



KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(200401033666)

(Incorporated in Malaysia)

Interim Report for the Period Ended 31 March 2023

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KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

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INTERIM CONDENSED STATEMENTS OF FINANCIAL POSITION

	Note	Group		Bank	
		31 Mar 2023 RM'000	31 Dec 2022 RM'000	31 Mar 2023 RM'000	31 Dec 2022 RM'000
ASSETS					
Cash and short-term funds	A3	151,471	145,073	151,471	145,073
Deposits and placements with banks and other financial institutions	A4	2,996	3,696	2,996	3,696
Gold depository		118,199	112,353	118,199	112,353
Debt instruments at FVOCI	A5	3,057,571	3,090,185	3,057,571	3,090,185
Financing, advances and other receivables	A6	3,388,471	3,459,219	3,388,471	3,459,219
Other assets	A7	90,763	87,167	90,763	87,167
Hedging financial instruments	A8	10,773	7,400	10,773	7,400
Statutory deposits with Bank Negara Malaysia		92,376	92,371	92,376	92,371
Right of use of assets	A9	52,721	53,873	52,721	53,873
Property and equipment		9,362	8,088	9,362	8,088
Intangible assets		12,908	14,122	12,908	14,122
Deferred tax assets		71,592	81,708	71,592	81,708
		7,059,203	7,155,255	7,059,203	7,155,255
LIABILITIES					
Deposits from customers	A10	3,316,313	3,521,810	3,316,313	3,521,814
Investment accounts of customers	A12	3,026	3,734	3,026	3,734
Deposits and placements of banks and other financial institutions	A11	1,844,055	1,786,900	1,844,055	1,786,900
Hedging financial instruments	A8	2,197	2,441	2,197	2,441
Lease Liabilities	A9	56,956	58,184	56,956	58,184
Other liabilities	A13	105,722	97,660	105,715	97,653
		5,328,269	5,470,729	5,328,266	5,470,726
SHAREHOLDER'S EQUITY					
Share capital	A14	1,425,272	1,425,272	1,425,272	1,425,272
Reserves		305,662	259,254	305,665	259,257
		1,730,934	1,684,526	1,730,937	1,684,529
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY					
		7,059,203	7,155,255	7,059,203	7,155,255
COMMITMENTS AND CONTINGENCIES					
	A21	779,877	718,846	779,877	718,846
CAPITAL ADEQUACY					
Common Equity Tier I/ Tier I Capital Ratio	A24	42.995%	41.099%	42.996%	41.100%
Total Capital Ratio	A24	44.104%	42.198%	44.105%	42.199%
NET ASSETS PER SHARE (RM)					
		1.21	1.18	1.21	1.18

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

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INTERIM CONDENSED CONSOLIDATED INCOME STATEMENTS

Group and Bank	Note	1st Quarter ended 31-Mar		Three-months ended 31-Mar	
		2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
<u>Continuing Operations</u>					
Operating revenue		86,733	91,034	86,733	91,034
Income derived from investment of depositors' funds and others	A15	63,959	68,636	63,959	68,636
Income derived from investment of investment account funds	A19	25	22	25	22
Income derived from investment of shareholder's equity	A16	22,749	22,376	22,749	22,376
Total gross income		86,733	91,034	86,733	91,034
Credit loss (charge)/writeback on financial assets	A17	(289)	(13,132)	(289)	(13,132)
Total distributable income		86,444	77,902	86,444	77,902
Income attributable to the depositors	A18	(40,069)	(24,663)	(40,069)	(24,663)
Profit distributed to investment account holders	A19	(15)	(13)	(15)	(13)
Total net income		46,360	53,226	46,360	53,226
Personnel expenses		(14,199)	(13,777)	(14,199)	(13,777)
Other overheads and expenditures		(16,307)	(22,752)	(16,307)	(22,752)
Profit before zakat and taxation		15,854	16,697	15,854	16,697
Taxation		(547)	(147)	(547)	(147)
Net profit for the period		15,307	16,550	15,307	16,550
Attributable to:					
Equity holders of the Bank		15,307	16,550	15,307	16,550
Earnings per share attributable to equity holders of the Bank - Basic/Diluted (sen)		1.07	1.16	1.07	1.16

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

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INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	1st Quarter ended 31-Mar		Three-months ended 31-Mar	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Group and Bank				
Net profit for the period	15,307	16,550	15,307	16,550
Other comprehensive income/(loss):				
Items that may be reclassified subsequently to profit or loss:				
Debt securities at FVOCI:				
- Net unrealised loss on securities held at FVOCI	40,770	(41,820)	40,770	(41,820)
- Net realised gain on securities held at FVOCI reclassified to the income statement	(902)	(8,405)	(902)	(8,405)
- Changes in allowance for expected credit losses	801	-	801	-
Exchange differences on translation of foreign operations:				
Income tax relating to components of other comprehensive income	(9,568)	12,019	(9,568)	12,019
Other comprehensive income for the period, net of tax	31,101	(38,206)	31,101	(38,206)
Total comprehensive income for the period	46,408	(21,656)	46,408	(21,656)
Total comprehensive income for the period attributable to equity holders of the Bank	46,408	(21,656)	46,408	(21,656)

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
Group						
At 1 January 2023	1,425,272	247,491	-	(22,974)	34,737	1,684,526
Profit for the financial year	-	-	-	-	15,307	15,307
Other comprehensive income	-	-	-	31,101	-	31,101
At 31 Mar 2023	1,425,272	247,491	-	8,127	50,044	1,730,934
At 1 January 2022	1,425,272	207,491	3,798	39,965	23,641	1,700,167
Profit for the financial year	-	-	-	-	78,096	78,096
Total comprehensive income	-	-	(3,798)	(62,939)	-	(66,737)
Transfer to statutory reserve	-	40,000	-	-	(40,000)	-
Fair value adjustment on amount due from related company	-	-	-	-	(27,000)	(27,000)
At 31 December 2022	1,425,272	247,491	-	(22,974)	34,737	1,684,526
Bank						
At 1 January 2023	1,425,272	247,491	-	(22,974)	34,740	1,684,529
Profit for the financial year	-	-	-	-	15,307	15,307
Other comprehensive income	-	-	-	31,101	-	31,101
At 31 Mar 2023	1,425,272	247,491	-	8,127	50,047	1,730,937
At 1 January 2022	1,425,272	207,491	-	39,965	21,739	1,694,467
Profit for the financial year	-	-	-	-	80,001	80,001
Other comprehensive income	-	-	-	(62,939)	-	(62,939)
Transfer to statutory reserve	-	40,000	-	-	(40,000)	-
Fair value adjustment on amount due from related company	-	-	-	-	(27,000)	(27,000)
At 31 December 2022	1,425,272	247,491	-	(22,974)	34,740	1,684,529

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

KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

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INTERIM CONDENSED STATEMENTS OF CASH FLOWS

	Group and Bank	
	31-Mar 2023 RM'000	31-Mar 2022 RM'000
Profit before zakat and taxation	15,854	16,697
Adjustments for non-cash items	5,710	12,282
Operating profit before changes in working capital	21,564	28,979
<u>Changes in the working capital</u>		
Net changes in operating assets	66,206	29,682
Net changes in operating liabilities	(87,358)	120,697
Zakat and taxation refund/(paid)	-	-
Net cash (used in)/generated from operating activities	(21,152)	150,379
Net cash (used in)/generated from financing activities	(3,742)	(3,732)
Net cash (used in)/generated from investing activities	8,991	(101,857)
Net change in cash and cash equivalents	5,660	73,769
Cash and cash equivalents at beginning of the period	148,807	192,696
Cash and cash equivalents at end of the period	154,467	266,465

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 net profit of RM15.3 million for the period ended 31 March 2023.

A2 OUTLOOK FOR 2023

The Malaysian economy is expected to grow between 4.0% to 5.0% in 2023. The country's strong economic fundamentals and well-diversified economy will help to support its economic growth as well as driven by steady domestic demand, a vibrant services sector, improvement in labour market, implementation of new and ongoing infrastructure projects and sustained exports.

The monetary policy is expected to remain accommodative and supportive of economic growth whilst ensuring price stability in 2023.

Moving into 2023, the weaker-than-expected global growth, financial markets stability, labour shortages, global inflationary pressures, geopolitical conflicts and supply chain disruptions will be the key challenges affecting Malaysia economic situations. However, despite a challenging domestic and external environment, the Malaysian economy is likely to remain positive in 2023.

A3 Cash and short term funds

	Group and Bank	
	31 Mar 2023 RM'000	31 Dec 2022 RM'000
Cash and balance with banks and other financial institutions	39,591	33,742
Money at call and interbank placement with remaining maturity less than one month	113,387	112,830
	152,978	146,572
Less : ECL allowance	(1,507)	(1,499)
	151,471	145,073

Included in money at call and interbank placements is a balance of RM111.4million in a correspondent account maintained with an international bank in the United States of America that is restricted (no withdrawal allowed) following an ongoing litigation.

A3.1 Impairment allowance for cash and short term funds

The table below shows the credit quality based on the Bank's internal credit rating system and stage classification. The amounts presented are gross of impairment allowances.

<u>Group and Bank</u>	31-Mar-23			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Internal rating grade :				
Neither past due nor impaired	152,978	-	-	152,978
Past due but not impaired	-	-	-	-
Individually impaired	-	-	-	-
Total	152,978	-	-	152,978

<u>Group and Bank</u>	31-Dec-22			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Internal rating grade :				
Neither past due nor impaired	146,572	-	-	146,572
Past due but not impaired	-	-	-	-
Individually impaired	-	-	-	-
Total	146,572	-	-	146,572

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

An analysis of changes in the ECL allowances is, as follows:

31 March 2023 Group and Bank	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
ECL allowance as at 1 January 2023	1,499	-	-	1,499
Allowance made during the year	8	-	-	8
ECL allowance as at 31 March 2023	1,507	-	-	1,507

31 December 2022 Group and Bank	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
ECL allowance as at 1 January 2022	924	-	-	924
Allowance made during the year	575	-	-	575
ECL allowance as at 31 December 2022	1,499	-	-	1,499

A4 Deposits and placements with banks and other financial institutions

	Group and Bank	
	31 Mar 2023 RM'000	31 Dec 2022 RM'000
Bank Negara Malaysia ^	3,026	3,734
Other financial institutions	-	-
	3,026	3,734
Less : ECL Allowance	(30)	(38)
	2,996	3,696

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

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A4.1 Impairment allowance for deposits and placements

The table below shows the credit quality based on the Bank's internal credit rating system and stage classification. The amounts presented are gross of impairment allowances.

Group and Bank	31-Mar-23			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Internal rating grade :				
Performing	3,026	-	-	3,026
Past due but not impaired	-	-	-	-
Individually impaired	-	-	-	-
Total	3,026	-	-	3,026

Group and Bank	31-Dec-22			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Internal rating grade :				
Performing	3,734	-	-	3,734
Past due but not impaired	-	-	-	-
Individually impaired	-	-	-	-
Total	3,734	-	-	3,734

An analysis of changes in the ECL allowances is, as follows:

31 March 2023 Group and bank	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
ECL allowance as at 1 January 2023	38	-	-	38
Allowance writeback during the year	(8)	-	-	(8)
New financial assets originated or purchased	-	-	-	-
Financial assets that have matured	-	-	-	-
ECL allowance as at 31 March 2023	30	-	-	29

31 December 2022 Group	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
ECL allowance as at 1 January 2022	227	-	-	227
Allowance writeback during the year	(189)	-	-	(189)
ECL allowance as at 31 December 2022	38	-	-	38

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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 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 stage classification.

<u>Group and Bank</u>	31 Mar 2023 RM'000	31 Dec 2022 RM'000
Government Sukuk	2,318,945	2,365,821
Corporate Sukuk	738,626	724,364
	3,057,571	3,090,185

<u>Group and Bank</u>	31-Mar-23			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Internal rating grade :				
Performing	3,057,571	-	-	3,057,571
Total	3,057,571	-	-	3,057,571

<u>Group and Bank</u>	31-Dec-22			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Internal rating grade :				
Performing	3,090,185	-	-	3,090,185
Total	3,090,185	-	-	3,090,185

An analysis of changes in the ECLs is, as follows:

<u>Group and Bank</u>	31 March 2023			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
ECL allowance as at 1 January 2023	9,357	-	-	9,357
Allowance made during the year	801	-	-	801
ECL allowance as at 31 March 2023 *	10,158	-	-	10,158

<u>Group and Bank</u>	31 Dec 2022			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
ECL allowance as at 1 January 2022	4,716	-	-	4,716
Allowance made during the year	4,641	-	-	4,641
ECL allowance as at 31 Dec 2022 *	9,357	-	-	9,357

* 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 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	
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 Letter of Credit	
- Stage 1 Financial Guarantee	
Net financing, advances and other receivables	

Group and Bank	
31 Mar 2023	31 Dec 2022
RM'000	RM'000
1,122,658	1,129,597
925,595	864,222
1,564	3,492
164,944	160,500
566,521	582,824
996,271	1,106,193
19,171	19,050
3,796,724	3,865,878
(24,522)	(24,522)
3,772,202	3,841,356
(147,163)	(147,965)
(99,593)	(111,310)
(136,144)	(121,971)
3,389,302	3,460,110
(181)	(95)
(458)	(531)
(192)	(265)
3,388,471	3,459,219

ii) By contract

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

Group and Bank	
31 Mar 2023	31 Dec 2022
RM'000	RM'000
1,847,031	1,877,260
1,872,764	1,911,789
43,705	43,705
1,268	983
6,639	6,810
795	809
3,772,202	3,841,356

iii) By type of customer

Business enterprises	
- Small medium enterprises	
- Others	
Individuals	

Group and Bank	
31 Mar 2023	31 Dec 2022
RM'000	RM'000
279,245	288,117
838,157	934,849
2,654,800	2,618,390
3,772,202	3,841,356

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A6 Financing, Advances and Other Receivables (Cont'd.)

(iv) By residual contractual maturity

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

Group and Bank	
31 Mar 2023 RM'000	31 Dec 2022 RM'000
1,049,678	1,152,218
96,497	97,723
301,603	298,193
2,324,424	2,293,222
3,772,202	3,841,356

(v) By geographical distribution

Malaysia
Middle East
Other countries

Group and Bank	
31 Mar 2023 RM'000	31 Dec 2022 RM'000
3,769,743	3,838,845
1,256	1,285
1,203	1,226
3,772,202	3,841,356

vi) By profit rate sensitivity

Fixed rate
- House financing
- Hire purchase receivables
- Syndicated financing
- Term financing
Variable rate
- House financing
- Term financing

Group and Bank	
31 Mar 2023 RM'000	31 Dec 2022 RM'000
2,324	2,081
566,521	582,824
164,944	160,500
768,695	702,651
1,120,334	1,127,516
1,149,384	1,265,784
3,772,202	3,841,356

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	
31 Mar 2023 RM'000	31 Dec 2022 RM'000
562,853	579,259
1,178,782	1,185,782
128,281	133,764
15,642	18,352
698,239	808,889
165,512	162,510
920,077	859,219
102,816	93,581
3,772,202	3,841,356

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A6 Financing, Advances and Other Receivables (Cont'd.)

viii) By sector

	Group and Bank	
	31 Mar 2023 RM'000	31 Dec 2022 RM'000
Construction	301,389	297,716
Electricity, gas and water	33,971	35,781
Finance, insurance and business services	17,387	17,378
Household	2,654,800	2,618,390
Manufacturing	149,464	155,820
Real Estate	218,855	277,166
Transports, storage and communication	101,726	104,733
Wholesale & retail trade and restaurants & hotels	272,600	321,723
Others	22,010	12,649
Total	3,772,202	3,841,356

(ix) Financing by types and Shariah contract

	Ijarah Muntahia Bittamlik/ Al-Ijarah Thumma Al-Bai' (lease ended with ownership)	Murabahah (cost-plus)	Mudharabah (profit sharing)	Musyarakah (profit and loss sharing)	Qard (benevolent financing)	Istisna'	Total
31 March 2023	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
House financing	1,114,815	69	-	6,546	-	795	1,122,225
Personal financing	-	907,033	-	-	825	-	907,858
Syndicated financing	-	164,944	-	-	-	-	164,944
Cashline financing	-	1,997	-	-	-	-	1,997
Hire purchase receivables	559,736	-	-	-	-	-	559,736
Other term financing	155,742	796,824	43,705	-	-	-	996,271
Staff financing	16,738	1,897	-	93	443	-	19,171
Total	1,847,031	1,872,764	43,705	6,639	1,268	795	3,772,202

	Group and Bank						
	Ijarah Muntahia Bittamlik/ Al-Ijarah Thumma Al-Bai' (lease ended with ownership)	Murabahah (cost-plus)	Mudharabah (profit sharing)	Musyarakah (profit and loss sharing)	Qard (benevolent financing)	Istisna'	Total
31 December 2022	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
House financing	1,121,848	69	-	6,715	-	809	1,129,441
Personal financing	-	845,667	-	-	817	-	846,484
Syndicated financing	-	160,500	-	-	-	-	160,500
Cashline financing	-	3,648	-	-	-	-	3,648
Hire purchase receivables	576,040	-	-	-	-	-	576,040
Other term financing	162,758	899,729	43,705	-	-	-	1,106,192
Staff financing	16,614	2,176	-	95	166	-	19,051
Total	1,877,260	1,911,789	43,705	6,810	983	809	3,841,356

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A6 Financing, Advances and Other Receivables (Cont'd.)

x) Purpose and Source of Qard financing

As at 1 January	983	1,034
Source of Qard fund:	369	332
- Depositors' Fund	276	251
- Shareholders' Fund	93	81
Uses of Qard fund:	(85)	(383)
- Financing for asset purchase	(64)	(289)
- Staff Benevolent	(21)	(94)
Closing balance	1,268	983

Group and Bank		
	31 Mar 2023 RM'000	31 Dec 2022 RM'000
As at 1 January	983	1,034
Source of Qard fund:	369	332
- Depositors' Fund	276	251
- Shareholders' Fund	93	81
Uses of Qard fund:	(85)	(383)
- Financing for asset purchase	(64)	(289)
- Staff Benevolent	(21)	(94)
Closing balance	1,268	983

xi) Movements in impaired financing, advances and other receivables

At 1 Jan	263,632	272,802
Impaired during the period/year	15,085	(9,910)
- Impaired during the period/year	24,343	37,368
- Reclassified to performing during the year	(1,101)	(9,410)
- Amount recovered	(8,157)	(29,463)
- Amount written off	-	(8,404)
Reinstatement of previously written down accounts	-	741
Closing balance	278,717	263,632
Ratio of net impaired financing, advances and other receivables to gross financing, advances and other receivables less Stage 3 ECL	3.89%	3.78%

Group and Bank		
	31 Mar 2023 RM'000	31 Dec 2022 RM'000
At 1 Jan	263,632	272,802
Impaired during the period/year	15,085	(9,910)
- Impaired during the period/year	24,343	37,368
- Reclassified to performing during the year	(1,101)	(9,410)
- Amount recovered	(8,157)	(29,463)
- Amount written off	-	(8,404)
Reinstatement of previously written down accounts	-	741
Closing balance	278,717	263,632
Ratio of net impaired financing, advances and other receivables to gross financing, advances and other receivables less Stage 3 ECL	3.89%	3.78%

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

Stage 1 and 2 ECL		
As at 1 Jan	260,166	237,577
Allowance (writeback)/made during the year	(12,579)	22,589
Closing balance	247,587	260,166
As % of total gross financing, advances and other receivables less individual impairment	6.81%	6.99%

Group and Bank		
	31 Mar 2023 RM'000	31 Dec 2022 RM'000
As at 1 Jan	260,166	237,577
Allowance (writeback)/made during the year	(12,579)	22,589
Closing balance	247,587	260,166
As % of total gross financing, advances and other receivables less individual impairment	6.81%	6.99%

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A6 Financing, Advances and Other Receivables (Cont'd.)

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

Stage 3 ECL

At 1 January 2023

Allowance made during the year

- Allowance made

- Allowance written-back

Amount written off

Reinstatement of previously written down accounts

At 31 March 2023

Group and Bank	
31 Mar 2023	31 Dec 2022
RM'000	RM'000
121,971	120,381
14,173	9,253
17,284	25,107
(3,111)	(15,854)
-	(8,404)
-	741
136,144	121,971

xiii) Impaired financing by sector

Finance, insurance and business services

Household

Manufacturing

Real Estate

Wholesale & retail trade and restaurants & hotels

Group and Bank	
31 Mar 2023	31 Dec 2022
RM'000	RM'000
5,169	5,169
53,174	46,033
68,582	73,142
142,860	130,358
8,932	8,930
278,717	263,632

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A6 Financing, Advances and Other Receivables (Cont'd.)

xiii) Impairment allowance for financing and advances to customers

The table below shows the credit quality based on the Bank's internal credit rating system and stage classification. The amounts presented are before impairment allowances and modification loss.

31-Mar-23				
<u>Group and Bank</u>	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Internal rating grade :				
Neither pass due nor impact	3,251,986	161,240	-	3,413,227
Past due but not impaired	-	104,780	-	104,780
Individually impaired	-	-	278,717	278,717
Total	3,251,986	266,020	278,717	3,796,724

31-Dec-22				
<u>Group and Bank</u>	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Internal rating grade :				
Neither pass due nor impact	3,311,692	174,895	-	3,486,587
Past due but not impaired	-	115,659	-	115,659
Individually impaired	-	-	263,632	263,632
Total	3,311,692	290,554	263,632	3,865,878

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

31-Mar-23				
<u>Group and Bank</u>	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
ECL allowance as at 1 January 2023	148,856	111,310	121,971	382,137
Transfer to 12-month ECL	14,844	(13,978)	(866)	-
Transfer to lifetime ECL not credit impaired	(1,883)	1,883	-	-
Transfer to lifetime ECL credit impaired	(64)	(2,693)	2,757	-
Allowance made during the year	(13,759)	3,071	12,282	1,593
ECL allowance as at 31 March 2023	147,994	99,593	136,144	383,731

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A6 Financing, Advances and Other Receivables (Cont'd.)

xiii) Impairment allowance for financing and advances to customers (Cont'd.)

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

Group and Bank	31-Dec-22			Total RM'000
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	
ECL allowance as at 1 January 2022	127,552	110,025	120,381	357,958
Transfer to 12-month ECL	20,916	(17,648)	(3,268)	-
Transfer to lifetime ECL not credit impaired	(5,925)	6,460	(535)	-
Transfer to lifetime ECL credit impaired	(1,220)	(874)	2,094	-
Allowance made during the year	7,533	13,347	10,962	31,842
Write-offs	-	-	(8,404)	(8,404)
Reinstatement of previously written down	-	-	741	741
ECL allowance as at 31 December 2022	148,856	111,310	121,971	382,137

A7 Other Assets

	Group and Bank	
	31 Mar 2023 RM'000	31 Dec 2022 RM'000
Deposits and prepayments	11,620	7,730
Amount due from other related parties	78,971	78,971
Fee receivable	80	100
Sundry debtors	92	366
	90,763	87,167

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A8 Hedging Financial Instruments

Group and Bank

At 31 Mar 2023

Forward foreign exchange related contracts
- in connection with fair value hedges
- other derivatives without hedge accounting
Total

Notional Amount RM'000	Fair Value	
	Assets RM'000	Liabilities RM'000
317,094	8,803	244
81,134	1,970	1,953
398,228	10,773	2,197

Group and Bank

At 31 Dec 2022

Forward foreign exchange related contracts
- in connection with fair value hedges
- other derivatives without hedge accounting
Total

Notional Amount RM'000	Fair Value	
	Assets RM'000	Liabilities RM'000
332,557	5,931	985
80,542	1,469	1,456
413,099	7,400	2,441

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 gain of RM233,066 as at 31 March 2023 (31 December 2022: Net gain of RM2,271,508).

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A9 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
Cost				
As at 1 January 2023	99,121	175	199	99,495
Additions	2,207	-	-	2,207
Disposals	(1,386)	-	-	(1,386)
Adjustment/remeasurement	0	-	-	0
As at 31 March 2023	99,942	175	199	100,316
Accumulated depreciation				
As at 1 January 2023	45,472	33	117	45,622
Charge	3,319	15	25	3,359
Disposals	(1,386)	-	-	(1,386)
As at 31 March 2023	47,405	48	142	47,595
Net book value as at 31 March 2023	52,537	127	57	52,721

	Group and Bank			
	Buildings	Office Equipments	Motor Vehicles	Total
	RM'000	RM'000	RM'000	RM'000
Cost				
As at 1 January 2022	96,145	397	254	96,796
Additions	2,629	175	-	2,804
Disposals	(3,650)	(397)	(55)	(4,102)
Adjustment/remeasurement	3,997	-	-	3,997
As at 31 December 2022	99,121	175	199	99,495
Accumulated depreciation				
As at 1 January 2022	35,279	348	72	35,699
Charge	13,843	82	100	14,025
Disposals	(3,650)	(397)	(55)	(4,102)
As at 31 December 2022	45,472	33	117	45,622
Net book value as at 31 Dec 2022	53,649	142	82	53,873

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 2023	57,952	141	91	58,184
Addition	2,207	-	-	2,207
Accretion of profit	306	1	0	307
Payment	(3,701)	(15)	(26)	(3,742)
Adjustment/remeasurement	-	-	-	-
As at 31 March 2023	56,764	127	65	56,956

	Group and Bank			
	Buildings	Office Equipments	Motor Vehicles	Total
	RM'000	RM'000	RM'000	RM'000
As at 1 January 2022	64,306	51	190	64,547
Addition	2,629	175	-	2,804
Accretion of profit	1,928	2	3	1,933
Payment	(14,907)	(87)	(102)	(15,096)
Adjustment/remeasurement	3,996	-	-	3,996
As at 31 December 2022	57,952	141	91	58,184

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A9 Right of Use of Assets and Lease Liabilities (Cont'd.)

The following are the amounts recognised in profit or loss:

31 March 2023

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

Group and Bank	
RM'000	
	3,359
	307
	3,666

31 December 2022

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

Group and Bank	
RM'000	
	14,025
	1,933
	15,958

A10 Deposits from Customers

(i) By type of deposit

Qard
- Demand deposits
- Gold deposits

Murabahah
- Term placement
- Savings deposits

	Group		Bank	
	31 Mar 2023 RM'000	31 Dec 2022 RM'000	31 Mar 2023 RM'000	31 Dec 2022 RM'000
Qard				
- Demand deposits	284,560	323,370	284,564	323,374
- Gold deposits	117,241	111,624	117,241	111,624
Murabahah				
- Term placement	2,776,790	2,954,812	2,776,790	2,954,812
- Savings deposits	137,722	132,004	137,722	132,004
	3,316,313	3,521,810	3,316,317	3,521,814

(ii) By type of customer

Business enterprises
Individuals
Subsidiaries
Government and statutory bodies
Other enterprises

	Group		Bank	
	31 Mar 2023 RM'000	31 Dec 2022 RM'000	31 Mar 2023 RM'000	31 Dec 2022 RM'000
Business enterprises	1,390,939	1,211,746	1,390,939	1,211,746
Individuals	318,167	335,246	318,167	335,246
Subsidiaries	-	-	4	4
Government and statutory bodies	1,495,784	1,598,437	1,495,784	1,598,437
Other enterprises	111,423	376,381	111,423	376,381
	3,316,313	3,521,810	3,316,317	3,521,814

(iii) By contractual maturity

Due within six months
More than six months to one year
More than one year to three years

	Group		Bank	
	31 Mar 2023 RM'000	31 Dec 2022 RM'000	31 Mar 2023 RM'000	31 Dec 2022 RM'000
Due within six months	2,940,140	3,116,921	2,940,144	3,116,925
More than six months to one year	371,730	404,865	371,730	404,865
More than one year to three years	4,443	24	4,443	24
	3,316,313	3,521,810	3,316,317	3,521,814

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A11 Deposits and Placements of Banks and Other Financial Institutions

Murabahah

Licensed Islamic banks
Other financial institutions

Group and Bank	
31 Mar 2023 RM'000	31 Dec 2022 RM'000
316,684	150,000
1,527,371	1,636,900
1,844,055	1,786,900

A12 Investment Accounts

As at 1 January

Net placement during the year

Income from investment

Profit distributed to mudarib

As at 31 March/31 December

Investment asset:

Wadiah placement with BNM

Group and Bank	
2023 RM'000	2022 RM'000
3,734	5,550
(723)	(1,871)
25	93
(10)	(38)
3,026	3,734
3,026	3,734

Profit Sharing Ratio, Rate of Return and Performance Incentive Fee

Unrestricted investment accounts:

Less than 3 months

Investment account holder	
Average profit sharing ratio	Average rate of return
(%)	(%)
60.00	1.65

Business enterprises

Individuals

Other enterprises

Group and Bank	
31 Mar 2023 RM'000	31 Dec 2022 RM'000
1,216	1,673
1,790	1,992
20	69
3,026	3,734

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A13 Other Liabilities

	Group		Bank	
	31 Mar 2023 RM'000	31 Dec 2022 RM'000	31 Mar 2023 RM'000	31 Dec 2022 RM'000
Sundry creditors	39,376	33,967	39,369	33,960
Accrued restoration cost	4,612	4,612	4,612	4,612
Undistributed charity funds (i)	1,558	1,502	1,558	1,502
Provision for tax				
Other provisions and accruals	60,176	57,579	60,176	57,579
	105,722	97,660	105,715	97,653

(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
Payment for recovery cost and other expenses
Contribution to non profit organisations
Aid to needy family
Total uses of funds during the year

Closing balance

Group and Bank	
31 Mar 2023 RM'000	31 Dec 2022 RM'000
1,502	253
(10)	5,751
1,492	6,004
-	(2,000)
97	(2,430)
(31)	(5)
-	(67)
66	(4,502)
1,558	1,502

A14 Share Capital

	Number of ordinary shares at RM1.00 each		Amount	
	31 Mar 2023 Units'000	31 Dec 2022 Units'000	31 Mar 2023 RM'000	31 Dec 2022 RM'000
Authorised:				
At 1 January/At closing balance	3,000,000	3,000,000	3,000,000	3,000,000
Issued and fully paid:				
At 1 January	1,425,272	1,425,272	1,425,272	1,425,272
At 31 March/At closing balance	1,425,272	1,425,272	1,425,272	1,425,272

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A15 Income derived from investment of depositors' funds and others

	1st Quarter ended 31-Mar		Three-months ended 31-Mar	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Group and Bank				
Finance income from financing, advances and other receivables	37,849	37,749	37,849	37,749
Finance income from impaired financing	421	298	421	298
Income from securities				
- Financial assets at FVOCI	24,050	23,504	24,050	23,504
Money at call and deposits with financial institutions	38	422	38	422
	62,358	61,973	62,358	61,973
Amortisation of premium less accretion of discounts	(587)	(501)	(587)	(501)
Total finance income and hibah	61,771	61,472	61,771	61,472
Gain/(loss) arising from sale of securities				
- Financial assets at FVOCI	674	5,473	674	5,473
Foreign exchange (loss)/gain				
- Realised	1,514	1,691	1,514	1,691
	63,959	68,636	63,959	68,636

A16 Income derived from Investment of Shareholder's Equity

	1st Quarter ended 31-Mar		Three-months ended 31-Mar	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Group and Bank				
Finance income from financing, advances and other receivables	12,838	12,177	12,838	12,177
Finance income from impaired financing	143	96	143	96
Income from securities:				
- Financial assets at FVOCI	8,157	7,583	8,157	7,583
Money at call and deposits with financial institutions	13	137	13	137
	21,151	19,993	21,151	19,993
Amortisation of premium less accretion of discounts	(199)	(162)	(199)	(162)
Total finance income and hibah	20,952	19,831	20,952	19,831
Fee income				
- Commission	397	184	397	184
- Other fee income	593	610	593	610
Gain/(loss) arising from sale of securities				
- Financial assets at FVOCI	228	1,764	228	1,764
Fair value loss from financial asset at FVTPL	-	975	-	975
Foreign exchange (loss)/gain				
- Realised	2,525	1,902	2,525	1,902
- Unrealised	(1,946)	(2,890)	(1,946)	(2,890)
	22,749	22,376	22,749	22,376

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A17 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
31 March 2023				
<u>Group and Bank</u>				
Financing and advances to customers	801	11,717	(14,173)	(1,655)
Bad debt recovered	-	-	2,107	2,107
Debt instruments measured at FVOCI	(801)	-	-	(801)
Financial guarantees	146	-	-	146
Financing commitments	(86)	-	-	(86)
Total Impairment loss (charges)/writeback	60	11,717	(12,066)	(289)
31 March 2022				
<u>Group and Bank</u>				
Financing and advances to customers	(14,518)	(1,000)	(218)	(15,736)
Bad debt recovered	-	-	786	786
Financial guarantees	601	-	-	601
Financing commitments	1,217	-	-	1,217
Total Impairment loss (charges)/writeback	(12,700)	(1,000)	568	(13,132)

A18 Income Attributable to the Depositors

	1st Quarter ended 31-Mar		Three-months ended 31-Mar	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
<u>Group and Bank</u>				
Deposits from customers				
- Murabahah	25,096	17,032	25,096	17,032
Deposits and placements of banks and other financial institutions				
- Murabahah and Wakalah	14,928	7,601	14,928	7,601
Others	45	30	45	30
	40,069	24,663	40,069	24,663

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A19 Profit Distributed to Investment Account Holders

Group & Bank

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

1st Quarter ended 31-Mar		Three-months ended 31-Mar	
2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
25	22	25	22
10	9	10	9
15	13	15	13

A21 Commitments and Contingencies

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

	As at 31 Mar 2023			As at 31 Dec 2022		
	Principal amount RM'000	Credit equivalent amount RM'000	Risk weighted amount RM'000	Principal amount RM'000	Credit equivalent amount RM'000	Risk weighted amount RM'000
Group and Bank						
Direct credit substitutes	20,617	20,597	19,540	20,617	20,353	19,469
Transaction related contingencies	99,102	49,007	36,971	98,660	48,799	36,832
Irrevocable commitments to extend credit						
- maturity less than one year	204,964	21,454	20,990	134,769	12,887	12,458
- maturity more than one year	48,191	21,561	15,732	46,603	20,776	15,333
Foreign exchange related contracts *						
- less than one year	266,786	8,699	3,367	243,620	6,623	2,115
- one year to five years	140,217	8,133	2,546	174,577	8,844	3,085
	779,877	129,451	99,146	718,846	118,282	89,292

* 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	
	Mar 2023 RM'000	Dec 2022 RM'000
Financial guarantees	20,617	20,617
Letters of credit	99,102	98,660
Other undrawn commitments	253,155	181,372
Total commitment	372,874	300,649
Less : ECL (charge)/writeback	(831)	(891)
	372,043	299,758

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A22 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 based on the Bank's internal credit rating system and stage classification.

Group and Bank	31-Mar-23			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Internal rating grade :				
Neither past due not impaired	20,617	-	-	20,617
Past due but not impaired	-	-	-	-
Individually impaired	-	-	-	-
Total	20,617	-	-	20,617

Group and Bank	31-Dec-22			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Internal rating grade :				
Neither past due not impaired	20,617	-	-	20,617
Past due but not impaired	-	-	-	-
Individually impaired	-	-	-	-
Total	20,617	-	-	20,617

An analysis of changes in the ECLs are, as follows:

Group and Bank	31-Mar-23			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
ECL allowance as at 1 January 2023	265	-	-	265
Net remeasurement of loss allowance	(146)	-	-	(146)
New financial assets originated or purchased	73	-	-	73
Financial assets that have matured	-	-	-	-
ECL allowance as at 31 March 2023	192	-	-	192

Group and Bank	31-Dec-22			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
ECL allowance as at 1 January 2022	920	-	-	920
Net remeasurement of loss allowance	(1,162)	-	-	(1,162)
New financial assets originated or purchased	596	-	-	596
Financial assets that have matured	(89)	-	-	(89)
ECL allowance as at 31 December 2022	265	-	-	265

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A22 Impairment losses on guarantees and other commitments (Cont'd.)

Letters of credit

The table below shows the credit quality based on the Bank's internal credit rating system and stage classification.

Group and Bank	31-Mar-23			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Internal rating grade :				
Neither past due not impaired	99,102	-	-	99,102
Past due but not impaired	-	-	-	-
Total	99,102	-	-	99,102

Group and Bank	31-Dec-22			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Internal rating grade :				
Neither past due not impaired	98,660	-	-	98,660
Past due but not impaired	-	-	-	-
Total	98,660	-	-	98,660

An analysis of changes in the ECLs are, as follows:

Group and Bank	31-Mar-23			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
ECL allowance as at 1 January 2023	531	-	-	531
Net remeasurement of loss allowance	(146)	-	-	(146)
New financial assets originated or purchased	73	-	-	73
Financial assets that have matured	-	-	-	-
ECL allowance as at 31 March 2023	458	-	-	458

Group and Bank	31-Dec-22			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
ECL allowance as at 1 January 2022	1,128	-	-	1,128
Net remeasurement of loss allowance	(597)	-	-	(597)
New financial assets originated or purchased	-	-	-	-
Financial assets that have matured	-	-	-	-
ECL allowance as at 31 December 2022	531	-	-	531

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A22 Impairment losses on guarantees and other commitments (Cont'd.)

Other undrawn commitments

The table below shows the credit quality based on the Bank's internal credit rating system and stage classification.

Group and Bank	31-Mar-23			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Internal rating grade :				
Neither past due not impaired	251,291	-	-	251,291
Past due but not impaired	-	1,642	-	1,642
Individually impaired	-	-	222	222
Total	251,291	1,642	222	253,155

Group and Bank	31-Dec-22			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Internal rating grade :				
Neither past due not impaired	178,514	-	-	178,514
Past due but not impaired	-	2,636	-	2,636
Individually impaired	-	-	222	222
Total	178,514	2,636	222	181,372

An analysis of changes in the ECLs in relation to other undrawn commitments is, as follows:

Group and Bank	31-Mar-23			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
ECL allowance as at 1 January 2023	95	-	-	95
Net remeasurement of loss allowance	-	-	-	-
New financial assets originated or purchased	181	-	-	181
Financial assets that have matured	(94)	-	-	(94)
ECL allowance as at 31 March 2023	181	-	-	181

Group and Bank	31-Dec-22			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
ECL allowance as at 1 January 2022	1,615	-	-	1,615
Net remeasurement of loss allowance	(1,524)	-	-	(1,524)
New financial assets originated or purchased	32	-	-	32
Financial assets that have matured	(28)	-	-	(28)
ECL allowance as at 31 December 2022	95	-	-	95

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A23 FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

Financial instrument measured at fair value

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 market data, 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.

	Total
	RM'000
Group and Bank	
31 Mar 2023	
Financial assets	
Debt instruments measured at FVOCI	3,057,571
Hedging financial instruments	10,773
Total	3,068,344
Financial liability	
Hedging financial instruments	2,197
	2,197
31 Dec 2022	
Financial assets	
Debt instruments measured at FVOCI	3,090,185
Hedging financial instruments	7,400
Total	3,097,585
Financial liability	
Hedging financial instruments	2,441
	2,441

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A23 FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (Cont'd.)

Financial instrument not measured at fair value

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 on-balance sheet financial assets and financial liabilities of the Group and of the Bank whose fair values are required to be disclosed in accordance with MFRS 132 comprise all the Group and of the Bank assets and liabilities with the exception of investments in subsidiaries, interest in associates and joint ventures, property, plant and equipment and provision for current and deferred taxation.

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.

The table below analyses financial instruments not carried at fair value for which fair value is disclosed, together with carrying amount shown in the statement of financial position:

	Level 2	Level 3	Total Fair Value	Carrying Value
	RM'000	RM'000	RM'000	RM'000
Group				
31 Mar 2023				
Financial Assets				
Financing, advances and other receivables	-	3,387,383	3,387,383	3,388,471
Financial Liabilities				
Deposits from customers	3,290,887	-	3,290,887	3,316,313

	Level 2	Level 3	Total Fair Value	Carrying Value
	RM'000	RM'000	RM'000	RM'000
Group				
31 Dec 2022				
Financial Assets				
Financing, advances and other receivables	-	3,453,281	3,453,281	3,459,219
Financial Liabilities				
Deposits from customers	3,497,387	-	3,497,387	3,521,810

	Level 2	Level 3	Total Fair Value	Carrying Value
	RM'000	RM'000	RM'000	RM'000
Bank				
31 Mar 2023				
Financial Assets				
Financing, advances and other receivables	-	3,387,383	3,387,383	3,388,471
Financial Liabilities				
Deposits from customers	3,290,862	-	3,290,862	3,316,317

	Level 2	Level 3	Total Fair Value	Carrying Value
	RM'000	RM'000	RM'000	RM'000
Bank				
31 Dec 2022				
Financial Assets				
Financing, advances and other receivables	-	3,453,281	3,453,281	3,459,219
Financial Liabilities				
Deposits from customers	3,497,390	-	3,497,390	3,521,814

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A23 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) Hedging financial instruments

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

(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 customers 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.

Description of significant unobservable inputs to valuation:

	Valuation technique	Significant Unobservable inputs	Range (weighted average)
Financing, advances and other receivables	Discounted cash flow method	Profit rate	5.6% - 6.0%

(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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A24 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	
	31 Mar 2023	31 Dec 2022	31 Mar 2023	31 Dec 2022
CET I/ Tier I Capital Ratio Credit, market, operational and large exposure risks	42.995%	41.099%	42.996%	41.100%
Total Capital Ratio Credit, market, operational and large exposure risks	44.104%	42.198%	44.105%	42.199%

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A24 Capital Adequacy (Cont' d.)

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

	Group		Bank	
	31 Mar 2023 RM'000	31 Dec 2022 RM'000	31 Mar 2023 RM'000	31 Dec 2022 RM'000
<u>CET I / Tier I capital</u>				
Paid-up share capital	1,425,272	1,425,272	1,425,272	1,425,272
Statutory reserve	247,491	247,491	247,491	247,491
Other reserves	32,704	2,406	32,708	2,410
	1,705,467	1,675,169	1,705,471	1,675,173
Less: Deferred tax assets (net)	(81,708)	(81,708)	(81,708)	(81,708)
Less: Investment in subsidiaries	-	-	-	-
Total CET I / Tier I capital	1,623,759	1,593,461	1,623,763	1,593,465
<u>Tier II capital</u>				
Stage 1 & Stage 2 expected credit loss allowances *	41,892	42,611	41,892	42,611
Total Tier II capital	41,892	42,611	41,892	42,611
Capital Base	1,665,651	1,636,072	1,665,655	1,636,076

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

	Group		Bank	
	31 Mar 2023 RM'000	31 Dec 2022 RM'000	31 Mar 2023 RM'000	31 Dec 2022 RM'000
Computation of Total Risk-Weighted Assets (RWA)				
Total Credit RWA	3,351,328	3,408,881	3,351,328	3,408,881
Total Market RWA	13,716	9,378	13,716	9,378
Total Operational RWA	411,586	458,884	411,539	458,821
Total Risk-Weighted Assets	3,776,630	3,877,143	3,776,584	3,877,080

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A25 FINANCIAL RISK MANAGEMENT

(a) 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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A25 FINANCIAL RISK MANAGEMENT (Cont'd.)

(a) MARKET RISK (Cont'd.)

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

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

Group	Non-trading book					Trading book	Total	Effective profit rate
	Up to 1 month	>1 - 3 months	>3 - 12 months	>1 - 5 years	Over 5 years			
31 Mar 2023	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
ASSETS								
Cash and short-term funds	1,918	-	-	-	-	149,553	-	151,471
Deposits and placements with banks and other financial institutions	2,996	-	-	-	-	-	-	2,996
Securities FVOCI	-	5,071	402,625	730,395	1,919,480	-	-	3,057,571
Financing, advances and receivables	1,377,972	475,924	30,281	310,277	1,084,563	109,454	-	3,388,471
Other assets	-	-	-	-	-	447,921	-	447,921
Hedging Financial Instrument Assets	4,115	3,271	3,387	-	-	-	-	10,773
TOTAL ASSETS	1,387,001	484,266	436,293	1,040,672	3,004,043	706,928	-	7,059,203

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A25 FINANCIAL RISK MANAGEMENT (Cont'd.)

(a) MARKET RISK (Cont'd.)

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

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

Group	Non-trading book						Trading book	Total	Effective profit rate
	Up to 1 month	>1 - 3 months	>3 - 12 months	>1 - 5 years	Over 5 years	Non-profit sensitive			
31 Mar 2023	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	%	
LIABILITIES AND SHAREHOLDER'S EQUITY									
Deposits from customers	1,180,761	695,655	1,039,525	283,132	-	117,240	-	3,316,313	3.19
Deposits and placements of banks and other financial institutions	1,072,350	478,288	293,418	-	-	-	-	1,844,055	3.54
Investment accounts of customers	3,026	-	-	-	-	-	-	3,026	
Hedging financial instrument liabilities	469	60	1,668	-	-	-	-	2,197	
Other liabilities	-	-	-	-	-	162,678	-	162,678	
Total Liabilities	2,256,606	1,174,003	1,334,610	283,132	-	279,918	-	5,328,269	
Shareholder's equity	-	-	-	-	-	1,730,934	-	1,730,934	
Total Liabilities and Shareholder's equity	2,256,606	1,174,003	1,334,610	283,132	-	2,010,852	-	7,059,203	
On-balance sheet profit sensitivity gap	(869,605)	(689,737)	(898,317)	757,540	3,004,043	(1,303,924)	-	-	
Off-balance sheet profit sensitivity gap	-	-	-	-	-	-	-	-	-
Total profit sensitivity gap	(869,605)	(689,737)	(898,317)	757,540	3,004,043	(1,303,924)	-	-	

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A25 FINANCIAL RISK MANAGEMENT (Cont'd.)

(a) MARKET RISK (Cont'd.)

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

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

Group	Non-trading book					Non-profit sensitive	Trading book	Total	Effective profit rate
	Up to 1 month	>1 - 3 months	>3 - 12 months	>1 - 5 years	Over 5 years				
	RM'000	RM'000	RM'000	RM'000	RM'000				
31 Dec 2022									
ASSETS									
Cash and short-term funds	2,004	-	-	-	-	143,069	-	145,073	
Deposits and placements with banks and other financial institutions	3,696	-	-	-	-	-	-	3,696	2.78
Securities FVOCI	-	187,853	198,682	764,054	1,939,596	-	-	3,090,185	4.30
Financing, advances and receivables	1,386,102	583,611	5,731	310,281	1,047,841	125,653	-	3,459,219	5.12
Other assets	-	-	-	-	-	449,682	-	449,682	
Hedging Financial Instrument Assets	-	2,442	4,958	-	-	-	-	7,400	
TOTAL ASSETS	1,391,802	773,906	209,371	1,074,335	2,987,437	718,404	-	7,155,255	

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A25 FINANCIAL RISK MANAGEMENT (Cont'd.)

(a) MARKET RISK (Cont'd.)

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

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

Group	Non-trading book					Non-profit sensitive	Trading book	Total	Effective profit rate
	Up to 1 month	>1 - 3 months	>3 - 12 months	>1 - 5 years	Over 5 years				
31 Dec 2022	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	%	
LIABILITIES AND SHAREHOLDER'S EQUITY									
Deposits from customers	1,169,682	1,166,829	768,550	305,125	-	111,624	-	3,521,810	2.82
Deposits and placements of banks and other financial institutions	1,366,149	314,179	106,572	-	-	-	-	1,786,900	3.23
Investment accounts of customers	3,734	-	-	-	-	-	-	3,734	
Hedging Financial Instrument Liabilities	985	93	1,363	-	-	-	-	2,441	
Other liabilities	-	-	-	-	-	155,844	-	155,844	
Total Liabilities	2,540,550	1,481,101	876,485	305,125	-	267,468	-	5,470,729	
Shareholder's equity	-	-	-	-	-	1,684,526	-	1,684,526	
Total Liabilities and Shareholder's equity	2,540,550	1,481,101	876,485	305,125	-	1,951,994	-	7,155,255	
On-balance sheet profit sensitivity gap	(1,148,748)	(707,195)	(667,114)	769,210	2,987,437	(1,233,590)	-	-	
Off-balance sheet profit sensitivity gap	-	-	-	-	-	-	-	-	-
Total profit sensitivity gap	(1,148,748)	(707,195)	(667,114)	769,210	2,987,437	(1,233,590)	-	-	

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A25 FINANCIAL RISK MANAGEMENT (Cont'd.)

(a) MARKET RISK (Cont'd.)

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

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

	Non-trading book					Non-profit sensitive	Trading book	Total	Effective profit rate
	Up to 1 month	>1 - 3 months	>3 - 12 months	>1 - 5 years	Over 5 years				
Bank 31 Mar 2023	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	%	
ASSETS									
Cash and short-term funds	1,918	-	-	-	-	149,553	-	151,471	
Deposits and placements with banks and other financial institutions	2,996	-	-	-	-	-	-	2,996	2.78
Securities FVOCI	-	5,071	402,625	730,395	1,919,480	-	-	3,057,571	4.32
Financing, advances and receivables	1,377,972	475,924	30,281	310,277	1,084,563	109,454	-	3,388,471	5.48
Other assets	-	-	-	-	-	447,921	-	447,921	
Hedging Financial Instrument Assets	4,115	3,271	3,387	-	-	-	-	10,773	
TOTAL ASSETS	1,387,001	484,266	436,293	1,040,672	3,004,043	706,928	-	7,059,203	

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A25 FINANCIAL RISK MANAGEMENT (Cont'd.)

(a) 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 Mar 2023	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	%	
LIABILITIES AND SHAREHOLDER'S EQUITY									
Deposits from customers	1,180,763	695,655	1,039,525	283,134	-	117,241	-	3,316,317	3.19
Deposits and placements of banks and other financial institutions	1,072,350	478,288	293,418	-	-	-	-	1,844,055	3.54
Investment accounts of customers	3,026							3,026	
Hedging Financial Instrument Liabilities	469	60	1,667	-	-	-	-	2,197	
Other liabilities	-	-	-	-	-	162,671	-	162,671	
Total Liabilities	2,256,608	1,174,003	1,334,610	283,134	-	279,911	-	5,328,266	
Shareholder's equity	-	-	-	-	-	1,730,937	-	1,730,937	-
Total Liabilities and Shareholder's equity	2,256,608	1,174,003	1,334,610	283,134	-	2,010,848	-	7,059,203	
On-balance sheet profit sensitivity gap	(869,607)	(689,737)	(898,317)	757,538	3,004,043	(1,303,920)	-	-	-
Off-balance sheet profit sensitivity gap	-	-	-	-	-	-	-	-	-
Total profit sensitivity gap	(869,607)	(689,737)	(898,317)	757,538	3,004,043	(1,303,920)	-	-	

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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

A25 FINANCIAL RISK MANAGEMENT (Cont'd.)

(a) MARKET RISK (Cont'd.)

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

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

	Non-trading book					Non-profit sensitive	Trading book	Total	Effective profit rate
	Up to 1 month	>1 - 3 months	>3 - 12 months	>1 - 5 years	Over 5 years				
	RM'000	RM'000	RM'000	RM'000	RM'000				
Bank									
31 Dec 2022									
ASSETS									
Cash and short-term funds	2,004	-	-	-	-	143,069	-	145,073	
Deposits and placements with banks and other financial institutions	3,696	-	-	-	-	-	-	3,696	2.78
Securities FVOCI	-	187,853	198,682	764,054	1,939,596	-	-	3,090,185	4.30
Financing, advances and receivables	1,386,102	583,611	5,731	310,281	1,047,841	125,653	-	3,459,219	5.12
Musarakah capital investment	-	-	-	-	-	-	-	-	
Hedging Financial Instrument Assets	-	-	-	-	-	449,682	-	449,682	
Other assets	-	2,442	4,958	-	-	-	-	7,400	
TOTAL ASSETS	1,391,802	773,906	209,371	1,074,335	2,987,437	718,404	-	7,155,255	

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A25 FINANCIAL RISK MANAGEMENT (Cont'd.)

(a) MARKET RISK (Cont'd.)

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

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

	Non-trading book					Non-profit sensitive	Trading book	Total	Effective profit rate
	Up to 1 month	>1 - 3 months	>3 - 12 months	>1 - 5 years	Over 5 years				
Bank 31 Dec 2022	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	%	
LIABILITIES AND SHAREHOLDER'S EQUITY									
Deposits from customers	1,169,684	1,166,829	768,550	305,127	-	111,624	-	3,521,814	2.82
Deposits and placements of banks and other financial institutions	1,366,149	314,179	106,572	-	-	-	-	1,786,900	3.23
Investment accounts of customers	3,734	-	-	-	-	-	-	3,734	
Hedging Financial Instrument Liabilities	985	93	1,363	-	-	-	-	2,441	
Other liabilities	-	-	-	-	-	155,837	-	155,837	
Total Liabilities	2,540,552	1,481,101	876,485	305,127	-	267,461	-	5,470,726	
Shareholder's equity	-	-	-	-	-	1,684,529	-	1,684,529	-
Total Liabilities and Shareholder's equity	2,540,552	1,481,101	876,485	305,127	-	1,951,990	-	7,155,255	
On-balance sheet profit sensitivity gap	(1,148,750)	(707,195)	(667,114)	769,208	2,987,437	(1,233,586)	-	-	-
Off-balance sheet profit sensitivity gap	-	-	-	-	-	-	-	-	-
Total profit sensitivity gap	(1,148,750)	(707,195)	(667,114)	769,208	2,987,437	(1,233,586)	-	-	

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

B1 Basis of Preparation of the Financial Statements

The unaudited condensed interim financial statements for the three months ended 31 March 2023 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 2022.

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 2022.

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 31 March 2023 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 2022.

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:

FRSs, Amendments to FRSs and Interpretations	Effective for financial period beginning on or after
MFRS 17 Initial Application of MFRS 17 and MFRS 9 - Comparative Information (Amendment to MFRS 17)	1 January 2023
MFRS 112 Deferred Tax related to Assets and Liabilities arising from Single Transaction (Amendments to MFRS 112)	1 January 2023
MFRS 101 Non-Current Liabilities with covenants (Amendments to MFRS 101)	1 January 2024
MFRS 16 Lease Liability in a Sale and Leaseback (Amendments to MFRS 16)	1 January 2024

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) Incremental Borrowing Rate

The Group and Bank cannot readily determine the profit rate implicit in the lease, therefore, the Bank uses its incremental borrowing rate ("IBR") to measure lease liabilities. The IBR is the profit rate that the Bank would have to pay to finance over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the Right-of-Use Asset in similar economic environment. The IBR therefore reflect what the Bank 'would have to pay', which requires estimation when no observable rates are available or when the rates need to be adjusted to reflect the terms and conditions of the lease. The Bank estimates the IBR using observable input (such as market profit rate) when available and is required to make entity-specific estimates (such as the Bank's credit rating and underlying collateral).

(ii) Impairment assessment on property and equipment, intangible assets and right of use assets

The Group and Bank review the carrying amounts of the property and equipment, intangible assets and right of use assets at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount which is the higher of its fair value less costs to sell or its value in use is estimated.

The Group and Bank carried out the impairment test based on a variety of estimation including the value-in-use of the CGU to which the property and equipment, intangible assets and right of use assets are allocated. Estimating the value-in-use requires the Group and Bank to make an estimate of the expected future cash flows from the CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amounts of property and equipment, intangible assets and right of use assets of the Group and Bank as at the reporting date will be disclosed in the notes to the financial statements.

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**Part B - Explanatory Notes Pursuant to Financial Reporting Standard ("MFRS 134")
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B2 Significant Accounting Policies (Cont'd.)

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

(a) Significant Accounting Estimates (Cont'd.)

(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.

(b) Significant Accounting Judgements

This note provides an overview of the areas that involve a higher degree of judgement or complexity that may have a significant risk of resulting in a material adjustment within the next financial year. Detailed information about each of these 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) Significant judgements on litigation

Impairment provision, if any, arising from legal proceedings as discussed in Note 45 require a high degree of judgement. When matters are at an early stage, accounting judgement can be difficult because of the high degree of uncertainty associated with determining whether a present obligation exists, and estimating the probability and amount of any outflows that may arise. As matters progress, management and legal advisers evaluate on an ongoing basis whether any impairment provision is required against the restricted cash. Professional advice is taken on the assessment of litigation to determine whether a present obligation exists.

(ii) Determination of lease term of contracts with renewal and termination options

The Bank determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. The Bank exercises judgement in determining whether it is reasonably certain that the lease contracts will be renewed or terminated.

(iii) 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.

(iv) 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.

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B2 Significant Accounting Policies (Cont'd.)

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

(b) Significant Accounting Judgments (Cont'd.)

(v) 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.

(vi) 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.

Deferred tax assets are recognised in respect of tax losses to the extent that it is probable that future taxable profits will be available against which the losses can be utilised. Judgement is applied to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits.

B3 Auditors' Report on Preceding Annual Financial Statements

The auditors' report on the audited financial statements for the financial year ended 31 December 2022 was not qualified.

B4 Seasonal or Cyclical Factors Affecting Operations

The operations of the Group and the Bank were not materially affected by any seasonal or cyclical factors in the three months ended 31 March 2023.

B5 Unusual Items Due to their Nature, Size or Incidence

There were no unusual nature, size or incidence affecting the assets, liabilities, equity, net income or cash flows of the Group and the Bank during the three months ended 31 March 2023.

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 three months ended 31 March 2023.

B7 Debt and Equity Securities

There were no issuances of debt and equity securities during the three months ended 31 March 2023.

B8 Dividends Paid

There were no dividends paid during the three months ended 31 March 2023.

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**Part B - Explanatory Notes Pursuant to Malaysian Financial Reporting Standard
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B9 Segment Information on Operating Revenue, Profit Before Zakat & Taxation and Total Assets

(i) Primary Segment - By Business Segment

Group	Treasury & Capital Markets	Corporate & Investment Banking	Commercial Banking	Others	Elimination	Total
31 Mar 2023	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
External revenue	34,512	13,930	1,909	36,382		86,733
Revenue from other segments	28,056	111	492	14,941	(43,600)	-
Total Revenue	62,568	14,041	2,401	51,323	(43,600)	86,733
Segment results	9,654	5,466	1,442	18,703	-	35,265
Unallocated expenses						(19,411)
Profit from operations						15,854
Taxation						(547)
Net profit for the year						15,307
Other information						
Segment assets	3,218,969	857,547	74,126	2,776,341	(4)	6,926,979
Unallocated corporate assets						132,224
Total assets						7,059,203
Segment liabilities	8,052,974	189,865	384,713	7,807,163	(4)	16,434,711
Unallocated corporate liabilities						(11,106,442)
Total liabilities						5,328,269
Other segment items						
Purchase of property and equipment				1,879		1,879
Purchase of intangible assets				327		327
Depreciation of property and equipment				605		605
Amortisation of intangible assets				1,540		1,540
Other non-cash expense other than depreciation	-	1,748	482	(2,519)	-	(289)

(ii) By Geographical Locations

Group	Operating Revenue RM'000	Profit Before Zakat and Taxation RM'000	Total Assets RM'000
31 Mar 2023			
Malaysia	86,580	15,854	7,059,050
Outside Malaysia	153	-	153
	86,733	15,854	7,059,203

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B9 Segment Information on Operating Revenue, Profit Before Zakat & Taxation and Total Assets (cont'd.)

(i) Primary Segment - By Business Segment

Group	Treasury & Capital Markets	Corporate & Investment Banking	Commercial Banking	Others	Elimination	Total
31 Mar 2022	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
External revenue	40,327	13,632	4,168	32,908		91,035
Revenue from other segments	19,659	86	349	12,431	(32,525)	-
Total Revenue	59,986	13,718	4,517	45,339	(32,525)	91,035
Segment results	25,509	9,524	1,645	4,636	-	41,314
Unallocated expenses						(24,616)
Loss from operations						16,697
Zakat						(147)
Taxation						(147)
Net loss for the year						16,550
Other information						
Segment assets	3,287,074	1,069,195	113,952	2,758,582	(26,117)	7,202,686
Unallocated corporate assets						71,171
Total assets						7,273,857
Segment liabilities	7,718,593	354,324	405,903	6,720,520	(15,917)	15,183,423
Unallocated corporate liabilities						(9,588,077)
Total liabilities						5,595,346
Other segment items						
Purchase of property and equipment				108		108
Purchase of intangible assets				73		73
Depreciation of property and equipment				799		799
Amortisation of intangible assets				1,605		1,605
Other non-cash expense other than depreciation	-	1,602	(561)	(14,172)	-	(13,132)

(ii) By Geographical Locations

Group	Operating Revenue RM'000	Profit Before Zakat and Taxation RM'000	Total Assets RM'000
31 Mar 2022			
Malaysia	90,897	16,697	7,273,720
Outside Malaysia	137	-	137
	91,034	16,697	7,273,857

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B10 Valuation of Property and Equipment

There was no change in the valuation of property and equipment that were brought forward from the previous audited financial statements for the year ended 31 December 2022.

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 2022.

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 2022 other than those as disclosed in note A21.

B14 Capital Commitments

	Group and Bank
	RM'000
<u>Capital expenditure</u>	
Authorised and contracted for:	
- renovation	56
- purchase of equipment	3
- purchase of IT hardware	3,867
- purchase of IT software	3,557
	<u>7,483</u>
Authorised and not contracted for:	
- purchase of IT hardware & software	<u>63,446</u>

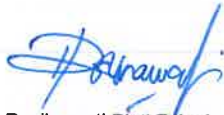
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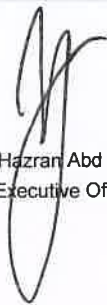
Certification of Financial Statements

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
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