



# KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(200401033666)

(Incorporated in Malaysia)

## Interim Report for the Period Ended 30 September 2023

Interim Condensed Statements of Financial Position	1
Interim Condensed Consolidated Income Statements	2
Interim Condensed Consolidated Statements of Comprehensive Income	3
Interim Condensed Statements of Changes in Equity	4
Interim Condensed Statements of Cash Flows	5
Selected Explanatory Notes to the Condensed Financial Statements	6 - 43
Certification of Financial Statements	44

# KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

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## INTERIM CONDENSED STATEMENTS OF FINANCIAL POSITION

	Note	Group		Bank	
		30 Sep 2023 RM'000	31 Dec 2022 RM'000	30 Sep 2023 RM'000	31 Dec 2022 RM'000
<b>ASSETS</b>					
Cash and short-term funds	A3	151,735	145,073	151,735	145,073
Deposits and placements with banks and other financial institutions	A4	2,815	3,696	2,815	3,696
Gold depository		115,264	112,353	115,264	112,353
Debt instruments at FVOCI	A5	3,454,052	3,090,185	3,454,052	3,090,185
Financing, advances and other receivables	A6	3,411,241	3,459,219	3,411,241	3,459,219
Other assets	A7	81,914	87,167	81,914	87,167
Hedging financial instruments	A8	8,232	7,400	8,232	7,400
Statutory deposits with Bank Negara Malaysia		96,027	92,371	96,027	92,371
Right of use of assets	A9	40,127	53,873	40,127	53,873
Property and equipment		15,439	8,088	15,439	8,088
Intangible assets		11,561	14,122	11,561	14,122
Deferred tax assets		70,657	81,708	70,657	81,708
		<b>7,459,064</b>	<b>7,155,255</b>	<b>7,459,064</b>	<b>7,155,255</b>
<b>LIABILITIES</b>					
Deposits from customers	A10	3,929,784	3,521,810	3,929,788	3,521,814
Investment accounts of customers	A12	2,844	3,734	2,844	3,734
Deposits and placements of banks and other financial institutions	A11	1,621,679	1,786,900	1,621,679	1,786,900
Hedging financial instruments	A8	907	2,441	907	2,441
Lease Liabilities	A9	44,524	58,184	44,524	58,184
Other liabilities	A13	100,669	97,660	100,662	97,653
		<b>5,700,407</b>	<b>5,470,729</b>	<b>5,700,404</b>	<b>5,470,726</b>
<b>SHAREHOLDER'S EQUITY</b>					
Share capital	A14	1,425,272	1,425,272	1,425,272	1,425,272
Reserves		333,385	259,254	333,388	259,257
		<b>1,758,657</b>	<b>1,684,526</b>	<b>1,758,660</b>	<b>1,684,529</b>
<b>TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY</b>					
		<b>7,459,064</b>	<b>7,155,255</b>	<b>7,459,064</b>	<b>7,155,255</b>
<b>COMMITMENTS AND CONTINGENCIES</b>					
	A20	811,542	718,846	811,542	718,846
<b>CAPITAL ADEQUACY</b>					
Common Equity Tier I/ Tier I Capital Ratio	A22	42.489%	41.099%	42.489%	41.100%
Total Capital Ratio	A22	43.605%	42.198%	43.605%	42.199%
<b>NET ASSETS PER SHARE (RM)</b>					
		<b>1.23</b>	<b>1.18</b>	<b>1.23</b>	<b>1.18</b>

*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

<b>Group and Bank</b>	<b>Note</b>	<b>3rd Quarter ended 30-Sep</b>		<b>Nine-months ended 30-Sep</b>	
		<b>2023 RM'000</b>	<b>2022 RM'000</b>	<b>2023 RM'000</b>	<b>2022 RM'000</b>
<b>Continuing Operations</b>					
Operating revenue		<b>96,069</b>	85,727	<b>270,877</b>	261,003
Income derived from investment of depositors' funds and others	A15	<b>70,274</b>	63,710	<b>198,437</b>	194,869
Income derived from investment of investment account funds	A19	<b>21</b>	23	<b>70</b>	67
Income derived from investment of shareholder's equity	A16	<b>25,774</b>	21,995	<b>72,370</b>	66,067
Total gross income		<b>96,069</b>	85,727	<b>270,877</b>	261,003
Credit loss (charge)/writeback on financial assets	A17	<b>38</b>	(2,763)	<b>44</b>	(27,566)
Total distributable income		<b>96,107</b>	82,964	<b>270,921</b>	233,437
Income attributable to the depositors	A18	<b>(47,592)</b>	(29,288)	<b>(131,452)</b>	(79,368)
Profit distributed to investment account holders	A19	<b>(13)</b>	(14)	<b>(42)</b>	(41)
Total net income		<b>48,502</b>	53,662	<b>139,428</b>	154,028
Personnel expenses		<b>(14,055)</b>	(13,951)	<b>(42,235)</b>	(41,073)
Other overheads and expenditures		<b>(20,253)</b>	(21,377)	<b>(53,597)</b>	(66,738)
Profit before zakat and taxation		<b>14,193</b>	18,334	<b>43,595</b>	46,217
Taxation		<b>(353)</b>	(574)	<b>(1,262)</b>	(1,177)
Net profit for the period		<b>13,840</b>	17,760	<b>42,333</b>	45,040
<b>Net profit for the period</b>		<b>13,840</b>	17,760	<b>42,333</b>	45,040
Attributable to:					
Equity holders of the Bank		<b>13,840</b>	17,760	<b>42,333</b>	45,040
Earnings per share attributable to equity holders of the Bank - Basic/Diluted (sen)		<b>0.97</b>	1.25	<b>2.97</b>	3.16

*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

	3rd Quarter ended 30-Sep		Nine-months ended 30-Sep	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
<b>Group and Bank</b>				
Net profit for the period	13,840	17,760	42,333	45,040
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	(10,816)	(6,265)	41,980	(121,582)
- Net realised gain on securities held at FVOCI reclassified to the income statement	(71)	(884)	(1,194)	(9,427)
- Changes in allowance for expected credit losses	(0)	1,830	801	2,982
Exchange differences on translation of foreign operations:				
Reclassified to income				
Income tax relating to components of other comprehensive income/(loss)	2,613	1,716	(9,789)	31,409
Other comprehensive income/(loss) for the period, net of tax	(8,274)	(3,603)	31,798	(96,618)
Total comprehensive income/(loss) for the period	5,566	14,157	74,131	(51,578)
Total comprehensive income/(loss) for the period attributable to equity holders of the Bank	5,566	14,157	74,131	(51,578)

*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 January 2023</b>	1,425,272	247,491	-	(22,974)	34,737	1,684,526
Profit for the financial year	-	-	-	-	42,333	42,333
Other comprehensive income	-	-	-	31,798	-	31,798
<b>At 30 Sep 2023</b>	<b>1,425,272</b>	<b>247,491</b>	<b>-</b>	<b>8,824</b>	<b>77,070</b>	<b>1,758,657</b>
<b>At 1 January 2022</b>	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)
<b>At 31 December 2022</b>	<b>1,425,272</b>	<b>247,491</b>	<b>-</b>	<b>(22,974)</b>	<b>34,737</b>	<b>1,684,526</b>
<b>Bank</b>						
<b>At 1 January 2023</b>	1,425,272	247,491	-	(22,974)	34,740	1,684,529
Profit for the financial year	-	-	-	-	42,333	42,333
Other comprehensive income	-	-	-	31,798	-	31,798
<b>At 30 Sep 2023</b>	<b>1,425,272</b>	<b>247,491</b>	<b>-</b>	<b>8,824</b>	<b>77,073</b>	<b>1,758,660</b>
<b>At 1 January 2022</b>	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)
<b>At 31 December 2022</b>	<b>1,425,272</b>	<b>247,491</b>	<b>-</b>	<b>(22,974)</b>	<b>34,740</b>	<b>1,684,529</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 and Bank	
	30-Sep 2023 RM'000	30-Sep 2022 RM'000
Profit before zakat and taxation	43,595	46,217
Adjustments for non-cash items	21,176	39,853
Operating profit before changes in working capital	64,771	86,071
<u>Changes in the working capital</u>		
Net changes in operating assets	55,408	158,217
Net changes in operating liabilities	294,147	(354,421)
Net cash (used in)/generated from operating activities	349,555	(196,204)
Net cash (used in)/generated from financing activities	(10,958)	(11,357)
Net cash (used in)/generated from investing activities	(397,625)	115,464
Net change in cash and cash equivalents	5,743	(6,026)
Cash and cash equivalents at beginning of the period	148,807	191,827
Cash and cash equivalents at end of the period	154,550	185,801

*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 RM42.3 million for the period ended 30 September 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.

The risk to growth outlook remained relatively balanced, 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	
	30 Sep 2023 RM'000	31 Dec 2022 RM'000
Cash and balance with banks and other financial institutions	149,356	33,742
Money at call and interbank placement with remaining maturity less than one month	3,943	112,830
	153,300	146,572
Less : ECL allowance	(1,565)	(1,499)
	151,735	145,073

Included in money at call and interbank placements is a balance of RM118.3million 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>	30-Sep-23			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Internal rating grade :				
Neither past due nor impaired	153,300	-	-	153,300
Past due but not impaired	-	-	-	-
Individually impaired	-	-	-	-
Total	153,300	-	-	153,300

  

<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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## 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 ECL allowances is, as follows:

30 September 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	66	-	-	66
ECL allowance as at 30 September 2023	1,565	-	-	1,565

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	
	30 Sep 2023 RM'000	31 Dec 2022 RM'000
Bank Negara Malaysia ^	2,844	3,734
Other financial institutions	-	-
	2,844	3,734
Less : ECL Allowance	(29)	(38)
	2,815	3,696

^ 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

### 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.

<u>Group and Bank</u>	30-Sep-23			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Internal rating grade :				
Neither past due nor impaired	2,844	-	-	2,844
Past due but not impaired	-	-	-	-
Individually impaired	-	-	-	-
Total	2,844	-	-	2,844

<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	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:

<b>30 September 2023</b>	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
<b>Group and bank</b>				
<b>ECL allowance as at 1 January 2023</b>	38	-	-	38
Allowance writeback during the year	(9)	-	-	(9)
New financial assets originated or purchased	-	-	-	-
Financial assets that have matured	-	-	-	-
<b>ECL allowance as at 30 September 2023</b>	29	-	-	29

<b>31 December 2022</b>	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
<b>Group and Bank</b>				
<b>ECL allowance as at 1 January 2022</b>	227	-	-	227
Allowance writeback during the year	(189)	-	-	(189)
<b>ECL allowance as at 31 December 2022</b>	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>	30 Sep 2023 RM'000	31 Dec 2022 RM'000
Government Sukuk	2,449,888	2,365,821
Corporate Sukuk	1,004,164	724,364
	<b>3,454,052</b>	<b>3,090,185</b>

<u>Group and Bank</u>	30-Sep-23			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Internal rating grade :				
Performing	3,454,052	-	-	3,454,052
Total	3,454,052	-	-	3,454,052

<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>	30 Sep 2023			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
<b>ECL allowance as at 1 January 2023</b>	9,357	-	-	9,357
Allowance made during the year	801	-	-	801
<b>ECL allowance as at 30 September 2023 *</b>	<b>10,158</b>	<b>-</b>	<b>-</b>	<b>10,158</b>

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

Net financing, advances and other receivables

Group and Bank	
30 Sep 2023	31 Dec 2022
RM'000	RM'000
1,129,780	1,129,441
969,930	864,484
1,827	3,648
171,428	160,500
540,354	582,562
944,778	1,106,193
17,973	19,050
<b>3,776,070</b>	<b>3,865,878</b>
(21,690)	(24,522)
<b>3,754,380</b>	<b>3,841,356</b>
(146,821)	(147,965)
(99,593)	(111,310)
(96,273)	(121,971)
<b>3,411,693</b>	<b>3,460,110</b>
(34)	(95)
(410)	(531)
(8)	(265)
<b>3,411,241</b>	<b>3,459,219</b>

#### ii) By contract

##### Ijarah Muntahia Bittamlik

(lease ended with ownership)

Murabahah (cost-plus)

Mudharabah (profit sharing)

Qard (benevolent financing)

Musarakah (profit and loss sharing)

Istisna'

Group and Bank	
30 Sep 2023	31 Dec 2022
RM'000	RM'000
1,781,235	1,877,260
1,921,375	1,911,789
43,705	43,705
983	983
6,316	6,810
766	809
<b>3,754,380</b>	<b>3,841,356</b>

#### iii) By type of customer

##### Business enterprises

- Small medium enterprises
- Others

Individuals

Group and Bank	
30 Sep 2023	31 Dec 2022
RM'000	RM'000
207,109	288,117
875,923	934,849
<b>2,671,348</b>	<b>2,618,390</b>
<b>3,754,380</b>	<b>3,841,356</b>

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

### 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	
30 Sep 2023 RM'000	31 Dec 2022 RM'000
1,012,507	1,152,218
94,572	97,723
292,444	298,193
2,354,857	2,293,222
<b>3,754,380</b>	<b>3,841,356</b>

#### (v) By geographical distribution

Malaysia  
Middle East  
Other countries

Group and Bank	
30 Sep 2023 RM'000	31 Dec 2022 RM'000
3,752,022	3,838,845
1,192	1,285
1,166	1,226
<b>3,754,380</b>	<b>3,841,356</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 2023 RM'000	31 Dec 2022 RM'000
1,821	2,081
540,542	582,824
171,428	160,500
820,096	702,651
1,127,959	1,127,516
1,092,534	1,265,784
<b>3,754,380</b>	<b>3,841,356</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 2023 RM'000	31 Dec 2022 RM'000
537,483	579,259
1,185,420	1,185,782
108,317	133,764
1,508	18,352
684,784	808,889
169,702	162,510
953,626	859,219
113,540	93,581
<b>3,754,380</b>	<b>3,841,356</b>

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

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

#### viii) By sector

	Group and Bank	
	30 Sep 2023 RM'000	31 Dec 2022 RM'000
Construction	303,823	297,716
Electricity, gas and water	15,607	35,781
Finance, insurance and business services	14,202	17,378
Household	2,671,348	2,618,390
Manufacturing	94,266	155,820
Real Estate	232,545	277,166
Transports, storage and communication	75,150	104,733
Wholesale & retail trade and restaurants & hotels	318,714	321,723
Others	28,725	12,649
<b>Total</b>	<b>3,754,380</b>	<b>3,841,356</b>

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

	Ijarah Muntahia Bittamlik/ Al-Ijarah Thumma Al-Bai'/' (lease ended with ownership)	Murabahah (cost- plus)	Mudharabah (profit sharing)	Musyarakah (profit and loss sharing)	Qard (benevolent financing)	Istisna'	Total
30 September 2023	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
House financing	1,122,722	65	-	6,227	-	766	1,129,780
Personal financing	-	953,141	-	-	787	-	953,928
Syndicated financing	-	171,428	-	-	-	-	171,428
Cashline financing	-	1,827	-	-	-	-	1,827
Hire purchase receivables	534,666	-	-	-	-	-	534,666
Other term financing	107,833	793,240	43,705	-	0	-	944,778
Staff financing	16,014	1,674	-	89	197	-	17,973
<b>Total</b>	<b>1,781,235</b>	<b>1,921,375</b>	<b>43,705</b>	<b>6,316</b>	<b>983</b>	<b>766</b>	<b>3,754,380</b>

	Group and Bank						
	Ijarah Muntahia Bittamlik/ Al-Ijarah Thumma Al-Bai'/' (lease ended with ownership)	Murabahah (cost- plus)	Mudharabah (profit sharing)	Musyarakah (profit and loss sharing)	Qard (benevolent financing)	Istisna'	Total
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
<b>Total</b>	<b>1,877,260</b>	<b>1,911,789</b>	<b>43,705</b>	<b>6,810</b>	<b>983</b>	<b>809</b>	<b>3,841,356</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

### 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:	85	332
- Depositors' Fund	65	251
- Shareholders' Fund	20	81
Uses of Qard fund:	(85)	(383)
- Financing for asset purchase	(65)	(289)
- Staff Benevolent	(20)	(94)
Closing balance	983	983

Group and Bank	
30 Sep 2023 RM'000	31 Dec 2022 RM'000
983	1,034
85	332
65	251
20	81
(85)	(383)
(65)	(289)
(20)	(94)
983	983

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

At 1 Jan	263,632	272,802
Impaired during the period/year	(34,982)	(9,911)
- Impaired during the period/year	42,808	37,368
- Reclassified to performing during the year	(3,073)	(9,410)
- Amount recovered	(32,876)	(29,463)
- Amount written off	(41,841)	(8,404)
Reinstatement of previously written down accounts	70	741
Closing balance	228,720	263,632

Group and Bank	
30 Sep 2023 RM'000	31 Dec 2022 RM'000
263,632	272,802
(34,982)	(9,911)
42,808	37,368
(3,073)	(9,410)
(32,876)	(29,463)
(41,841)	(8,404)
70	741
228,720	263,632
3.60%	3.78%

Ratio of net impaired financing, advances and other receivables to gross financing, advances and other receivables less Stage 3 ECL

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

<b>Stage 1 and 2 ECL</b>		
As at 1 Jan	260,166	237,577
Allowance (writeback)/made during the year	(13,300)	22,589
Closing balance	246,866	260,166

As % of total gross financing, advances and other receivables less individual impairment

Group and Bank	
30 Sep 2023 RM'000	31 Dec 2022 RM'000
260,166	237,577
(13,300)	22,589
246,866	260,166
6.75%	6.99%

# 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

### 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 30 September 2023

Group and Bank	
30 Sep 2023 RM'000	31 Dec 2022 RM'000
121,971	120,381
16,073	9,253
25,732	25,107
(9,659)	(15,854)
(41,841)	(8,404)
70	741
96,273	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	
30 Sep 2023 RM'000	31 Dec 2022 RM'000
-	5,169
51,200	46,033
27,817	73,142
141,301	130,358
8,402	8,930
228,720	263,632

# 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

### 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.

<u>Group and Bank</u>	30-Sep-23			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Internal rating grade :				
Neither past due nor impact	3,314,604	130,223	-	3,444,827
Past due but not impaired	-	102,523	-	102,523
Individually impaired	-	-	228,720	228,720
<b>Total</b>	<b>3,314,604</b>	<b>232,746</b>	<b>228,720</b>	<b>3,776,070</b>

  

<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 impact	3,311,692	174,895	-	3,486,587
Past due but not impaired	-	115,659	-	115,659
Individually impaired	-	-	263,632	263,632
<b>Total</b>	<b>3,311,692</b>	<b>290,554</b>	<b>263,632</b>	<b>3,865,878</b>

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

<u>Group and Bank</u>	30-Sep-23			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
<b>ECL allowance as at 1 January 2023</b>	148,856	111,310	121,971	382,137
Transfer to 12-month ECL	17,916	(14,838)	(3,078)	-
Transfer to lifetime ECL not credit impaired	(2,394)	2,490	(96)	-
Transfer to lifetime ECL credit impaired	(428)	(4,111)	4,539	-
Allowance made during the year	(16,677)	4,742	14,708	2,773
Write-offs	-	-	(41,841)	(41,841)
Reinstatement of previously written down accounts	-	-	70	70
<b>ECL allowance as at 30 September 2023</b>	<b>147,273</b>	<b>99,593</b>	<b>96,273</b>	<b>343,139</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

### 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	
<b>ECL allowance as at 1 January 2022</b>	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 accounts	-	-	741	741
<b>ECL allowance as at 31 December 2022</b>	<b>148,856</b>	<b>111,310</b>	<b>121,971</b>	<b>382,137</b>

### A7 Other Assets

	Group and Bank	
	30 Sep 2023 RM'000	31 Dec 2022 RM'000
Deposits and prepayments	7,538	7,730
Amount due from other related parties (at Fair Value)	72,701	78,971
Fee receivable	-	100
Sundry debtors	1,675	366
	<b>81,914</b>	<b>87,167</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

### A8 Hedging Financial Instruments

#### Group and Bank

##### At 30 Sep 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
459,199	7,377	51
83,305	855	856
<b>542,504</b>	<b>8,232</b>	<b>907</b>

#### 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
<b>413,099</b>	<b>7,400</b>	<b>2,441</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 gain of RM2,468,892 for the period ended 30 September 2023 (30 September 2022: Net gain of RM3,339,116).

# 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

### 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
<b>Cost</b>				
<b>As at 1 January 2023</b>	99,121	175	199	99,495
Additions	4,093	-	-	4,093
Disposals	(1,935)	-	-	(1,935)
Adjustment/remeasurement	(8,648)	-	-	(8,648)
<b>As at 30 September 2023</b>	92,631	175	199	93,005
<b>Accumulated depreciation</b>				
<b>As at 1 January 2023</b>	45,472	33	117	45,622
Charge	9,072	44	75	9,191
Disposals	(1,935)	-	-	(1,935)
<b>As at 30 September 2023</b>	52,609	77	192	52,878
<b>Net book value as at 30 Sep 2023</b>	40,022	98	7	40,127

	Group and Bank			
	Buildings	Office Equipments	Motor Vehicles	Total
	RM'000	RM'000	RM'000	RM'000
<b>Cost</b>				
<b>As at 1 January 2022</b>	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
<b>As at 31 December 2022</b>	99,121	175	199	99,495
<b>Accumulated depreciation</b>				
<b>As at 1 January 2022</b>	35,279	348	72	35,699
Charge	13,843	82	100	14,025
Disposals	(3,650)	(397)	(55)	(4,102)
<b>As at 31 December 2022</b>	45,472	33	117	45,622
<b>Net book value as at 31 Dec 2022</b>	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
<b>As at 1 January 2023</b>	57,952	141	91	58,184
Addition	4,093	-	-	4,093
Accretion of profit	1,111	2	1	1,114
Payment	(10,845)	(45)	(68)	(10,958)
Adjustment/remeasurement	(7,909)	-	-	(7,909)
<b>As at 30 September 2023</b>	44,402	98	24	44,524

	Group and Bank			
	Buildings	Office Equipments	Motor Vehicles	Total
	RM'000	RM'000	RM'000	RM'000
<b>As at 1 January 2022</b>	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
<b>As at 31 December 2022</b>	57,952	141	91	58,184

# 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

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

The following are the amounts recognised in profit or loss:

#### 30 September 2023 (9 months)

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

Group and Bank	
RM'000	
	9,191
	1,114
	10,305

#### 31 December 2022 (12 months)

5  
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	
	30 Sep 2023 RM'000	31 Dec 2022 RM'000	30 Sep 2023 RM'000	31 Dec 2022 RM'000
	312,793	323,370	312,797	323,374
	115,167	111,624	115,167	111,624
	3,382,616	2,954,812	3,382,616	2,954,812
	119,208	132,004	119,208	132,004
	3,929,784	3,521,810	3,929,788	3,521,814

#### (ii) By type of customer

Business enterprises  
Individuals  
Subsidiaries  
Government and statutory bodies  
Other enterprises

	Group		Bank	
	30 Sep 2023 RM'000	31 Dec 2022 RM'000	30 Sep 2023 RM'000	31 Dec 2022 RM'000
	1,664,458	1,211,746	1,664,458	1,211,746
	298,705	335,246	298,705	335,246
	-	-	4	4
	1,696,098	1,598,437	1,696,098	1,598,437
	270,523	376,381	270,523	376,381
	3,929,784	3,521,810	3,929,788	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	
	30 Sep 2023 RM'000	31 Dec 2022 RM'000	30 Sep 2023 RM'000	31 Dec 2022 RM'000
	3,156,495	3,116,921	3,156,499	3,116,925
	773,219	404,865	773,219	404,865
	70	24	70	24
	3,929,784	3,521,810	3,929,788	3,521,814

# 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

### A11 Deposits and Placements of Banks and Other Financial Institutions

#### Murabahah

Licensed Islamic banks  
Other financial institutions

Group and Bank	
30 Sep 2023 RM'000	31 Dec 2022 RM'000
100,000	150,000
1,521,679	1,636,900
<b>1,621,679</b>	<b>1,786,900</b>

### A12 Investment Accounts

As at 1 January

Net placement during the year

Income from investment

Profit distributed to mudarib

As at 30 September/31 December

Investment asset:

Wadiah placement with BNM

Group and Bank	
2023 RM'000	2022 RM'000
3,734	5,550
(932)	(1,871)
70	93
(28)	(38)
<b>2,844</b>	<b>3,734</b>
<b>2,844</b>	<b>3,734</b>

### 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	1.80

Business enterprises

Individuals

Other enterprises

Group and Bank	
30 Sep 2023 RM'000	31 Dec 2022 RM'000
1,183	1,673
1,595	1,992
66	69
<b>2,844</b>	<b>3,734</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

### A13 Other Liabilities

	Group		Bank	
	30 Sep 2023 RM'000	31 Dec 2022 RM'000	30 Sep 2023 RM'000	31 Dec 2022 RM'000
Sundry creditors	50,303	33,967	50,296	33,960
Accrued restoration cost	7,141	4,612	7,141	4,612
Undistributed charity funds (i)	1,978	1,502	1,978	1,502
Provision for tax				
Other provisions and accruals	41,247	57,579	41,247	57,579
	<b>100,669</b>	<b>97,660</b>	<b>100,662</b>	<b>97,653</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  
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	
30 Sep 2023 RM'000	31 Dec 2022 RM'000
1,502	253
897	5,751
<b>2,399</b>	<b>6,004</b>
-	(2,000)
(311)	(2,430)
(110)	(5)
-	(67)
<b>(421)</b>	<b>(4,502)</b>
<b>1,978</b>	<b>1,502</b>

### A14 Share Capital

	Number of ordinary shares at RM1.00 each		Amount	
	30 Sep 2023 Units'000	31 Dec 2022 Units'000	30 Sep 2023 RM'000	31 Dec 2022 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 30 September/At closing balance	<b>1,425,272</b>	1,425,272	<b>1,425,272</b>	1,425,272

# 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

### A15 Income derived from investment of depositors' funds and others

	3rd Quarter ended 30-Sep		Nine-months ended 30-Sep	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
<b>Group and Bank</b>				
Finance income from financing, advances and other receivables	40,132	37,950	116,716	112,381
Unwinding of modification loss	2,128	-	2,128	-
Finance income from impaired financing	310	347	562	1,601
Income from securities				
- Financial assets at FVOCI	27,716	25,052	76,948	73,021
Money at call and deposits with financial institutions	95	31	213	529
	<b>70,381</b>	63,381	<b>196,567</b>	187,532
Amortisation of premium less accretion of discounts	<b>(713)</b>	(543)	<b>(1,965)</b>	(1,588)
Total finance income and hibah	<b>69,668</b>	62,838	<b>194,602</b>	185,945
Gain/(loss) arising from sale of securities				
- Financial assets at FVOCI	54	130	894	5,604
Foreign exchange (loss)/gain				
- Realised	552	742	2,941	3,320
	<b>70,274</b>	63,710	<b>198,437</b>	194,869

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

	3rd Quarter ended 30-Sep		Nine-months ended 30-Sep	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
<b>Group and Bank</b>				
Finance income from financing, advances and other receivables	12,768	12,106	38,622	35,859
Modification Loss	704	-	704	-
Finance income from impaired financing	99	111	185	510
Income from securities:				
- Financial assets at FVOCI	8,816	7,992	25,432	23,293
Money at call and deposits with financial institutions	30	10	70	170
	<b>22,417</b>	20,219	<b>65,013</b>	59,832
Amortisation of premium less accretion of discounts	<b>(227)</b>	(173)	<b>(650)</b>	(506)
Total finance income and hibah	<b>22,190</b>	20,046	<b>64,363</b>	59,326
Fee income				
- Commission	1,052	1,055	2,273	1,850
- Other fee income	354	1,911	1,697	3,932
Gain/(loss) arising from sale of securities				
- Financial assets at FVOCI	17	41	300	1,805
Fair value loss from financial asset at FVTPL	1,390	-	1,390	976
Foreign exchange (loss)/gain				
- Realised	4,888	1,052	17,037	5,166
- Unrealised	<b>(4,118)</b>	(2,110)	<b>(14,690)</b>	(6,996)
Gain on disposal of property, plant and equipment	-	-	-	8
	<b>25,774</b>	21,995	<b>72,370</b>	66,067

# 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

### 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:

<b>30 September 2023</b>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
<b><u>Group and Bank</u></b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Cash and short-term funds	(57)	-	-	(57)
Financing and advances to customers	1,144	11,717	(16,073)	(3,213)
Bad debt recovered	-	-	3,676	3,676
Debt instruments measured at FVOCI	(801)	-	-	(801)
Financial guarantees	257	-	-	257
Financing commitments	61	-	-	61
Letters of credit	121	-	-	121
<b>Total Impairment loss (charges)/writeback</b>	<b>725</b>	<b>11,717</b>	<b>(12,398)</b>	<b>44</b>

<b>30 September 2022</b>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
<b><u>Group and Bank</u></b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Financing and advances to customers	(25,289)	(1,550)	(4,419)	(31,257)
Bad debt recovered	-	-	4,165	4,165
Financial guarantees	1,061	-	-	1,061
Financing commitments	1,448	-	-	1,448
<b>Total Impairment loss (charges)/writeback</b>	<b>(25,762)</b>	<b>(1,550)</b>	<b>(254)</b>	<b>(27,566)</b>

### A18 Income Attributable to the Depositors

	<b>3rd Quarter ended</b>		<b>Nine-months ended</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
<b><u>Group and Bank</u></b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Deposits from customers				
- Murabahah	29,914	18,095	81,557	51,517
Deposits and placements of banks and other financial institutions				
- Murabahah and Wakalah	17,648	11,167	49,788	27,768
Others	30	26	107	83
	<b>47,592</b>	<b>29,288</b>	<b>131,452</b>	<b>79,368</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**

**A19 Profit Distributed to Investment Account Holders**

**Group & Bank**

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

3rd Quarter ended 30-Sep		Nine-months ended 30-Sep	
2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
21	23	70	67
9	8	28	26
<b>12</b>	<b>15</b>	<b>42</b>	<b>41</b>

**A20 Commitments and Contingencies**

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

	As at 30 Sep 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
<b>Group and Bank</b>						
Direct credit substitutes	20,617	20,781	19,714	20,617	20,353	19,469
Transaction related contingencies	94,693	46,851	36,191	98,660	48,799	36,832
Irrevocable commitments to extend credit						
- maturity less than one year	93,397	8,994	8,994	134,769	12,887	12,458
- maturity more than one year	51,398	22,286	16,356	46,603	20,776	15,333
Foreign exchange related contracts *						
- less than one year	369,660	10,320	2,505	243,620	6,623	2,115
- one year to five years	181,777	8,337	4,024	174,577	8,844	3,085
	<b>811,542</b>	<b>117,569</b>	<b>87,784</b>	<b>718,846</b>	<b>118,282</b>	<b>89,292</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 2023 RM'000	Dec 2022 RM'000
Financial guarantees	20,617	20,617
Letters of credit	94,693	98,660
Other undrawn commitments	144,795	181,372
Total commitment	260,105	300,649
Less : ECL (charge)/writeback	(452)	(891)
	<b>259,653</b>	<b>299,758</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**

**A20 Commitments and Contingencies (Cont'd.)**

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

<b>Group and Bank</b>	<b>30-Sep-23</b>			
	<b>Stage 1 RM'000</b>	<b>Stage 2 RM'000</b>	<b>Stage 3 RM'000</b>	<b>Total RM'000</b>
Internal rating grade :				
Neither past due not impaired	20,617	-	-	20,617
Past due but not impaired	-	-	-	-
Individually impaired	-	-	-	-
<b>Total</b>	<b>20,617</b>	<b>-</b>	<b>-</b>	<b>20,617</b>

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

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

<b>Group and Bank</b>	<b>30-Sep-23</b>			
	<b>Stage 1 RM'000</b>	<b>Stage 2 RM'000</b>	<b>Stage 3 RM'000</b>	<b>Total RM'000</b>
<b>ECL allowance as at 1 January 2023</b>	265	-	-	265
Net remeasurement of loss allowance	(378)	-	-	(378)
New financial assets originated or purchased	121	-	-	121
<b>ECL allowance as at 30 September 2023</b>	<b>8</b>	<b>-</b>	<b>-</b>	<b>8</b>

<b>Group and Bank</b>	<b>31-Dec-22</b>			
	<b>Stage 1 RM'000</b>	<b>Stage 2 RM'000</b>	<b>Stage 3 RM'000</b>	<b>Total RM'000</b>
<b>ECL allowance as at 1 January 2022</b>	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)
<b>ECL allowance as at 31 December 2022</b>	<b>265</b>	<b>-</b>	<b>-</b>	<b>265</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**

**A20 Commitments and Contingencies (Cont'd.)**

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

Letters of credit and Performance Guarantee

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

<u>Group and Bank</u>	30-Sep-23			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Internal rating grade :				
Neither past due not impaired	94,693	-	-	94,693
Past due but not impaired	-	-	-	-
Total	94,693	-	-	94,693

<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 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:

<u>Group and Bank</u>	30-Sep-23			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
<b>ECL allowance as at 1 January 2023</b>	531	-	-	531
Net remeasurement of loss allowance	(377)	-	-	(377)
New financial assets originated or purchased	256	-	-	256
<b>ECL allowance as at 30 September 2023</b>	410	-	-	410

<u>Group and Bank</u>	31-Dec-22			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
<b>ECL allowance as at 1 January 2022</b>	1,128	-	-	1,128
Net remeasurement of loss allowance	(597)	-	-	(597)
<b>ECL allowance as at 31 December 2022</b>	531	-	-	531

**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**

**A20 Commitments and Contingencies (Cont'd.)**

**(b) 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.

<b>Group and Bank</b>	<b>30-Sep-23</b>			
	<b>Stage 1 RM'000</b>	<b>Stage 2 RM'000</b>	<b>Stage 3 RM'000</b>	<b>Total RM'000</b>
Internal rating grade :				
Neither past due not impaired	143,385	-	-	143,385
Past due but not impaired	-	1,170	-	1,170
Individually impaired	-	-	240	240
<b>Total</b>	<b>143,385</b>	<b>1,170</b>	<b>240</b>	<b>144,795</b>

<b>Group and Bank</b>	<b>31-Dec-22</b>			
	<b>Stage 1 RM'000</b>	<b>Stage 2 RM'000</b>	<b>Stage 3 RM'000</b>	<b>Total RM'000</b>
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
<b>Total</b>	<b>178,514</b>	<b>2,636</b>	<b>222</b>	<b>181,372</b>

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

<b>Group and Bank</b>	<b>30-Sep-23</b>			
	<b>Stage 1 RM'000</b>	<b>Stage 2 RM'000</b>	<b>Stage 3 RM'000</b>	<b>Total RM'000</b>
<b>ECL allowance as at 1 January 2023</b>	95	-	-	95
Net remeasurement of loss allowance	(36)	-	-	(36)
Financial assets that have matured	(25)	-	-	(25)
<b>ECL allowance as at 30 September 2023</b>	<b>34</b>	<b>-</b>	<b>-</b>	<b>34</b>

<b>Group and Bank</b>	<b>31-Dec-22</b>			
	<b>Stage 1 RM'000</b>	<b>Stage 2 RM'000</b>	<b>Stage 3 RM'000</b>	<b>Total RM'000</b>
<b>ECL allowance as at 1 January 2022</b>	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)
<b>ECL allowance as at 31 December 2022</b>	<b>95</b>	<b>-</b>	<b>-</b>	<b>95</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

### A21 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.

		<b>Total</b>
		<b>RM'000</b>
<b>Group and Bank</b>		
<b>30 Sep 2023</b>		
<b>Financial assets</b>		
Debt instruments measured at FVOCI		3,454,052
Hedging financial instruments		8,232
<b>Total</b>		<b>3,462,284</b>
<b>Financial liability</b>		
Hedging financial instruments		907
		<b>907</b>
<b>31 Dec 2022</b>		
<b>Financial assets</b>		
Debt instruments measured at FVOCI		3,090,185
Hedging financial instruments		7,400
<b>Total</b>		<b>3,097,585</b>
<b>Financial liability</b>		
Hedging financial instruments		2,441
		<b>2,441</b>

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

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

# 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

### A21 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
<b>Group</b>				
<b>30 Sep 2023</b>				
<b>Financial Assets</b>				
Financing, advances and other receivables	-	3,404,247	3,404,247	3,411,241
<b>Financial Liabilities</b>				
Deposits from customers	3,902,779	-	3,902,779	3,929,784

	Level 2	Level 3	Total Fair Value	Carrying Value
	RM'000	RM'000	RM'000	RM'000
<b>Group</b>				
<b>31 Dec 2022</b>				
<b>Financial Assets</b>				
Financing, advances and other receivables	-	3,453,281	3,453,281	3,459,219
<b>Financial Liabilities</b>				
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
<b>Bank</b>				
<b>30 Sep 2023</b>				
<b>Financial Assets</b>				
Financing, advances and other receivables	-	3,404,247	3,404,247	3,411,241
<b>Financial Liabilities</b>				
Deposits from customers	3,902,783	-	3,902,783	3,929,788

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

# 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

### A21 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.

# 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

### A22 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 2023	31 Dec 2022	30 Sep 2023	31 Dec 2022
<b>CET I/ Tier I Capital Ratio</b> Credit, market, operational and large exposure risks	<b>42.489%</b>	41.099%	<b>42.489%</b>	41.100%
<b>Total Capital Ratio</b> Credit, market, operational and large exposure risks	<b>43.605%</b>	42.198%	<b>43.605%</b>	42.199%



# 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

### A22 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 2023 RM'000	31 Dec 2022 RM'000	30 Sep 2023 RM'000	31 Dec 2022 RM'000
<b><u>CET I / Tier I capital</u></b>				
Paid-up share capital	1,425,272	1,425,272	1,425,272	1,425,272
Statutory reserve	247,491	247,491	247,491	247,491
Other reserves	33,403	2,406	33,407	2,410
	<b>1,706,166</b>	1,675,169	<b>1,706,170</b>	1,675,173
Less: Deferred tax assets (net)	(81,708)	(81,708)	(81,708)	(81,708)
Less: Investment in subsidiaries	-	-	-	-
<b>Total CET I / Tier I capital</b>	<b>1,624,458</b>	1,593,461	<b>1,624,462</b>	1,593,465
<b><u>Tier II capital</u></b>				
Stage 1 & Stage 2 expected credit loss allowances	42,674	42,611	42,674	42,611
<b>Total Tier II capital</b>	<b>42,674</b>	42,611	<b>42,674</b>	42,611
<b>Capital Base</b>	<b>1,667,132</b>	1,636,072	<b>1,667,136</b>	1,636,076

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

	Group		Bank	
	30 Sep 2023 RM'000	31 Dec 2022 RM'000	30 Sep 2023 RM'000	31 Dec 2022 RM'000
<b>Computation of Total Risk-Weighted Assets (RWA)</b>				
Total Credit RWA	3,413,892	3,408,881	3,413,892	3,408,881
Total Market RWA	16,275	9,378	16,275	9,378
Total Operational RWA	393,104	458,884	393,077	458,821
<b>Total Risk-Weighted Assets</b>	<b>3,823,271</b>	3,877,143	<b>3,823,244</b>	3,877,080

# 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

### A23 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

##### **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.

# 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

### A23 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			
Group 30 Sep 2023	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	%
<b>ASSETS</b>								
Cash and short-term funds	10,008	-	-	-	-	141,727	151,735	
Deposits and placements with banks and other financial institutions	2,815	-	-	-	-	-	2,815	2.99
Securities FVOCI	-	-	230,203	900,003	2,323,846	-	3,454,052	4.34
Financing, advances and receivables	1,404,495	437,963	27,162	305,294	1,133,093	103,234	3,411,241	5.53
Other assets	-	-	-	-	-	430,989	430,989	
Hedging Financial Instrument Assets	652	5,978	1,602	-	-	-	8,232	
<b>TOTAL ASSETS</b>	<b>1,417,970</b>	<b>443,941</b>	<b>258,967</b>	<b>1,205,297</b>	<b>3,456,939</b>	<b>675,950</b>	<b>7,459,064</b>	

	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 30 Sep 2023	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	%
<b>LIABILITIES AND SHAREHOLDER'S EQUITY</b>								
Deposits from customers	1,217,786	1,044,960	1,262,385	289,486	-	115,167	3,929,784	3.32
Deposits and placements of banks and other financial institutions	607,299	611,913	402,467	-	-	-	1,621,679	3.78
Investment accounts of customers	2,844	-	-	-	-	-	2,844	
Hedging financial instrument liabilities	-	315	592	-	-	-	907	
Other liabilities	-	-	-	-	-	145,193	145,193	
<b>Total Liabilities</b>	<b>1,827,929</b>	<b>1,657,188</b>	<b>1,665,444</b>	<b>289,486</b>	<b>-</b>	<b>260,360</b>	<b>5,700,407</b>	
Shareholder's equity	-	-	-	-	-	1,758,657	1,758,657	
<b>Total Liabilities and Shareholder's equity</b>	<b>1,827,929</b>	<b>1,657,188</b>	<b>1,665,444</b>	<b>289,486</b>	<b>-</b>	<b>2,019,017</b>	<b>7,459,064</b>	
On-balance sheet profit sensitivity gap	(409,929)	(1,213,247)	(1,406,477)	915,811	3,456,939	(1,343,096)	-	-
Off-balance sheet profit sensitivity gap	-	-	-	-	-	-	-	-
<b>Total profit sensitivity gap</b>	<b>(409,929)</b>	<b>(1,213,247)</b>	<b>(1,406,477)</b>	<b>915,811</b>	<b>3,456,939</b>	<b>(1,343,096)</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

### A23 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
	RM'000	RM'000	RM'000	RM'000	RM'000				RM'000
<b>Group</b>									
<b>31 Dec 2022</b>									
<b>ASSETS</b>									
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	
<b>TOTAL ASSETS</b>	<b>1,391,802</b>	<b>773,906</b>	<b>209,371</b>	<b>1,074,335</b>	<b>2,987,437</b>	<b>718,404</b>	<b>-</b>	<b>7,155,255</b>	

	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
<b>Group</b>									
<b>31 Dec 2022</b>									
<b>LIABILITIES AND SHAREHOLDER'S EQUITY</b>									
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	
<b>Total Liabilities</b>	<b>2,540,550</b>	<b>1,481,101</b>	<b>876,485</b>	<b>305,125</b>	<b>-</b>	<b>267,468</b>	<b>-</b>	<b>5,470,729</b>	
Shareholder's equity	-	-	-	-	-	1,684,526	-	1,684,526	
<b>Total Liabilities and Shareholder's equity</b>	<b>2,540,550</b>	<b>1,481,101</b>	<b>876,485</b>	<b>305,125</b>	<b>-</b>	<b>1,951,994</b>	<b>-</b>	<b>7,155,255</b>	
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	-	-	-	-	-	-	-	-	
<b>Total profit sensitivity gap</b>	<b>(1,148,748)</b>	<b>(707,195)</b>	<b>(667,114)</b>	<b>769,210</b>	<b>2,987,437</b>	<b>(1,233,590)</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

#### A23 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			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	%
<b>Bank</b>								
<b>30 Sep 2023</b>								
<b>ASSETS</b>								
Cash and short-term funds	10,008	-	-	-	-	141,727	-	
Deposits and placements with banks and other financial institutions	2,815	-	-	-	-	-	-	2.99
Securities FVOCI	-	-	230,203	900,003	2,323,846	-	-	4.35
Financing, advances and receivables	1,404,495	437,963	27,162	305,294	1,133,093	103,234	-	5.53
Other assets	-	-	-	-	-	430,989	-	
Hedging Financial Instrument Assets	652	5,978	1,602	-	-	-	-	
<b>TOTAL ASSETS</b>	<b>1,417,970</b>	<b>443,941</b>	<b>258,967</b>	<b>1,205,297</b>	<b>3,456,939</b>	<b>675,950</b>	<b>-</b>	<b>7,459,064</b>

	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>30 Sep 2023</b>								
<b>LIABILITIES AND SHAREHOLDER'S EQUITY</b>								
Deposits from customers	1,217,787	1,044,960	1,262,385	289,489	-	115,167	-	3.32
Deposits and placements of banks and other financial institutions	607,299	611,913	402,467	-	-	-	-	3.78
Investment accounts of customers	2,844	-	-	-	-	-	-	
Hedging Financial Instrument Liabilities	-	315	592	-	-	-	-	
Other liabilities	-	-	-	-	-	145,186	-	
<b>Total Liabilities</b>	<b>1,827,930</b>	<b>1,657,188</b>	<b>1,665,444</b>	<b>289,489</b>	<b>-</b>	<b>260,353</b>	<b>-</b>	<b>5,700,404</b>
Shareholder's equity	-	-	-	-	-	1,758,660	-	-
<b>Total Liabilities and Shareholder's equity</b>	<b>1,827,930</b>	<b>1,657,188</b>	<b>1,665,444</b>	<b>289,489</b>	<b>-</b>	<b>2,019,013</b>	<b>-</b>	<b>7,459,064</b>
On-balance sheet profit sensitivity gap	(409,931)	(1,213,247)	(1,406,477)	915,809	3,456,939	(1,343,092)	-	-
Off-balance sheet profit sensitivity gap	-	-	-	-	-	-	-	-
<b>Total profit sensitivity gap</b>	<b>(409,931)</b>	<b>(1,213,247)</b>	<b>(1,406,477)</b>	<b>915,809</b>	<b>3,456,939</b>	<b>(1,343,092)</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

#### A23 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 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>Bank</b>								
31 Dec 2022								
<b>ASSETS</b>								
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
Hedging Financial Instrument Assets	-	-	-	-	-	449,682	449,682	
Other assets	-	2,442	4,958	-	-	-	7,400	
<b>TOTAL ASSETS</b>	<b>1,391,802</b>	<b>773,906</b>	<b>209,371</b>	<b>1,074,335</b>	<b>2,987,437</b>	<b>718,404</b>	<b>7,155,255</b>	

	Non-trading book					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>Bank</b>								
31 Dec 2022								
<b>LIABILITIES AND SHAREHOLDER'S EQUITY</b>								
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	
<b>Total Liabilities</b>	<b>2,540,552</b>	<b>1,481,101</b>	<b>876,485</b>	<b>305,127</b>	<b>-</b>	<b>267,461</b>	<b>5,470,726</b>	
Shareholder's equity	-	-	-	-	-	1,684,529	1,684,529	-
<b>Total Liabilities and Shareholder's equity</b>	<b>2,540,552</b>	<b>1,481,101</b>	<b>876,485</b>	<b>305,127</b>	<b>-</b>	<b>1,951,990</b>	<b>7,155,255</b>	
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	-	-	-	-	-	-	-	-
<b>Total profit sensitivity gap</b>	<b>(1,148,750)</b>	<b>(707,195)</b>	<b>(667,114)</b>	<b>769,208</b>	<b>2,987,437</b>	<b>(1,233,586)</b>	<b>-</b>	<b>-</b>

**KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD**  
(200401033666)  
(Incorporated in Malaysia)

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

**B1 Basis of Preparation of the Financial Statements**

The unaudited condensed interim financial statements for the nine months ended 30 September 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 30 September 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 2023.

**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 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
MFRS 7 Financial Instruments Disclosures (Amendments to MFRS 7)	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.

# KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(200401033666)

(Incorporated in Malaysia)

## 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.)

##### (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 Judgments

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.



**KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD**  
(200401033666)  
(Incorporated in Malaysia)

**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 (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 nine months ended 30 September 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 nine months ended 30 September 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 nine months ended 30 September 2023.

**B7 Debt and Equity Securities**

There were no issuances of debt and equity securities during the nine months ended 30 September 2023.

**B8 Dividends Paid**

There were no dividends paid during the nine months ended 30 September 2023.

# KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(200401033666)

(Incorporated in Malaysia)

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

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

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

<u>Group</u>	Treasury & Capital Markets	Corporate & Investment Banking	Commercial Banking	Others	Elimination	Total
<b>30 Sep 2023</b>	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
External revenue	105,529	45,585	4,474	115,289		270,877
Revenue from other segments	84,585	315	1,415	48,635	(134,950)	-
<b>Total Revenue</b>	<b>190,114</b>	<b>45,900</b>	<b>5,889</b>	<b>163,924</b>	<b>(134,950)</b>	<b>270,877</b>
Segment results	29,305	18,517	5,493	50,381	-	103,695
Unallocated expenses						(60,100)
<b>Profit from operations</b>						<b>43,595</b>
Taxation						(1,262)
<b>Net profit for the year</b>						<b>42,333</b>
<b>Other information</b>						
Segment assets	3,613,787	864,965	45,869	2,812,714	(4)	7,337,331
Unallocated corporate assets						121,733
<b>Total assets</b>						<b>7,459,064</b>
Segment liabilities	9,422,139	191,568	386,496	7,603,097	(4)	17,603,296
Unallocated corporate liabilities						(11,902,889)
<b>Total liabilities</b>						<b>5,700,407</b>
<b>Other segment items</b>						
Purchase of property and equipment				9,706		9,706
Purchase of intangible assets				2,010		2,010
Depreciation of property and equipment				2,354		2,354
Amortisation of intangible assets				4,571		4,571
Other non-cash expense other than depreciation	-	2,540	3,157	(5,653)	-	44

#### (ii) By Geographical Locations

<u>Group</u>	Operating Revenue RM'000	Profit Before Zakat and Taxation RM'000	Total Assets RM'000
<b>30 Sep 2023</b>			
Malaysia	270,501	43,221	7,458,315
Outside Malaysia	375	375	749
	<b>270,876</b>	<b>43,595</b>	<b>7,459,064</b>

**KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD**  
(200401033666)  
(Incorporated in Malaysia)

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

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

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

Group 30 Sep 2022	Treasury & Capital Markets RM'000	Corporate & Investment Banking RM'000	Commercial Banking RM'000	Others RM'000	Elimination RM'000	Total RM'000
External revenue	106,142	45,857	8,109	100,894		261,003
Revenue from other segments	70,225	298	1,171	41,838	(113,532)	-
<b>Total Revenue</b>	<b>176,367</b>	<b>46,155</b>	<b>9,281</b>	<b>142,732</b>	<b>(113,532)</b>	<b>261,003</b>
Segment results	58,470	27,024	4,959	28,056		118,509
Unallocated expenses						(72,292)
<b>Loss from operations</b>						<b>46,217</b>
Zakat						
Taxation						(1,177)
<b>Net loss for the year</b>						<b>45,040</b>
<b>Other information</b>						
Segment assets	3,236,923	990,233	89,865	2,700,232	(26,117)	6,991,136
Unallocated corporate assets						73,849
Total assets						<b>7,064,986</b>
Segment liabilities	8,060,889	294,131	419,534	6,675,872	(15,917)	15,434,508
Unallocated corporate liabilities						(10,018,111)
Total liabilities						<b>5,416,397</b>
<b>Other segment items</b>						
Purchase of property and equipment				310		310
Purchase of intangible assets				441		441
Depreciation of property and equipment				2,071		2,071
Amortisation of intangible assets				4,688		4,688
Other non-cash expense other than depreciation	-	4,412	1,248	(33,226)	-	(27,566)

**(ii) By Geographical Locations**

Group 30 Sep 2022	Operating Revenue RM'000	Profit Before Zakat and Taxation RM'000	Total Assets RM'000
Malaysia	260,790	46,004	7,064,559
Outside Malaysia	213	213	427
	<b>261,003</b>	<b>46,217</b>	<b>7,064,986</b>

# KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(200401033666)

(Incorporated in Malaysia)

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

### B10 Valuation of Property and Equipment

There was no change in the valuation of property and equipment that were brought forward from the previous audited financial statements for the year ended 31 December 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 A20.

### 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	3,146
- purchase of IT software	<u>3,809</u>
	<u>7,014</u>
Authorised and not contracted for:	
- purchase of IT hardware & software	<u>58,093</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  
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