	<b>37.691%</b>	33.897%
Credit, market, operational and large exposure risks	<b>34.681%</b>	31.600%	<b>34.292%</b>	31.267%

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### A25 Capital Adequacy (Cont' d.)

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

	Group		Bank	
	30 Sep 2020 RM'000	31 Dec 2019 RM'000	30 Sep 2020 RM'000	31 Dec 2019 RM'000
<b>CET I / Tier I capital</b>				
Paid-up share capital	1,425,272	1,425,272	1,425,272	1,425,272
Statutory reserve	170,648	170,648	170,648	170,648
Other reserves	72,373	70,309	66,531	64,602
	<b>1,668,293</b>	1,666,229	<b>1,662,451</b>	1,660,522
Less: Deferred tax assets (net)	(45,181)	(45,181)	(45,181)	(45,181)
Less: Investment in subsidiaries	-	-	(10,200)	(10,200)
<b>Total CET I / Tier I capital</b>	<b>1,623,112</b>	1,621,048	<b>1,607,070</b>	1,605,141
<b>Tier II capital</b>				
Collective impairment on financing	55,125	61,459	55,125	61,459
<b>Total Tier II capital</b>	<b>55,125</b>	61,459	<b>55,125</b>	61,459
<b>Total capital</b>	<b>1,678,237</b>	1,682,507	<b>1,662,195</b>	1,666,600

(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 2020 RM'000	31 Dec 2019 RM'000	30 Sep 2020 RM'000	31 Dec 2019 RM'000
<b>Computation of Total Risk-Weighted Assets (RWA)</b>				
Total Credit RWA	4,410,039	4,916,709	4,410,039	4,916,689
Total Market RWA	4,584	2,271	3,361	2,271
Total Operational RWA	424,459	405,372	433,814	411,281
Large Exposure Risk RWA for Equity Holdings	8	8	8	8
<b>Total Risk-Weighted Assets</b>	<b>4,839,090</b>	5,324,360	<b>4,847,222</b>	5,330,249
<b>Computation of Capital Ratios</b>				
Core Capital	1,623,112	1,621,048	1,607,070	1,605,141
Capital Base	1,678,237	1,682,507	1,662,195	1,666,600
<b>CET I / Tier I Capital Ratio</b>	<b>33.542%</b>	30.446%	<b>33.154%</b>	30.114%
<b>Total Capital Ratio</b>	<b>34.681%</b>	31.600%	<b>34.292%</b>	31.267%

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### A26 FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

#### Determination of fair value and fair value hierarchy

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

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

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

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

	Level 2	Level 3	Total
	RM'000	RM'000	RM'000
<b>Group</b>			
<b>30 Sep 2020</b>			
<b>Financial assets</b>			
Securities held at FVTPL	-	-	-
Debt instruments measured at FVOCI	3,842,792	-	3,842,792
Equity instruments at FVOCI	18	-	18
Financing, advances and other receivables	1,736,450	2,569,409	4,305,859
Hedging financial instruments	1,893	-	1,893
<b>Total</b>	<b>5,581,153</b>	<b>2,569,409</b>	<b>8,150,562</b>
<b>Financial liability</b>			
Deposits from customers	4,795,435	-	4,795,435
Hedging financial instruments	2,124	-	2,124
	<b>4,797,559</b>	-	<b>4,797,559</b>
<b>31 Dec 2019</b>			
<b>Financial assets</b>			
Securities held at FVTPL	219	-	219
Debt instruments measured at FVOCI	3,647,186	-	3,647,186
Equity instruments at FVOCI	18	-	18
Financing, advances and other receivables	1,760,739	3,024,764	4,785,503
Hedging financial instruments	5,190	-	5,190
<b>Total</b>	<b>5,413,352</b>	<b>3,024,764</b>	<b>8,438,116</b>
<b>Financial liability</b>			
Deposits from customers	5,080,364	-	5,080,364
Hedging financial instruments	7,626	-	7,626
	<b>5,087,990</b>	-	<b>5,087,990</b>

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### A26 FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (Cont'd.)

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

	Level 2 RM'000	Level 3 RM'000	Total RM'000
<b>Bank</b>			
<b>30 Sep 2020</b>			
<b>Financial assets</b>			
Financial assets at FVTPL	-	-	-
Debt instruments measured at FVOCI	3,842,792	-	3,842,792
Equity instruments at FVOCI	18	-	18
Financing, advances and other receivables	1,736,450	2,569,409	4,305,859
Hedging financial instruments	1,893	-	1,893
<b>Total</b>	<b>5,581,153</b>	<b>2,569,409</b>	<b>8,150,562</b>
<b>Financial liability</b>			
Deposits from customers	4,811,279	-	4,811,279
Hedging financial instruments	2,124	-	2,124
	<b>4,813,403</b>	<b>-</b>	<b>4,813,403</b>
<b>31 Dec 2019</b>			
<b>Financial assets</b>			
Securities held at FVTPL	219	-	219
Debt instruments measured at FVOCI	3,647,186	-	3,647,186
Equity instruments at FVOCI	18	-	18
Financing, advances and other receivables	1,760,739	3,024,764	4,785,503
Hedging financial instruments	5,190	-	5,190
<b>Total</b>	<b>5,413,352</b>	<b>3,024,764</b>	<b>8,438,116</b>
<b>Financial liability</b>			
Deposits from customers	5,095,915	-	5,095,915
Hedging financial instruments	7,626	-	7,626
	<b>5,103,541</b>	<b>-</b>	<b>5,103,541</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	5.4% - 6.0%



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### A26 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 2020		31 Dec 2019	
		Carrying Value	Fair Value	Carrying Value	Fair Value
		RM'000	RM'000	RM'000	RM'000
<b>Financial Assets</b>					
Financing, advances and other receivables		4,306,321	4,305,859	4,786,413	4,785,503
		<b>4,306,321</b>	<b>4,305,859</b>	4,786,413	4,785,503
<b>Financial Liabilities</b>					
Deposits from customers		4,830,940	4,795,435	5,121,639	5,080,364
		<b>4,830,940</b>	<b>4,795,435</b>	5,121,639	5,080,364

		Bank			
		30 Sep 2020		31 Dec 2019	
		Carrying Value	Fair Value	Carrying Value	Fair Value
		RM'000	RM'000	RM'000	RM'000
<b>Financial Assets</b>					
Financing, advances and other receivables		4,306,321	4,305,859	4,786,413	4,785,503
		<b>4,306,321</b>	<b>4,305,859</b>	4,786,413	4,785,503
<b>Financial Liabilities</b>					
Deposits from customers		4,847,439	4,811,279	5,138,082	5,095,915
		<b>4,847,439</b>	<b>4,811,279</b>	5,138,082	5,095,915

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### A26 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) Financial Instruments Carried at FVOCI, FLTPL and Hedging Financial Instruments

The Group measures financial instruments such as security carried at FVOCI, FVTPL and hedging financial instruments at fair value at each reporting date.

Financial instruments such as those categorized as securities and financing, advances and other receivables are measured at amortised cost.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

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### A26 FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (Cont'd.)

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

##### (d) 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 financing, the fair values are deemed to approximate the carrying values which are net of impairment allowances.

##### (e) 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.

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### A27 FINANCIAL RISK MANAGEMENT

#### (c) MARKET RISK

Market risk is the risk that movements in market variables, including rates of return, foreign exchange rates, credit spreads, commodity prices and equity prices, will reduce the earnings or capital of the Group.

##### i. Traded Market Risk

Traded Market Risk arising from financial instruments held either with trading intent or to hedge other elements of the Trading Book. Positions held with trading intent are those held intentionally for short-term resale and/or with the intent of benefiting from actual or expected short-term price movements or to lock in arbitrage profits. These positions attract market risk capital charge. For example, proprietary positions, positions arising from client servicing and market making.

##### ii. Non-Traded Market Risk

###### Rate of Return in the Banking Book

Rate of return risk in the banking book refers to the risk of the Bank's earnings and economic value of equity due to the adverse movements in benchmark rate. The risk may arise from the mismatches in the timing of repricing of assets and liabilities from both on and off-balance sheet positions in the banking book, changes in slope and shape of the yield curve, basis risk and optionality risk.

The following tables indicate the effective rate of return at the reporting date and the Group's and the Bank's sensitivity to the rate of return by time band based on the earlier of contractual repricing date and maturity date. Actual repricing dates may differ from contractual repricing dates due to prepayment of financing and advances.

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### A27 FINANCIAL RISK MANAGEMENT (Cont'd.)

#### (c) MARKET RISK (Cont'd.)

##### ii. Non-Traded Market Risk (Cont'd.)

##### Rate of Return in the Banking Book (Cont'd.)

	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
Group 30 Sep 2020	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	%	
<b>ASSETS</b>									
Cash and short-term funds	62,853	-	-	-	-	54,034	-	116,887	1.73
Deposits and placements with banks and other financial institutions	6,307	-	-	-	-	-	-	6,307	
Securities FVOCI	-	-	215,097	1,792,334	1,835,361	-	-	3,842,792	4.38
Financing, advances and receivables	1,209,343	1,233,073	19,155	269,101	1,537,838	37,811	-	4,306,321	5.54
Musyarakah capital investment	-	-	-	-	-	18	-	18	
Other assets	-	-	-	-	-	367,837	-	367,837	
Hedging Financial Instrument Assets	970	79	844	-	-	-	-	1,893	
<b>TOTAL ASSETS</b>	<b>1,279,473</b>	<b>1,233,152</b>	<b>235,096</b>	<b>2,061,435</b>	<b>3,373,199</b>	<b>459,700</b>	<b>-</b>	<b>8,642,055</b>	

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### A27 FINANCIAL RISK MANAGEMENT (Cont'd.)

#### (c) MARKET RISK (Cont'd.)

##### ii. Non-Traded Market Risk (Cont'd.)

##### Rate of Return in the Banking Book (Cont'd.)

	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			
Group	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	%
<b>30 Sep 2020</b>								
<b>LIABILITIES AND SHAREHOLDER'S EQUITY</b>								
Deposits from customers	1,137,426	953,972	2,139,111	495,390	-	105,041	-	2.51
Deposits and placements of banks and other financial institutions	437,848	281,744	1,097,442	-	-	-	-	2.14
Investment accounts of customers	6,307	-	-	-	-	-	-	6,307
Hedging financial instrument liabilities	973	346	805	-	-	-	-	2,124
Other liabilities	-	-	-	-	-	189,121	-	189,121
<b>Total Liabilities</b>	<b>1,582,554</b>	<b>1,236,062</b>	<b>3,237,358</b>	<b>495,390</b>	<b>-</b>	<b>294,162</b>	<b>-</b>	<b>6,845,526</b>
Shareholder's equity	-	-	-	-	-	1,796,529	-	1,796,529
<b>Total Liabilities and Shareholder's equity</b>	<b>1,582,554</b>	<b>1,236,062</b>	<b>3,237,358</b>	<b>495,390</b>	<b>-</b>	<b>2,090,691</b>	<b>-</b>	<b>8,642,055</b>
On-balance sheet profit sensitivity gap	(303,081)	(2,910)	(3,002,262)	1,566,045	3,373,199	(1,630,991)	-	-
Off-balance sheet profit sensitivity gap	-	-	-	-	-	-	-	-
<b>Total profit sensitivity gap</b>	<b>(303,081)</b>	<b>(2,910)</b>	<b>(3,002,262)</b>	<b>1,566,045</b>	<b>3,373,199</b>	<b>(1,630,991)</b>	<b>-</b>	<b>-</b>

# KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(200401033666)

(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

### A27 FINANCIAL RISK MANAGEMENT (Cont'd.)

#### (c) MARKET RISK (Cont'd.)

##### ii. Non-Traded Market Risk (Cont'd.)

##### Rate of Return in the Banking Book (Cont'd.)

Group 31 Dec 2019	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				
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000		
<b>ASSETS</b>									
Cash and short-term funds	3,750	-	-	-	-	58,120	-	61,870	2.41
Deposits and placements with banks and other financial institutions	6,820	-	-	-	-	-	-	6,820	
Securities FVTPL	-	-	-	-	-	-	219	219	
Securities FVOCI	-	-	-	1,729,698	1,917,488	-	-	3,647,186	4.40
Financing, advances and receivables	1,001,063	1,798,649	77,549	266,283	1,443,712	199,157	-	4,786,413	5.81
Musarakah capital investment	-	-	-	-	-	18	-	18	
Other assets	-	-	-	-	-	568,749	-	568,749	
Hedging Financial Instrument Assets	4,446	656	87	-	-	-	-	5,189	
<b>TOTAL ASSETS</b>	<b>1,016,079</b>	<b>1,799,305</b>	<b>77,636</b>	<b>1,995,981</b>	<b>3,361,200</b>	<b>826,044</b>	<b>219</b>	<b>9,076,464</b>	

# KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(200401033666)

(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

### A27 FINANCIAL RISK MANAGEMENT (Cont'd.)

#### (c) MARKET RISK (Cont'd.)

##### ii. Non-Traded Market Risk (Cont'd.)

##### Rate of Return in the Banking Book (Cont'd.)

Group 31 Dec 2019	Non-trading book					Non- profit sensitive RM'000	Trading book RM'000	Total RM'000	Effective profit rate %
	Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 12 months RM'000	>1 - 5 years RM'000	Over 5 years RM'000				
<b>LIABILITIES AND SHAREHOLDER'S EQUITY</b>									
Deposits from customers	1,384,830	1,060,667	2,131,345	460,455	-	84,341	-	5,121,638	3.18
Deposits and placements of banks and other financial institutions	924,504	922,863	206,383	-	-	-	-	2,053,750	3.09
Investment accounts of customers	6,820	-	-	-	-	-	-	6,820	
Hedging Financial Instrument Liabilities	6,985	41	600	-	-	-	-	7,626	
Other liabilities	-	-	-	-	-	169,273	-	169,273	
<b>Total Liabilities</b>	2,323,139	1,983,571	2,338,328	460,455	-	253,615	-	7,359,107	
Shareholder's equity	-	-	-	-	-	1,717,357	-	1,717,357	
<b>Total Liabilities and Shareholder's equity</b>	2,323,139	1,983,571	2,338,328	460,455	-	1,970,971	-	9,076,464	
On-balance sheet profit sensitivity gap	(1,307,060)	(184,266)	(2,260,692)	1,535,526	3,361,200	(1,144,927)	219	-	
Off-balance sheet profit sensitivity gap	-	-	-	-	-	-	-	-	-
<b>Total profit sensitivity gap</b>	(1,307,060)	(184,266)	(2,260,692)	1,535,526	3,361,200	(1,144,927)	219	-	



# KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

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(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

### A27 FINANCIAL RISK MANAGEMENT (Cont'd.)

#### (c) MARKET RISK (Cont'd.)

##### ii. Non-Traded Market Risk (Cont'd.)

##### Rate of Return in the Banking Book (Cont'd.)

	Non-trading book					Trading book	Total	Effective profit rate	
	Up to 1 month	>1 - 3 months	>3 - 12 months	>1 - 5 years	Over 5 years				Non-profit sensitive
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	%	
<b>Bank</b>									
<b>30 Sep 2020</b>									
<b>ASSETS</b>									
Cash and short-term funds	62,853	-	-	-	-	54,034	-	116,887	1.73
Deposits and placements with banks and other financial institutions	6,307	-	-	-	-	-	-	6,307	
Securities FVOCI	-	-	215,097	1,792,334	1,835,361	-	-	3,842,792	4.38
Financing, advances and receivables	1,209,343	1,233,073	19,155	269,101	1,537,838	37,811	-	4,306,321	5.54
Musyarakah capital investment	-	-	-	-	-	18	-	18	
Hedging Financial Instrument Assets	970	79	844	-	-	-	-	1,893	
Other assets	-	-	-	-	-	378,037	-	378,037	
<b>TOTAL ASSETS</b>	<b>1,279,473</b>	<b>1,233,152</b>	<b>235,096</b>	<b>2,061,435</b>	<b>3,373,199</b>	<b>469,900</b>	<b>-</b>	<b>8,652,255</b>	

# KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(200401033666)

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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

### A27 FINANCIAL RISK MANAGEMENT (Cont'd.)

#### (c) MARKET RISK (Cont'd.)

##### ii. Non-Traded Market Risk (Cont'd.)

##### Rate of Return in the Banking Book (Cont'd.)

	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			
Bank 30 Sep 2020	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	%
<b>LIABILITIES AND SHAREHOLDER'S EQUITY</b>									
Deposits from customers	1,142,871	953,972	2,139,111	506,444	-	105,041	-	4,847,439	2.50
Deposits and placements of banks and other financial institutions	437,848	281,744	1,097,442	-	-	-	-	1,817,034	2.14
Investment accounts of customers	6,307	-	-	-	-	-	-	6,307	
Hedging Financial Instrument Liabilities	973	346	805	-	-	-	-	2,124	
Other liabilities	-	-	-	-	-	188,665	-	188,665	
<b>Total Liabilities</b>	<b>1,587,999</b>	<b>1,236,062</b>	<b>3,237,358</b>	<b>506,444</b>	<b>-</b>	<b>293,706</b>	<b>-</b>	<b>6,861,569</b>	
Shareholder's equity	-	-	-	-	-	1,790,686	-	1,790,686	-
<b>Total Liabilities and Shareholder's equity</b>	<b>1,587,999</b>	<b>1,236,062</b>	<b>3,237,358</b>	<b>506,444</b>	<b>-</b>	<b>2,084,392</b>	<b>-</b>	<b>8,652,255</b>	
On-balance sheet profit sensitivity gap	(308,526)	(2,910)	(3,002,262)	1,554,991	3,373,199	(1,614,492)	-	-	-
Off-balance sheet profit sensitivity gap	-	-	-	-	-	-	-	-	-
<b>Total profit sensitivity gap</b>	<b>(308,526)</b>	<b>(2,910)</b>	<b>(3,002,262)</b>	<b>1,554,991</b>	<b>3,373,199</b>	<b>(1,614,492)</b>	<b>-</b>	<b>-</b>	

# KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(200401033666)

(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

### A27 FINANCIAL RISK MANAGEMENT (Cont'd.)

#### (c) MARKET RISK (Cont'd.)

##### ii. Non-Traded Market Risk (Cont'd.)

##### Rate of Return in the Banking Book (Cont'd.)

	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			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	%
<b>Bank</b>								
<b>31 Dec 2019</b>								
<b>ASSETS</b>								
Cash and short-term funds	3,750	-	-	-	-	58,120	-	2.41
Deposits and placements								
with banks and other financial institutions	6,820	-	-	-	-	-	6,820	
Securities FVTPL	-	-	-	-	-	-	219	
Securities FVOCI	-	-	-	1,729,698	1,917,488	-	3,647,186	4.40
Financing, advances and receivables	1,001,063	1,798,649	77,549	266,283	1,443,712	199,157	4,786,413	5.81
Musarakah capital investment	-	-	-	-	-	18	18	
Hedging Financial Instrument Assets	4,447	656	87	-	-	-	5,190	
Other assets	-	-	-	-	-	578,929	578,929	
<b>TOTAL ASSETS</b>	<b>1,016,079</b>	<b>1,799,305</b>	<b>77,636</b>	<b>1,995,981</b>	<b>3,361,200</b>	<b>836,224</b>	<b>219</b>	

# KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

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

### A27 FINANCIAL RISK MANAGEMENT (Cont'd.)

#### (c) MARKET RISK (Cont'd.)

##### ii. Non-Traded Market Risk (Cont'd.)

##### Rate of Return in the Banking Book (Cont'd.)

	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
Bank 31 Dec 2019	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	%	
<b>LIABILITIES AND SHAREHOLDER'S EQUITY</b>									
Deposits from customers	1,389,942	1,060,667	2,131,345	471,787	-	84,341	-	5,138,082	3.17
Deposits and placements of banks and other financial institutions	924,504	922,863	206,383	-	-	-	-	2,053,750	3.09
Investment accounts of customers	6,820	-	-	-	-	-	-	6,820	
Hedging Financial Instrument Liabilities	6,985	41	600	-	-	-	-	7,626	
Other liabilities	-	-	-	-	-	168,971	-	168,971	
<b>Total Liabilities</b>	<b>2,328,251</b>	<b>1,983,571</b>	<b>2,338,328</b>	<b>471,787</b>	<b>-</b>	<b>253,312</b>	<b>-</b>	<b>7,375,249</b>	
Shareholder's equity	-	-	-	-	-	1,711,395	-	1,711,395	-
<b>Total Liabilities and Shareholder's equity</b>	<b>2,328,251</b>	<b>1,983,571</b>	<b>2,338,328</b>	<b>471,787</b>	<b>-</b>	<b>1,964,707</b>	<b>-</b>	<b>9,086,644</b>	
On-balance sheet profit sensitivity gap	(1,312,172)	(184,266)	(2,260,692)	1,524,194	3,361,200	(1,128,483)	219	-	-
Off-balance sheet profit sensitivity gap	-	-	-	-	-	-	-	-	-
<b>Total profit sensitivity gap</b>	<b>(1,312,172)</b>	<b>(184,266)</b>	<b>(2,260,692)</b>	<b>1,524,194</b>	<b>3,361,200</b>	<b>(1,128,483)</b>	<b>219</b>	<b>-</b>	

**KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD**  
(200401033666)  
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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 six months ended 30 September 2020 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"), Bank Negara Malaysia's Guidelines on Financial Reporting for Islamic Banking Institutions and Shariah principles. At the beginning of the current financial year, the Group and the Bank adopted new and revised MFRSs which are mandatory for financial periods beginning on or after 1 January 2020.

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 Group and the Bank since the year ended 31 December 2019.

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 interim financial statements of the Group and the Bank for the period ended 30 September 2020 were prepared in accordance with MFRS. The significant accounting policies adopted in preparing these condensed consolidated interim financial statements are consistent with those of the audited financial statements for the year ended 31 December 2019.

**B2.1 Standards issued but are not yet effective**

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

<b>FRSs, Amendments to FRSs and Interpretations</b>	<b>Effective for financial period beginning on or after</b>
MFRS 101 Classification of Liabilities as Current or Non-current (Amendments to MFRS 101)	1 January 2022

**B2.2 Significant Accounting Estimates and Judgements**

**(a) Significant Accounting Estimates**

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Bank's accounting policies.

**(i) Fair value estimation of securities and profit rate related contracts**

Where the quoted and observable market prices of certain securities are not available, fair value is estimated using pricing models or discounted cash flow techniques. The usage of these models and techniques require the Group to make certain estimates and assumptions, including but not limited to estimated future cash flows and discount rates.

**(ii) Fair value estimation of Right of Use Assets and Lease Liabilities**

The Lease Liability is measured at the present value of the lease payments that are not paid at inception date. The lease payments are discounted using profit rate implicit in the lease, if that rate can be readily determined. If that rate can't be readily determined, the Bank uses the Bank's incremental borrowing rate. The incremental borrowing rate is the profit rate that the Bank would have to pay to finance over a similar security, the funds necessary to obtain an asset of a similar value to the Right-of-use Asset in similar economic environment.

**(iii) Deferred tax and income taxes**

Deferred tax assets are measured and recognised based on the tax rates that are expected to apply in the period when the asset is realised. Estimates are made as to the amount of taxable profits in these periods which will enable the deferred tax assets to be realised.

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

### B2 Significant Accounting Policies (Cont'd.)

#### B2.2 Significant Accounting Estimates and Judgements (Cont'd.)

##### (b) Significant Accounting Judgments

This note provides an overview of the areas that involve a higher degree of judgement or complexity, and major sources of estimation uncertainty that have a significant risk of resulting in a material adjustment within the next financial year. Detailed information about each of these estimates and judgements is included in the related notes together with information about the basis of calculation for each affected line item in the financial statements.

##### (i) Classification of investment securities

On acquisition of an investment security, the Bank decides whether it should be classified as fair value through profit or loss or fair value through other comprehensive income or financial assets to be measured at amortised cost. The Bank follows the guidance of MFRS 9 on classifying its investments.

##### (ii) Measurement of the expected credit loss allowance

The measurement of the expected credit loss allowance for financial assets measured at amortised cost and debt instruments at FVOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses).

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL; and
- Establishing groups of similar financial assets for the purposes of measuring ECL.

##### (iii) Business models and SPPP as significant judgments

As well as ECL, determining the appropriate business models and assessing the SPPP requirements for financial assets may require significant accounting judgement and have a significant impact on the financial statements.

##### (iv) Deferred tax and income taxes

Significant judgment is required in estimating the provision for income taxes. There are many transactions and interpretations of tax law for which the final outcome will not be established until some time later. Liabilities for taxation are recognised based on estimates of whether additional taxes will be payable. The estimation process includes seeking advice on tax treatments where appropriate. Where the final liability for taxation is different from the amounts that were initially recorded, the differences will affect the income tax and deferred tax provisions in the period in which the estimate is revised or the final liability is established.

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**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 2019 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 2020.

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

BNM had in March 2020 announced a measure to relieve the burden on businesses and households through 6 months automatic moratorium on loan and financing repayments. The automatic moratorium is automatically granted to eligible customers. In accordance with MFRS 9, the Bank has recognised a modification loss of RM54.2 million in June 2020 due to cashflow modification on Personal Financing and Hire Purchase accounts which are granted with the automatic 6 months moratorium.

**B6 Changes in Estimates and Judgements**

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 2020.

However, the Bank has adopted additional management overlays to cater for potential additional ECL charge caused by COVID-19 pandemic during the nine-months ended 30 September 2020.

**B7 Debt and Equity Securities**

There were no issuances of debt and equity securities during the nine-months ended 30 September 2020.

**B8 Dividends Paid**

There were no dividends paid during the nine-months ended 30 September 2020.

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## 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

<u>Group</u>	Treasury & Capital Markets	Corporate & Investment Banking	Commercial Banking	Others	Elimination	Total
30 Sep 2020	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
External revenue	119,906	66,085	18,961	120,738		325,690
Revenue from other segments	101,031	440	1,180	51,901	(154,552)	-
<b>Total Revenue</b>	<b>220,937</b>	<b>66,525</b>	<b>20,141</b>	<b>172,639</b>	<b>(154,552)</b>	<b>325,690</b>
Segment results	41,255	33,817	12,217	(29,826)	-	57,463
Unallocated expenses						(62,383)
<b>Loss from operations</b>						<b>(4,920)</b>
Taxation						(10,558)
<b>Net loss for the year</b>						<b>(15,479)</b>
<b>Other information</b>						
Segment assets	3,944,783	1,166,520	274,325	3,087,567	(29,556)	8,443,639
Unallocated corporate assets						198,416
Total assets						<b>8,642,055</b>
Segment liabilities	7,455,847	402,379	442,371	7,020,431	(19,474)	15,301,554
Unallocated corporate liabilities						(8,456,028)
Total liabilities						<b>6,845,526</b>
<b>Other segment items</b>						
Purchase of property and equipment				2,991		2,991
Purchase of intangible assets				765		765
Depreciation of property and equipment				2,782		2,782
Amortisation of intangible assets				4,269		4,269
Other non-cash expense other than depreciation	-	1,604	1,190	(77,697)	-	(74,903)

(ii) By Geographical Locations

<u>Group</u>	Operating Revenue RM'000	Loss Before Zakat and Taxation RM'000	Total Assets RM'000
30 Sep 2020			
Malaysia	325,690	(4,919)	8,642,055



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**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
30 Sep 2019	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
External revenue	107,375	81,658	27,565	146,742		363,340
Revenue from other segments	152,927	630	1,847	68,855	(224,259)	-
<b>Total Revenue</b>	<b>175,565</b>	<b>55,475</b>	<b>19,639</b>	<b>140,495</b>	<b>(151,874)</b>	<b>363,340</b>
Segment results	25,992	36,917	10,298	35,543		108,750
Unallocated expenses						(74,128)
<b>Profit from operations</b>						<b>34,622</b>
Zakat						(7,865)
Taxation						(7,865)
<b>Net profit for the year</b>						<b>26,757</b>
<b>Other information</b>						
Segment assets	3,916,525	1,661,898	461,145	3,151,922	(613,630)	8,577,859
Unallocated corporate assets						620,787
Total assets						<b>9,198,645</b>
Segment liabilities	8,514,799	1,139,823	434,622	7,116,897	(604,064)	16,602,077
Unallocated corporate liabilities						(9,229,233)
Total liabilities						<b>7,372,843</b>
<b>Other segment items</b>						
Purchase of property and equipment				2,587		2,587
Purchase of intangible assets				2,663		2,663
Depreciation of property and equipment				2,836		2,836
Amortisation of intangible assets				4,438		4,438
Other non-cash expense other than depreciation	5	15,946	(708)	(20,748)	-	(5,505)

(ii) By Geographical Locations

Group	Operating Revenue RM'000	Profit Before Zakat and Taxation RM'000	Total Assets RM'000
30 Sep 2019			
Malaysia	363,340	34,623	9,076,464

**KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD**  
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**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 2019.

**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 2019.

**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 2019 other than those as disclosed in note A23.

**B14 Capital Commitments**

The capital commitments not provided for in the interim financial statements as at 30 September 2020 are as follows:

	<b>Group and Bank</b>
	<b>RM'000</b>
<u>Capital expenditure</u>	
Authorised and contracted for:	
- renovation	75
- purchase of IT hardware	1,007
- purchase of IT software	1,484
	<u>2,566</u>
Authorised and not contracted for:	
- purchase of IT hardware & software	<u>28,586</u>

# KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

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## Certification of Financial Statements

I, Roslinawati Binti Zainal, 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 Bank's accounting and other records and are in conformity with the approved accounting standards in Malaysia.



Roslinawati Binti Zainal  
Acting Head of Finance

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



Mohd Hazran Abd Hadi  
Chief Executive Officer