

KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

Interim Report for the Period Ended 30 June 2016

Interim Condensed Statements of Financial Position	1
Interim Condensed Consolidated Income Statements	2
Interim Condensed Consolidated Statements of Comprehensive Income	3
Interim Condensed Income Statements	4
Interim Condensed Statements of Comprehensive Income	5
Interim Condensed Statements of Changes in Equity	6
Interim Condensed Statements of Cash Flows	7
Selected Explanatory Notes to the Condensed Financial Statements	8 - 100
Certification of Financial Statements	101

KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

INTERIM CONDENSED STATEMENTS OF FINANCIAL POSITION

	Note	Group		Bank	
		30 Jun 2016 RM'000	31 Dec 2015 RM'000	30 Jun 2016 RM'000	31 Dec 2015 RM'000
ASSETS					
Cash and short-term funds		1,408,834	1,558,023	1,408,834	1,558,023
Deposits and placements with banks and other financial institutions	A3	210,409	211,618	237,073	239,536
Investment accounts due from designated financial institutions	A11	9,123	7,490	9,123	7,490
Securities held-for-trading	A4	-	-	-	-
Hedging financial instruments	A7	7,340	9,267	7,340	9,267
Securities available-for-sale	A4	1,257,364	1,135,222	1,198,646	1,052,370
Securities held-to-maturity	A4	61,235	61,251	61,235	61,251
Financing, advances and other receivables	A5	6,922,833	7,002,145	6,922,833	7,002,145
Other assets	A6	207,032	211,325	206,337	210,372
Statutory deposits with Bank Negara Malaysia		211,700	242,000	211,700	242,000
Musarakah capital investment	A8	5,898	5,898	5,898	5,898
Investment in subsidiaries		-	-	18,680	18,680
Property and equipment		16,579	17,885	16,290	17,683
Intangible assets		6,513	7,763	6,095	7,240
Deferred tax assets		182,412	198,141	182,412	198,141
		10,507,271	10,668,028	10,492,495	10,630,096
LIABILITIES					
Deposits from customers	A9	5,035,901	3,640,007	4,894,093	3,556,307
Investment accounts of customers	A11	9,123	7,490	9,123	7,490
Deposits and placements of banks and other financial institutions	A10	3,283,149	4,849,350	3,437,667	4,922,132
Hedging financial instruments	A7	1,114	459	1,114	459
Subordinated Murabahah Tawarruq	A13	403,541	429,538	403,541	429,538
Other liabilities	A12	60,564	73,713	59,883	72,931
		8,793,392	9,000,557	8,805,420	8,988,857
SHAREHOLDER'S EQUITY					
Share capital	A14	1,425,272	1,425,272	1,425,272	1,425,272
Reserves		288,607	242,199	261,803	215,967
		1,713,879	1,667,471	1,687,075	1,641,239
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY		10,507,271	10,668,028	10,492,495	10,630,096
COMMITMENTS AND CONTINGENCIES		781,095	918,748	781,095	918,748
CAPITAL ADEQUACY					
Common Equity Tier I/ Tier I Capital Ratio	A22	19.508%	18.827%	18.898%	18.241%
Total Capital Ratio	A22	25.981%	25.493%	25.403%	24.953%
NET ASSETS PER SHARE (RM)		1.20	1.17	1.18	1.15

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

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INTERIM CONDENSED CONSOLIDATED INCOME STATEMENTS

Group	Note	2nd Quarter ended 30 Jun		Half-year ended 30 Jun	
		2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Continuing operations					
Operating revenue		122,386	120,611	252,019	241,067
Income derived from investment of depositors' funds and others	A15	99,114	100,424	208,117	198,658
Income derived from investment of investment account funds	A19	65	-	121	-
Income derived from investment of shareholder's equity	A16	23,207	20,187	43,781	42,409
Total gross income		122,386	120,611	252,019	241,067
Impairment write-back on others		-	(1,049)	45	(1,049)
Impairment write-back on financing	A17	10,734	2,064	24,050	4,809
Total distributable income		133,120	121,626	276,114	244,827
Income attributable to the depositors	A18	(65,003)	(64,523)	(142,289)	(122,723)
Profit distributed to investment account holders	A19	(39)	-	(73)	-
Total net income		68,078	57,103	133,753	122,104
Personnel expenses		(20,212)	(21,194)	(41,034)	(42,741)
Other overheads and expenditures		(21,635)	(20,236)	(42,025)	(41,245)
Finance cost		(2,907)	(2,906)	(6,201)	(5,704)
Profit before zakat and taxation		23,323	12,767	44,493	32,414
Taxation		(7,535)	(3,720)	(14,781)	(10,089)
Net profit for the period		15,788	9,046	29,712	22,325
Attributable to:					
Equity holders of the Bank		15,788	9,046	29,712	22,325
Earnings per share attributable to equity holders of the Bank					
- Basic/Diluted (sen)		1.11	0.63	2.08	1.57

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

KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

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INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Group

Net profit for the period

Other comprehensive income/(loss):

Items that may be reclassified subsequently to profit or loss:

Securities available-for-sale:

- Net unrealised gain/(loss) on securities
available-for-sale

- Net realised (loss)/gain on securities

available-for-sale reclassified to the income statement

Exchange differences on translation of foreign operations:

Net income/(loss) taken to equity

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

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

Total comprehensive income for the period

Total comprehensive income for the period attributable to
equity holders of the Bank

2nd Quarter ended 30 Jun		Half-year ended 30 Jun	
2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
15,788	9,046	29,712	22,325
7,647	(2,373)	27,657	1,792
(0)	564	(2,147)	1,639
1,214	207	(2,437)	2,105
(1,911)	452	(6,377)	(858)
6,950	(1,150)	16,696	4,678
22,738	7,896	46,407	27,003
22,738	7,896	46,407	27,003

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

KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

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INTERIM CONDENSED INCOME STATEMENTS

	Note	2nd Quarter ended 30 Jun		Half-year ended 30 Jun	
		2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Bank					
Continuing operations					
Operating revenue		119,292	118,380	247,227	236,898
Income derived from investment of depositors' funds and others	A15	98,852	100,182	207,769	197,946
Income derived from investment of investment account funds	A19	65	-	121	-
Income derived from investment of shareholder's equity	A16	20,376	18,198	39,337	38,952
Total gross income		119,293	118,380	247,227	236,898
Impairment write-back on others		-	(1,049)	45	(1,049)
Impairment write-back on financing	A17	10,734	2,064	24,051	4,809
Total distributable income		130,027	119,395	271,322	240,658
Income attributable to the depositors	A18	(65,207)	(64,534)	(142,651)	(122,750)
Profit distributed to investment account holders	A19	(39)	-	(73)	-
Total net income		64,781	54,861	128,599	117,908
Personnel expenses		(19,385)	(20,652)	(39,472)	(41,207)
Other overheads and expenditures		(20,975)	(19,660)	(40,722)	(39,984)
Finance cost		(2,907)	(2,906)	(6,201)	(5,704)
Profit before zakat and taxation		21,514	11,643	42,204	31,013
Taxation		(7,530)	(3,784)	(14,771)	(10,079)
Net profit for the period		13,984	7,859	27,433	20,934

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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(672174-T)

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INTERIM CONDENSED STATEMENTS OF COMPREHENSIVE INCOME

Bank

Net profit for the period

Other comprehensive income/(loss):

Securities available-for-sale:

- Net unrealised gain/(loss) on securities
available-for-sale

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

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

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

Total comprehensive income for the period

2nd Quarter ended 30 Jun		Half-year ended 30 Jun	
2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
13,984	7,859	27,433	20,934
7,307	(1,870)	24,536	1,862
-	563	-	1,659
(1,827)	327	(6,134)	(879)
5,480	(980)	18,402	2,642
19,464	6,879	45,835	23,576

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

	Share Capital RM'000	Non-distributable			Distributable	Total Equity RM'000
		Statutory Reserve RM'000	Translation Reserve RM'000	Available- for-sale Reserve RM'000	Retained Earnings RM'000	
Group						
At 1 Jan 2016	1,425,272	158,385	4,702	(14,450)	93,562	1,667,471
Total comprehensive (loss)/income	-	-	(2,436)	19,132	29,712	46,408
At 30 Jun 2016	1,425,272	158,385	2,266	4,682	123,274	1,713,879
At 1 Jan 2015	1,425,272	158,385	(2,951)	(5,340)	130,742	1,706,108
Total comprehensive income/(loss)	-	-	2,105	2,573	22,325	27,003
At 30 Jun 2015	1,425,272	158,385	(846)	(2,767)	153,067	1,733,111
Bank						
At 1 Jan 2016	1,425,272	158,385	-	(13,918)	71,500	1,641,239
Total comprehensive income	-	-	-	18,402	27,433	45,835
At 30 Jun 2016	1,425,272	158,385	-	4,484	98,933	1,687,074
At 1 Jan 2015	1,425,272	158,385	-	(5,982)	106,862	1,684,537
Total comprehensive (loss)/income	-	-	-	2,642	20,934	23,576
At 30 Jun 2015	1,425,272	158,385	-	(3,340)	127,796	1,708,113

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

KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

INTERIM CONDENSED STATEMENTS OF CASH FLOWS

	Group		Bank	
	30 Jun 2016 RM'000	30 Jun 2015 RM'000	30 Jun 2016 RM'000	30 Jun 2015 RM'000
Profit before zakat and taxation	44,493	32,414	42,204	31,013
Adjustments for non-cash items	(6,317)	16,997	(6,475)	13,867
Operating profit before changes in working capital	38,176	49,411	35,728	44,880
<u>Changes in the working capital</u>				
Net changes in operating assets	138,315	(429,908)	139,300	(387,719)
Net changes in operating liabilities	(221,134)	(41,120)	(192,721)	(20,469)
Zakat and taxation refund/(paid)	(20)	(20)	-	-
Net cash generated from operating activities	(82,839)	(471,048)	(53,421)	(408,188)
Net purchases of assets	(106,791)	235,853	(131,496)	216,016
Net cash used in investing activities	(106,791)	235,853	(131,496)	216,016
Net change in cash and cash equivalents	(151,454)	(185,784)	(149,189)	(147,292)
Cash and cash equivalents at beginning of the period	1,558,023	1,526,907	1,558,023	1,526,002
Exchange differences on translation of opening balances	2,266	(846)	-	-
Cash and cash equivalents at end of the period	1,408,834	1,340,277	1,408,834	1,378,710

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

KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

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

A1 Performance Review

The Group and the Bank recorded a profit before zakat and taxation of RM44.5 million and RM42.2 million respectively for the period ended 30 June 2016.

A2 Prospects for 2016

The Malaysian economy is expected to grow at a moderate pace of 4.0% to 4.5% in 2016. Domestic demand will continue to be the major growth driver, while private consumption is set to trend below its long term average. The gross domestic product (GDP) recorded a slower growth of 4.2% in the 1Q 2016, compared to 4.5% expansion in the 4Q 2015 (1Q 2015: 5.7%). On the supply side, services will continue to account for the largest share of GDP and Malaysia's global pre-eminence in the provision of Islamic finance will support the growth of the financial services sector. Inflation reached a seven-year peak in February 2016 at 4.2%, but is expected to moderate over the year as low fuel prices persist and the effects of GST implemented in April 2015 fade. It is expected that the price increases to fall into a range of 2 - 3% this year. Bank Negara Malaysia (BNM) on 13 July 2016, cut its main policy rate by 25 basis points to 3.00%, citing the potential negative impact on the economy from weak global growth prospects. Downside risks to growth remain high in view of the external environment for 2016 that is shrouded in uncertainties, owing to several factors that include moderate recovery in the major economies and uncertainty surrounding energy and commodity prices.

A3 Deposits and Placements with Banks and Other Financial Institutions

	Group		Bank	
	30 Jun 2016 RM'000	31 Dec 2015 RM'000	30 Jun 2016 RM'000	31 Dec 2015 RM'000
Other financial institutions	210,409	211,618	237,073	239,536
	210,409	211,618	237,073	239,536

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

A4 Securities

i) Securities Available-For-Sale

At fair value

Unquoted securities

- Islamic private debt

securities/sukuks

- Government guaranteed sukuk

Mutual Fund

Group		Bank	
30 Jun 2016 RM'000	31 Dec 2015 RM'000	30 Jun 2016 RM'000	31 Dec 2015 RM'000
499,984	508,778	459,285	444,640
606,629	462,849	606,629	462,849
81,282	86,638	81,282	86,638
1,187,894	1,058,265	1,147,196	994,127
36,100	36,100	36,100	36,100
18,020	18,714	-	-
15,350	22,143	15,350	22,143
69,470	76,957	51,450	58,243
1,257,364	1,135,222	1,198,646	1,052,370

ii) Securities Held-To-Maturity

At amortised cost

Unquoted Islamic private

debt securities/sukuk

Group		Bank	
30 Jun 2016 RM'000	31 Dec 2015 RM'000	30 Jun 2016 RM'000	31 Dec 2015 RM'000
61,235	61,251	61,235	61,251

KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

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

A5 Financing, Advances and Other Receivables

i) At amortised cost

Term financing

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

Staff financing

Less: Impairment allowances on financing

- Collective assessment
- Individual assessment

Net financing, advances and other receivables

Group and Bank	
30 Jun 2016 RM'000	31 Dec 2015 RM'000
698,309	588,527
1,256,510	1,294,582
56,700	100,201
352,242	333,548
5,984	5,960
481,380	407,936
4,433,152	4,671,417
13,066	12,850
7,297,341	7,415,021
(93,120)	(92,212)
(281,388)	(320,664)
6,922,833	7,002,145

ii) By contract

Ijarah Muntahia Bittamlik

(lease ended with ownership)

Murabahah (cost-plus)

Mudharabah (profit sharing)

Qard (benevolent financing)

Musyarakah (profit and loss sharing)

Istisna'

Group and Bank	
30 Jun 2016 RM'000	31 Dec 2015 RM'000
1,970,040	1,894,939
5,008,534	5,193,684
72,189	77,816
1,559	1,147
243,651	245,935
1,368	1,500
7,297,341	7,415,021

iii) By type of customer

Domestic business enterprises

Individuals

Foreign entities

Domestic non-bank financial institutions

Group and Bank	
30 Jun 2016 RM'000	31 Dec 2015 RM'000
4,673,921	4,898,070
2,453,277	2,326,615
14,850	34,421
155,294	155,915
7,297,341	7,415,021

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(672174-T)

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

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

(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 Jun 2016 RM'000	31 Dec 2015 RM'000
4,380,319	4,578,875
221,527	20,013
112,781	323,627
2,582,714	2,492,506
7,297,341	7,415,021

(v) By geographical distribution

Malaysia
Middle East
Other countries

Group and Bank	
30 Jun 2016 RM'000	31 Dec 2015 RM'000
7,280,670	7,395,927
5,826	6,639
10,845	12,455
7,297,341	7,415,021

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 Jun 2016 RM'000	31 Dec 2015 RM'000
64,866	46,439
481,380	407,936
352,242	333,548
1,389,503	1,475,067
633,443	542,087
4,375,908	4,609,944
7,297,341	7,415,021

vii) By economic purpose

Merger and acquisition
Purchase of securities
Purchase of transport vehicles
Purchase of landed properties
- residential
- non-residential
Purchase of fixed assets
Working capital
Construction
Personal use
Other purposes

Group and Bank	
30 Jun 2016 RM'000	31 Dec 2015 RM'000
207,677	230,759
254,361	22,120
490,378	416,739
749,029	687,640
910,803	972,781
96,671	176,683
2,276,425	2,650,879
470,369	435,355
1,274,347	1,291,879
567,282	530,186
7,297,341	7,415,021

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(672174-T)

(Incorporated in Malaysia)

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

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

viii) By sector

Construction
Electricity, gas and water
Finance, insurance and business services
Household
Manufacturing
Mining and quarrying
Agriculture, hunting, forestry & fishing
Real Estate
Transports, storage and communication
Wholesale & retail trade and restaurants & hotels
Others

Group and Bank	
30 Jun 2016 RM'000	31 Dec 2015 RM'000
740,084	739,278
165,942	162,030
453,906	367,248
2,453,694	2,326,614
751,122	904,930
-	-
388,404	297,983
1,311,034	1,400,648
441,086	486,073
523,053	646,954
69,017	83,262
7,297,341	7,415,021

(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)	Musarakah (profit and loss sharing)	Qard (benevolent financing)	Istisna'	Total
30 June 2016	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
House financing	669,047	95	-	27,800	-	1,367	698,309
Personal financing	-	1,256,004	-	-	506	-	1,256,510
Leasing financing	-	28,216	28,484	-	-	-	56,700
Syndicated financing	64,002	288,239	-	-	-	-	352,242
Cashline financing	-	5,984	-	-	-	-	5,984
Hire purchase receivables	474,906	-	-	6,474	-	-	481,380
Other term financing	751,032	3,429,253	43,705	209,162	-	-	4,433,152
Staff financing	11,053	743	-	215	1,053	-	13,066
	1,970,040	5,008,534	72,189	243,651	1,559	1,367	7,297,341

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

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(672174-T)

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

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

x) Purpose and Source of Qard financing

As at 1 January
Source of Qard fund:
- Depositors' Fund
- Shareholders' Fund

Uses of Qard fund:
- Financing for asset purchase
- Staff Benevolent

Closing balance

Group and Bank	
30 Jun 2016 RM'000	31 Dec 2015 RM'000
1,147	1,157
993	1,312
827	1,084
165	229
(580)	(1,322)
(483)	(1,092)
(97)	(230)
1,559	1,147

xi) Movements in impaired financing, advances and other receivables

At 1 Jan
Impaired during the period/year
- Impaired during the period/year
- Reclassified to performing during the year
- Amount recovered
- Amount written off
Closing balance

Group and Bank	
30 Jun 2016 RM'000	31 Dec 2015 RM'000
550,898	526,625
(61,223)	24,273
40,416	283,019
(3,453)	(7,137)
(77,741)	(138,588)
(20,444)	(113,021)
489,675	550,898
2.97%	3.25%

Ratio of net impaired financing,
advances and other
receivables to gross financing,
advances and other receivables
less individual impairment

xii) Movements in impairment and allowance on financing

Collective impairment

At 1 Jan

Allowance charged during the year

Closing balance

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

Group and Bank	
30 Jun 2016 RM'000	31 Dec 2015 RM'000
92,212	148,032
908	(55,820)
93,120	92,212
1.33%	1.30%

KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

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

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

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

Individual impairment

At 1 Jan

Allowance reversed during the year

- Allowance made

- Allowance written-back

Amount written off

Closing balance

Group and Bank	
30 Jun 2016 RM'000	31 Dec 2015 RM'000
320,664	267,142
(18,832)	166,543
30,478	199,951
(49,310)	(33,408)
(20,444)	(113,021)
281,388	320,664

xiii) Impaired financing by sector

Agriculture, hunting, forestry and fishing

Electricity, gas and water

Finance, insurance and business services

Household

Manufacturing

Real Estate

Transport, storage and communication

Wholesale & retail trade and restaurants & hotels

Group and Bank	
30 Jun 2016 RM'000	31 Dec 2015 RM'000
11,521	12,021
79	79
0	28
32,780	24,987
275,207	274,946
87,782	88,202
12,223	25,917
70,083	124,718
489,675	550,898

KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

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

A6 Other Assets

	Group		Bank	
	30 Jun 2016 RM'000	31 Dec 2015 RM'000	30 Jun 2016 RM'000	31 Dec 2015 RM'000
Deposits and prepayments	10,856	8,526	10,608	8,311
Amount due from subsidiaries	-	-	4	4
Amount due from other related parties	51,561	51,561	51,561	51,561
Fee receivable	424	403	424	403
Sundry debtors	2,933	1,190	2,480	448
Gold depository	141,258	149,645	141,258	149,645
	207,032	211,325	206,337	210,372

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

A7 Hedging Financial Instruments

	Notional Amount RM'000	Fair Value	
		Assets RM'000	Liabilities RM'000
Group and Bank			
At 30 Jun 2016			
Forward foreign exchange related contracts	37,858	337	325
Ijarah rental swap related contracts	204,989	7,003	789
Total	242,847	7,340	1,114
At 31 Dec 2015			
Forward foreign exchange related contracts	8,873	265	249
Ijarah rental swap related contracts	245,505	9,002	210
Total	254,378	9,267	459

A8 Musyarakah Capital Investment

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

KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

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

A9 Deposits from Customers

(i) By type of deposit

	Group		Bank	
	30 Jun 2016 RM'000	31 Dec 2015 RM'000	30 Jun 2016 RM'000	31 Dec 2015 RM'000
Non Mudharabah				
- Demand deposits	625,561	664,685	484,198	581,459
- Gold deposits	140,973	149,585	140,973	149,585
- Wakalah deposits	446	474	-	-
- Savings deposits	47,708	51,407	47,708	51,407
Murabahah	4,221,213	2,773,857	4,221,214	2,773,857
	5,035,901	3,640,007	4,894,093	3,556,307

(ii) By type of customer

	Group		Bank	
	30 Jun 2016 RM'000	31 Dec 2015 RM'000	30 Jun 2016 RM'000	31 Dec 2015 RM'000
Business enterprises	1,792,165	1,739,879	1,595,093	1,591,087
Individuals	362,215	276,670	362,215	276,670
Subsidiaries	-	-	55,264	65,091
Government and statutory bodies	2,319,801	1,058,300	2,319,801	1,058,302
Other enterprises	561,720	565,157	561,720	565,157
	5,035,901	3,640,007	4,894,093	3,556,307

(iii) By contractual maturity

	Group		Bank	
	30 Jun 2016 RM'000	31 Dec 2015 RM'000	30 Jun 2016 RM'000	31 Dec 2015 RM'000
Due within six months	4,599,586	3,263,593	4,492,017	3,213,578
More than six months to one year	427,032	367,782	392,793	334,097
More than one year to three years	9,283	8,632	9,283	8,632
	5,035,902	3,640,007	4,894,093	3,556,307

KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

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

A10 Deposits and Placements of Banks and Other Financial Institutions

	Group		Bank	
	30 Jun 2016 RM'000	31 Dec 2015 RM'000	30 Jun 2016 RM'000	31 Dec 2015 RM'000
<u>Murabahah</u>				
Licensed Islamic banks	154,480	247,633	154,480	247,633
Other financial institutions	3,128,669	4,597,615	3,283,187	4,674,499
<u>Wakalah</u>				
Other financial institutions	(0)	4,102	-	-
	3,283,149	4,849,350	3,437,667	4,922,132

A11 INVESTMENT ACCOUNTS

	Group and Bank	
	30 Jun 2016 RM'000	31 Dec 2015 RM'000
As at 1 January	7,490	-
Net placement during the year	1,560	7,449
Income from investment	121	68
Profit distributed to mudarib	(49)	(27)
As at 31 December	9,123	7,490
Investment asset:		
Wadiah placement with BNM	9,123	7,490

Profit Sharing Ratio, Rate of Return and Performance Incentive Fee

	Investment account holder	
	Average profit sharing ratio	Average rate of return
	(%)	(%)
Unrestricted investment accounts:		
Less than 3 months	60	1.91

	Group and Bank	
	30 Jun 2016 RM'000	31 Dec 2015 RM'000
Business enterprises	4,165	1,212
Individuals	4,895	6,273
Other enterprises	63	5
	9,123	7,490

KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

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

A12 Other Liabilities

	Group		Bank	
	30 Jun 2016 RM'000	31 Dec 2015 RM'000	30 Jun 2016 RM'000	31 Dec 2015 RM'000
Sundry creditors	28,943	39,107	28,753	39,007
Accrued restoration cost	5,807	5,807	5,700	5,700
Undistributed charity funds	7,154	5,587	7,154	5,587
Other provisions and accruals	18,660	23,212	18,276	22,637
	60,564	73,713	59,883	72,931

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

(ii) Sources and uses of charity funds:

Sources of charity funds:

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

Uses of charity funds:

Contribution to Baitulmal
Compensation of late payment charges
Contribution to non profit organisations
Aid to needy family
Total uses of funds during the year

Closing balance

Group and Bank	
30 Jun 2016 RM'000	31 Dec 2015 RM'000
5,587	2,241
1,696	3,947
7,282	6,188
-	(80)
(30)	-
(87)	(455)
(12)	(66)
(129)	(601)
7,154	5,587

KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

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

A13 Subordinated Murabahah Tawarruq

The principal of subordinated Murabahah Tawarruq is a facility agreement with the holding company of the Bank, Kuwait Finance House K.S.C. The facility with principal and profit amount of USD100,165,278 or equivalent RM403,540,863 (31 Dec 2015: USD100,026,396 or equivalent RM429,538,350) is unsecured with a tenure of five years and forms part of the Bank's Tier-2 capital. The Murabahah profit is determined with reference to London Interbank Offer Rate ("LIBOR").

A14 Share Capital

Authorised:

At 1 January/At closing balance

Issued and fully paid:

At 1 January

At 1 January/At closing balance

Number of ordinary shares at RM1.00 each		Amount	
30 Jun 2016 Units'000	31 Dec 2015 Units'000	30 Jun 2016 RM'000	31 Dec 2015 RM'000
3,000,000	3,000,000	3,000,000	3,000,000
1,425,272	1,425,272	1,425,272	1,425,272
1,425,272	1,425,272	1,425,272	1,425,272

KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

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

A15 Income derived from Investment of Depositors' Funds and Others

Group

Income derived from investment of:

- General investment deposits
- Other deposits

Bank

Income derived from investment of:

- General investment deposits
- Other deposits

2nd Quarter ended 30 Jun		Half-year ended 30 Jun	
2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
-	-	-	9
99,114	100,424	208,117	198,649
99,114	100,424	208,117	198,658
-	-	-	9
98,852	100,182	207,769	197,937
98,852	100,182	207,769	197,946

(i) Income derived from investment of general investment deposits

Group

Finance income from financing, advances and other receivables

Securities

- Available-for-sale

Money at call and deposits with financial institutions

Total finance income and hibah

Bank

Finance income from financing, advances and other receivables

Securities

- Available-for-sale

Money at call and deposits with financial institutions

Total finance income and hibah

2nd Quarter ended 30 Jun		Half-year ended 30 Jun	
2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
-	-	-	7
-	-	-	1
-	-	-	1
-	-	-	9
-	-	-	7
-	-	-	1
-	-	-	1
-	-	-	9

KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

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

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

(ii) Income derived from investment of other deposits

<u>Group</u>	2nd Quarter ended 30 Jun		Half-year ended 30 Jun	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Finance income from financing, advances and other receivables	80,897	79,593	163,880	160,308
Finance income from impaired financing	(105)	(280)	113	22
Securities				
- Held-for-trading	(1)	27	3	95
- Available-for-sale	7,907	7,188	15,426	14,225
- Held-to-maturity	647	867	1,306	1,715
Money at call and deposits with financial institutions	7,378	10,873	22,336	16,406
	96,721	98,268	203,064	192,771
Amortisation of premium less accretion of discounts	(1,120)	(469)	(2,286)	(423)
Total finance income and hibah	95,601	97,799	200,778	192,348
Gain arising from sale of securities				
- Held-for-trading	687	(192)	1,014	145
- Available-for-sale	-	-	-	813
- Realised	2,006	1,906	4,595	3,505
Gain/(loss) on Ijarah rental swap obligation	820	911	1,730	1,838
	99,114	100,424	208,117	198,649

KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

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

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

(ii) Income derived from investment of other deposits

Bank

Finance income from financing, advances and other receivables

Finance income from impaired financing

Securities

- Held-for-trading
- Available-for-sale
- Held-to-maturity

Money at call and deposits with financial institutions

Amortisation of premium less accretion of discounts

Total finance income and hibah

Gain arising from sale of securities

- Held-for-trading
- Available-for-sale

Foreign exchange gain

- Realised

Gain/(loss) on Ijarah rental swap obligation

2nd Quarter ended 30 Jun		Half-year ended 30 Jun	
2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
80,880	79,770	163,941	160,509
(105)	(280)	113	22
(1)	27	3	96
7,707	6,758	15,021	13,311
647	869	1,307	1,717
7,413	10,892	22,426	16,427
96,541	98,036	202,811	192,082
(1,120)	(469)	(2,286)	(423)
95,421	97,567	200,525	191,659
687	(192)	1,014	145
-	-	-	814
1,924	1,895	4,500	3,479
820	913	1,730	1,840
98,852	100,182	207,769	197,937

KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

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

A16 Income derived from Investment of Shareholder's Equity

<u>Group</u>	2nd Quarter ended 30 Jun		Half-year ended 30 Jun	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Finance income from financing, advances and other receivables	16,508	16,400	31,619	34,031
Finance income from impaired financing	(20)	(52)	20	14
Securities				
- Held-for-trading	(0)	6	0	21
- Available-for-sale	1,613	1,483	2,984	3,016
- Held-to-maturity	132	179	252	364
Money at call and deposits with financial institutions	1,502	2,219	4,208	3,427
Amortisation of premium less accretion of discounts	19,735	20,235	39,084	40,873
Total finance income and hibah	(228)	(98)	(441)	(87)
	19,506	20,137	38,643	40,786
Fee income				
- Commission	539	667	911	1,296
- Fund management fee	1,200	843	2,194	1,621
- Other fee income	1,072	1,236	1,905	2,312
Gain arising from sale of securities				
- Held-for-trading	140	(42)	202	32
- Available-for-sale	-	-	-	181
Unrealised (loss)/gain on revaluation of securities held-for-trading and Ijarah rental swap (net)	(987)	(1,206)	(2,765)	(2,305)
Foreign exchange gain/(loss)				
- Realised	590	395	1,092	734
- Unrealised	(822)	(2,701)	(1,269)	(3,809)
Gain/(loss) on Ijarah rental swap obligation	167	188	333	390
Other income	1,743	581	2,419	1,036
Management fee	58	77	116	135
Gain/(loss) on disposal of property, plant and equipment	-	12	-	
	23,207	20,187	43,781	42,409

KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

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

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

	2nd Quarter ended 30 Jun		Half-year ended 30 Jun	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Bank				
Finance income from financing, advances and other receivables	16,525	16,223	31,559	33,830
Finance income from impaired financing	(20)	(52)	20	14
Securities				
- Held-for-trading	(0)	5	0	20
- Available-for-sale	1,574	1,376	2,900	2,801
- Held-to-maturity	132	177	252	362
Money at call and deposits with financial institutions	1,511	2,200	4,211	3,406
Amortisation of premium less accretion of discounts	19,722	19,929	38,941	40,433
Total finance income and hibah	(229)	(97)	(440)	(87)
	19,493	19,832	38,501	40,347
Fee income				
- Commission	624	758	1,097	1,491
- Other fee income	1,070	841	1,902	1,616
Gain arising from sale of securities				
- Held-for-trading	140	(42)	202	32
- Available-for-sale	-	-	-	180
Unrealised (loss)/gain on revaluation of securities held-for-trading and Ijarah rental swap (net)	(987)	(1,206)	(2,765)	(2,305)
Foreign exchange gain/(loss)				
- Realised	574	388	1,070	723
- Unrealised	(848)	(2,720)	(1,286)	(3,823)
Gain/(loss) on Ijarah rental swap obligation	168	186	332	388
Management fee	142	161	284	303
	20,376	18,198	39,337	38,952

KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

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

A17 Impairment and Allowance on Financing, Advances and Other Receivables

Group

Impairment and allowance on financing

- Collective impairment (net)
- Individual write-back (net)
- Allowance charge during the period*
- Allowance written-back during the period*

- Bad debt recovered on financing

Bank

Impairment and allowance on financing

- Collective impairment (net)
- Individual write-back (net)
- Allowance charge during the period*
- Allowance written-back during the period*

- Bad debt recovered on financing

2nd Quarter ended 30 Jun		Half-year ended 30 Jun	
2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
408	(27,120)	908	(26,820)
(8,718)	28,010	(18,832)	25,705
24,567	43,116	30,478	53,438
(33,286)	(15,106)	(49,310)	(27,733)
(2,424)	(2,954)	(6,127)	(3,694)
(10,734)	(2,064)	(24,050)	(4,809)
408	(27,120)	908	(26,820)
(8,718)	28,010	(18,832)	25,705
24,567	43,116	30,478	53,438
(33,286)	(15,106)	(49,310)	(27,733)
(2,424)	(2,954)	(6,127)	(3,694)
(10,734)	(2,064)	(24,051)	(4,809)

A18 Income Attributable to the Depositors

Group

Deposits from customers

- Qardh
- Murabahah
- Wakalah

Deposits and placements of banks and other financial institutions

- Murabahah and Wakalah

Others

Bank

Deposits from customers

- Qardh
- Murabahah

Deposits and placements of banks and other financial institutions

- Murabahah and Wakalah

Others

2nd Quarter ended 30 Jun		Half-year ended 30 Jun	
2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
4	(80)	4	398
37,462	26,952	65,642	54,733
1	6	6	21
26,537	37,449	75,172	67,285
1,001	196	1,466	285
65,003	64,523	142,289	122,723
4	(80)	4	398
37,462	26,893	65,642	54,616
26,740	37,525	75,540	67,452
1,001	196	1,466	284
65,207	64,534	142,651	122,750

KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

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

A19 Profit Distributed to Investment Account Holders

Group & Bank

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

2nd Quarter ended 30 Jun		Half-year ended 30 Jun	
2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
65	-	121	-
26	-	49	-
39	-	73	-

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.

Group and Bank

Direct credit substitutes

Transaction related contingencies

Trade related contingencies

Irrevocable commitments to extend credit

- maturity less than one year
- maturity more than one year

Foreign exchange related contracts *

- less than one year

Profit rate related contracts (Ijarah

- rental swap obligation) *
- five years and above

As at 30 Jun 2016			As at 31 Dec 2015		
Principal amount RM'000	Credit equivalent amount** RM'000	Risk weighted amount** RM'000	Principal amount RM'000	Credit equivalent amount** RM'000	Risk weighted amount** RM'000
6,997	6,997	6,500	28,618	28,618	20,129
50,238	25,119	9,908	85,700	42,850	32,888
10,081	2,016	2,016	10,146	2,029	2,029
300,014	60,003	59,964	269,352	53,870	52,465
170,918	85,459	72,173	270,554	135,277	124,479
37,858	832	373	8,873	350	163
204,989	11,000	9,360	245,505	13,763	11,799
781,095	191,426	160,294	918,748	276,758	243,952

*

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

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

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

A21 Credit transactions and exposures with connected parties

As at 30 Jun 2016			
Total outstanding value RM'000	Total number of accounts	Total exposure * RM'000	Total non- performing credit exposure RM'000
Bank			
Financing, credit facility and leasing (except guarantee)	2	403,669	-
Equities and Islamic Private Debt Securities held	1	36,100	-
Off-balance sheet exposures	1	600	-
440,604	4	440,369	-
Total exposure to connected parties as % capital base		23.0%	0.0%
Total exposure to connected parties as % of total outstanding credit exposures		5.1%	0.0%

As at 31 Dec 2015			
Total outstanding value RM'000	Total number of accounts	Total exposure * RM'000	Total non- performing credit exposure RM'000
Bank			
Financing, credit facility and leasing (except guarantee)	2	403,669	-
Equities and Islamic Private Debt Securities held	1	36,100	-
Off-balance sheet exposures	1	600	-
440,464	4	440,369	-
Total exposure to connected parties as % capital base		22.8%	0.0%
Total exposure to connected parties as % of total outstanding credit exposures		5.0%	0.0%

KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

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

A22 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 Jun 2016	31 Dec 2015	30 Jun 2016	31 Dec 2015
Common Equity Tier I/ Tier I Capital Ratio				
Credit risk	20.862%	20.211%	20.167%	19.515%
Credit, market, operational and large exposure risks	19.508%	18.827%	18.898%	18.241%
Total Capital Ratio				
Credit risk	27.784%	27.368%	27.109%	26.696%
Credit, market, operational and large exposure risks	25.981%	25.493%	25.403%	24.953%

KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

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

A22 Capital Adequacy (Cont' d.)

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

	Group		Bank	
	30 Jun 2016 RM'000	31 Dec 2015 RM'000	30 Jun 2016 RM'000	31 Dec 2015 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	158,385	158,385	158,385	158,385
Other reserves	96,263	83,814	72,222	57,582
	1,679,920	1,667,471	1,655,879	1,641,239
Less: Deferred tax assets (net)	(198,141)	(198,141)	(198,141)	(198,141)
Less: Investment in subsidiaries	-	-	(30,200)	(30,200)
Total CET I / Tier I capital	1,481,779	1,469,330	1,427,538	1,412,898
<u>Tier II capital</u>				
Subordinated Murabahah Tawarruq	402,875	429,425	402,875	429,425
Collective impairment on financing	88,783	90,873	88,481	90,500
Total Tier II capital	491,658	520,298	491,356	519,925
Total capital	1,973,437	1,989,628	1,918,894	1,932,823

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

	Group		Bank	
	30 Jun 2016 RM'000	31 Dec 2015 RM'000	30 Jun 2016 RM'000	31 Dec 2015 RM'000
Computation of Total Risk-Weighted Assets (RWA)				
Total Credit RWA	7,102,661	7,269,805	7,078,504	7,240,016
Total Market RWA	22,289	32,918	22,289	32,918
Total Operational RWA	450,677	481,780	433,089	452,784
Large Exposure Risk RWA for Equity Holdings	20,048	20,048	20,048	20,048
Total Risk-Weighted Assets	7,595,675	7,804,551	7,553,930	7,745,766
Computation of Capital Ratios				
Core Capital	1,481,779	1,469,330	1,427,538	1,412,898
Capital Base	1,973,437	1,989,628	1,918,894	1,932,823
CET I / Tier I Capital Ratio	19.508%	18.827%	18.898%	18.241%
Total Capital Ratio	25.981%	25.493%	25.403%	24.953%

KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

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

A22 Capital Adequacy (Cont'd)

(d) The breakdown of risk-weighted assets ("RWA") by exposures in each major risk category of the Group are as follows:

Group	Gross Exposures	Net Exposures **	Risk Weighted Assets	Total Risk Weighted Assets After Effects of PSIA	Capital Requirement
As at 30 Jun 2016	RM'000	RM'000	RM'000	RM'000	RM'000
(i) Credit Risk					
(a) On-Balance Sheet Exposures					
Sovereigns/Central Banks	1,926,450	1,926,450	63,961	63,961	5,117
Banks, Development Financial Institutions & MDBs	528,983	528,983	130,707	130,707	10,457
Corporates	4,669,968	4,669,968	4,157,350	4,157,350	332,588
Regulatory Retail	2,103,494	2,103,494	1,568,744	1,568,744	125,499
Residential Mortgages	303,931	303,931	108,421	108,421	8,674
Higher Risk Assets ¹	419,980	419,980	629,971	629,971	50,398
Other Assets	292,710	292,710	119,434	119,434	9,555
Defaulted Exposures ²	165,124	165,124	163,781	163,781	13,102
	10,410,640	10,410,640	6,942,367	6,942,367	555,389
(b) Off-Balance Sheet Exposures*					
OTC Hedging Financial Instruments ³	11,832	11,832	9,734	9,734	779
Off balance sheet exposures other than OTC hedging financial instruments	179,594	179,594	150,561	150,561	12,045
	191,426	191,426	160,294	160,294	12,824
Total On and Off-Balance Sheet Exposures	10,602,066	10,602,066	7,102,661	7,102,661	568,213
(ii) Large Exposures Risk Requirement	41,998	41,998	20,048	20,048	1,604
	Long Position	Short Position			
(iii) Market Risk					
Benchmark Rate Risk	157,672	151,524	6,148	13,595	1,088
Foreign Currency Risk ⁴	8,409	3,768	4,641	8,694	696
			10,788	22,289	1,783
(iv) Operational Risk			450,677	450,677	36,054
(v) Total RWA and Capital Requirements		10,654,852	7,595,675	7,595,675	607,654

Note:

* Credit equivalent of off-balance sheet items

** After netting and credit risk mitigation

¹ Higher risk assets are defined in section B.2.2 : Definition of Exposures of CAFIB guidelines issued by Bank Negara Malaysia.

² Defaulted exposures are classified based on Appendix 3 'Definition of Default' of CAFIB guidelines issued by Bank Negara Malaysia.

³ Credit equivalent amount for the OTC derivative positions are calculated based on 'current-exposure method' stipulated in CAFIB guidelines - Appendix VI issued by Bank Negara Malaysia.

⁴ Computation is as per Part D - Market Risk of CAFIB guidelines issued by Bank Negara Malaysia.

KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

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

A22 Capital Adequacy (Cont'd)

(d) The breakdown of risk-weighted assets ("RWA") by exposures in each major risk category of the Group are as follows:

Group	Gross Exposures	Net Exposures **	Risk Weighted Assets	Total Risk Weighted Assets After Effects of PSIA	Capital Requirement
As at 31 Dec 2015	RM'000	RM'000	RM'000	RM'000	RM'000
(i) Credit Risk					
(a) On-Balance Sheet Exposures					
Sovereigns/Central Banks	2,102,259	2,102,259	66,732	66,732	5,339
Banks, Development Financial Institutions & MDBs	403,514	403,514	155,477	155,477	12,438
Corporates	4,765,687	4,765,687	4,216,589	4,216,589	337,327
Regulatory Retail	1,865,275	1,865,275	1,389,064	1,389,064	111,125
Residential Mortgages	446,167	446,167	163,940	163,940	13,115
Higher Risk Assets ¹	437,757	437,757	656,636	656,636	52,531
Other Assets	295,165	295,165	119,418	119,418	9,553
Defaulted Exposures ²	237,008	237,008	257,997	257,997	20,640
	10,552,832	10,552,832	7,025,853	7,025,853	562,068
(b) Off-Balance Sheet Exposures*					
OTC Hedging Financial Instruments ³	14,113	14,113	11,962	11,962	957
Off balance sheet exposures other than OTC hedging financial instruments	262,645	262,645	231,990	231,990	18,559
	276,758	276,758	243,952	243,952	19,516
Total On and Off-Balance Sheet Exposures	10,829,590	10,829,590	7,269,806	7,269,806	581,584
(ii) Large Exposures Risk Requirement	41,998	41,998	20,048	20,048	1,604
	Long Position	Short Position			
(iii) Market Risk					
Benchmark Rate Risk	183,475	174,781	8,693	17,643	1,411
Foreign Currency Risk ⁴	15,215	14,654	561	15,275	1,222
			9,254	32,917	2,633
(iv) Operational Risk			481,780	481,780	38,542
(v) Total RWA and Capital Requirements			7,804,551	7,804,551	624,364

Note:

* Credit equivalent of off-balance sheet items

** After netting and credit risk mitigation

¹ Higher risk assets are defined in section B.2.2 : Definition of Exposures of CAFIB guidelines issued by Bank Negara Malaysia.

² Defaulted exposures are classified based on Appendix 3 'Definition of Default' of CAFIB guidelines issued by Bank Negara Malaysia.

³ Credit equivalent amount for the OTC derivative positions are calculated based on 'current-exposure method' stipulated in CAFIB guidelines - Appendix VI issued by Bank Negara Malaysia.

⁴ Computation is as per Part D - Market Risk of CAFIB guidelines issued by Bank Negara Malaysia.

KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

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

A22 Capital adequacy (Cont'd.)

(d) The breakdown of risk-weighted assets ("RWA") by exposures in each major risk category of the Bank are as follows:

		Gross Exposures	Net Exposures **	Risk Weighted Assets	Total Risk Weighted Assets After Effects of PSIA	Capital Requirement
		RM'000	RM'000	RM'000	RM'000	RM'000
Bank						
As at 30 Jun 2016						
(i) Credit Risk						
(a) On-Balance Sheet Exposures						
Sovereigns/Central Banks		1,885,752	1,885,752	53,829	53,829	4,306
Banks, Development Financial Institutions & MDBs		555,648	555,648	136,105	136,105	10,888
Corporates		4,678,479	4,678,479	4,165,860	4,165,860	333,269
Regulatory Retail		2,103,494	2,103,494	1,568,744	1,568,744	125,499
Residential Mortgages		303,931	303,931	108,421	108,421	8,674
Higher Risk Assets ¹		419,980	419,980	629,971	629,971	50,398
Other Assets		264,776	264,776	91,500	91,500	7,320
Defaulted Exposures ²		165,124	165,124	163,781	163,781	13,102
		10,377,184	10,377,184	6,918,209	6,918,209	553,457
(b) Off-Balance Sheet Exposures*						
OTC Hedging Financial Instruments ³		11,832	11,832	9,734	9,734	779
Off balance sheet exposures other than OTC hedging financial instruments		179,594	179,594	150,561	150,561	12,045
		191,426	191,426	160,294	160,295	12,824
Total On and Off-Balance Sheet Exposures		10,568,609	10,568,609	7,078,503	7,078,504	566,280
(ii) Large Exposures Risk Requirement						
		41,998	41,998	20,048	20,048	1,604
		Long Position	Short Position			
(iii) Market Risk						
Benchmark Rate Risk		157,672	151,524	6,148	13,595	1,088
Foreign Currency Risk ⁴		8,409	3,768	4,641	8,694	696
				10,788	22,289	1,783
				433,089	433,089	34,647
(iv) Operational Risk						
(v) Total RWA and Capital Requirements						
			10,621,396	7,553,930	7,553,930	604,314

Note:

* Credit equivalent of off-balance sheet items

** After netting and credit risk mitigation

¹ Higher risk assets are defined in section B.2.2 : Definition of Exposures of CAFIB guidelines issued by Bank Negara Malaysia.

² Defaulted exposures are classified based on Appendix 3 'Definition of Default' of CAFIB guidelines issued by Bank Negara Malaysia.

³ Credit equivalent amount for the OTC derivative positions are calculated based on 'current-exposure method' stipulated in CAFIB guidelines - Appendix VI issued by Bank Negara

⁴ Computation is as per Part D - Market Risk of CAFIB guidelines issued by Bank Negara Malaysia.

KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

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

A22 Capital adequacy (Cont'd.)

(d) The breakdown of risk-weighted assets ("RWA") by exposures in each major risk category of the Bank are as follows:

Bank	Gross Exposures	Net Exposures **	Risk Weighted Assets	Total Risk Weighted Assets After Effects of PSIA	Capital Requirement
As at 31 Dec 2015	RM'000	RM'000	RM'000	RM'000	RM'000
(i) Credit Risk					
(a) On-Balance Sheet Exposures					
Sovereigns/Central Banks	2,059,621	2,059,621	56,050	56,050	4,484
Banks, Development Financial Institutions & MDBs	431,431	431,431	161,061	161,061	12,885
Corporates	4,774,763	4,774,763	4,225,666	4,225,666	338,053
Regulatory Retail	1,865,275	1,865,275	1,389,064	1,389,064	111,125
Residential Mortgages	446,167	446,167	163,940	163,940	13,115
Higher Risk Assets ¹	437,757	437,757	656,636	656,636	52,531
Other Assets	244,198	244,198	85,650	85,650	6,852
Defaulted Exposures ²	237,008	237,008	257,996	257,996	20,640
	10,496,220	10,496,220	6,996,063	6,996,063	559,685
(b) Off-Balance Sheet Exposures*					
OTC Hedging Financial Instruments ³	14,113	14,113	11,962	11,962	957
Off balance sheet exposures other than OTC hedging financial instruments	262,645	262,645	231,990	231,990	18,559
	276,758	276,758	243,952	243,952	19,516
Total On and Off-Balance Sheet Exposures	10,772,979	10,772,979	7,240,016	7,240,016	579,201
(ii) Large Exposures Risk Requirement	41,998	41,998	20,048	20,048	1,604
	Long Position	Short Position			
(iii) Market Risk					
Benchmark Rate Risk	183,475	174,781	8,693	17,643	1,411
Foreign Currency Risk ⁴	15,215	14,654	561	15,275	1,222
		9,254	32,918	32,918	2,633
(iv) Operational Risk			452,784	452,784	36,223
(v) Total RWA and Capital Requirements			7,745,766	7,745,766	619,661

Note:

* Credit equivalent of off-balance sheet items

** After netting and credit risk mitigation

¹ Higher risk assets are defined in section B.2.2 : Definition of Exposures of CAFIB guidelines issued by Bank Negara Malaysia.

² Defaulted exposures are classified based on Appendix 3 'Definition of Default' of CAFIB guidelines issued by Bank Negara Malaysia.

³ Credit equivalent amount for the OTC derivative positions are calculated based on 'current-exposure method' stipulated in CAFIB guidelines - Appendix VI issued by Bank Negara Malaysia.

⁴ Computation is as per Part D - Market Risk of CAFIB guidelines issued by Bank Negara Malaysia.

KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

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

A22 Capital adequacy (Cont'd.)

(e) The breakdown of credit risk disclosure by risk-weights (including deducted exposures) of the Group, are as follows:

	Exposures after Netting and Credit Risk Mitigation						Total Exposures after Netting and Credit Risk Mitigation	Total Risk Weighted Assets
	Sovereigns & Central Banks	Banks, MDBs and DFIs	Corporate	Regulatory Retail	Residential Mortgages	Higher Risk Assets	Other Assets	
Group	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
As at 30 Jun 2016								
Risk-Weights								
0%	1,637,042	40,093	287,009	13,781	1,264	.	157,128	2,136,317
20%	269,143	381,751	252,156	.	.	.	20,185	923,235
35%	.	.	.	.	286,277	.	.	286,277
50%	20,265	109,762	150,103	(213)	20,676	.	.	300,592
75%	.	.	.	2,146,849	.	.	.	2,146,849
100%	.	.	4,192,018	469	3,735	.	115,397	4,311,619
150%	.	.	59,348	11,374	.	426,454	.	497,176
	1,926,450	531,606	4,940,634	2,172,261	311,951	426,454	292,710	10,602,066
As at 31 Dec 2015								
Risk-Weights								
0%	1,800,646	39,413	331,184	16,959	2,129	.	158,548	2,348,879
20%	280,250	91,072	244,746	.	.	.	21,499	637,566
35%	.	.	.	.	387,966	.	.	387,966
50%	21,364	275,833	171,562	(501)	57,717	.	.	525,975
75%	.	.	.	1,903,906	.	.	.	1,903,906
100%	.	.	4,324,861	15	4,725	.	115,118	4,444,719
150%	.	.	128,677	7,244	.	444,658	.	580,579
	2,102,259	406,318	5,201,030	1,927,622	452,537	444,658	295,165	10,829,590

KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

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

A22 Capital adequacy (Cont'd.)

(e) The breakdown of credit risk disclosure by risk-weights (including deducted exposures) of the Bank, are as follows:

		Exposures after Netting and Credit Risk Mitigation						Total Exposures after Netting and Credit Risk Mitigation	Total Risk Weighted Assets
Bank	Risk-Weights	Sovereigns & Central Banks	Banks, MDBs and DFIs	Corporate	Regulatory Retail	Residential Mortgages	Higher Risk Assets	Other Assets	
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
As at 30 Jun 2016	0%	1,616,609	40,093	287,009	13,781	1,264	.	157,128	2,115,884
	20%	269,143	408,198	252,156	.	.	.	20,185	949,682
	35%	.	.	.	.	286,277	.	.	286,277
	50%	.	109,979	150,103	(213)	20,676	.	.	280,545
	75%	.	.	.	2,146,849	.	.	.	2,146,849
	100%	.	.	4,200,529	469	3,735	.	87,463	4,292,196
	150%	.	.	59,348	11,374	.	426,454	.	497,176
		1,885,752	558,271	4,949,145	2,172,261	311,951	426,454	264,776	10,568,609
As at 31 Dec 2015	0%	1,779,371	39,413	331,184	16,959	2,129	-	158,548	2,327,604
	20%	280,250	118,989	244,746	-	-	-	-	643,985
	35%	-	-	-	-	387,966	-	-	387,966
	50%	-	275,833	171,562	(501)	57,717	-	-	504,611
	75%	-	-	-	1,903,906	-	-	-	1,903,906
	100%	-	-	4,333,938	15	4,725	-	85,650	4,424,328
	150%	-	-	128,677	7,244	-	444,658	-	580,579
		2,059,621	434,235	5,210,107	1,927,623	452,537	444,658	244,198	10,772,979

KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

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

A22 CAPITAL ADEQUACY (Cont'd.)

(f) The breakdown of risk-weighted assets by risk-weights are as follows:

	Group		Bank	
	Principal RM'000	Risk-weighted RM'000	Principal RM'000	Risk-weighted RM'000
As at 30 Jun 2016				
0%	2,136,317	-	2,115,884	-
20%	923,235	184,647	949,682	189,936
35%	286,277	100,197	286,277	100,197
50%	300,592	150,296	280,545	140,273
75%	2,146,849	1,610,137	2,146,849	1,610,137
100%	4,311,619	4,311,619	4,292,196	4,292,196
150%	497,176	745,765	497,176	745,765
Risk-weighted assets for credit risk	10,602,066	7,102,661	10,568,609	7,078,504
Risk-weighted assets for market risk		22,289		22,289
Risk-weighted assets for operational risk		450,677		433,089
Large exposure risk-weighted assets for equity holdings		20,048		20,048
Total risk-weighted assets		7,595,674		7,553,930
As at 31 Dec 2015				
0%	2,348,879	-	2,327,604	-
20%	637,566	127,513	643,985	128,797
35%	387,966	135,788	387,966	135,788
50%	525,975	262,987	504,611	252,305
75%	1,903,906	1,427,929	1,903,906	1,427,929
100%	4,444,719	4,444,719	4,424,328	4,424,328
150%	580,579	870,869	580,579	870,869
Risk-weighted assets for credit risk	10,829,590	7,269,805	10,772,979	7,240,016
Risk-weighted assets for market risk		32,918		32,918
Risk-weighted assets for operational risk		481,780		452,784
Large exposure risk-weighted assets for equity holdings		20,048		20,048
Total risk-weighted assets		7,804,551		7,745,766

(g) The risk-weighted assets and capital requirements for the various categories of risk under market risk are as follows:

	As at 30 Jun 2016		As at 31 Dec 2015	
Group and Bank	Risk-Weighted Assets Equivalent RM'000	Capital Required RM'000	Risk-Weighted Assets Equivalent RM'000	Capital Required RM'000
Benchmark Rate Risk	13,595	1,088	17,643	1,411
Foreign Exchange Risk	8,694	696	15,275	1,222
Total	22,289	1,783	32,917	2,633

KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

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

A23 FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

Determination of fair value and fair value hierarchy

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

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

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

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

Group

30 Jun 2016

Financial assets

Securities available-for-sale
Securities held-to-maturity
Financing, advances and other receivables
Hedging financial instruments

Total

Financial liability

Deposits from customers
Hedging financial instruments
Subordinated Murabahah Tawarruq

31 Dec 2015

Financial assets

Securities available-for-sale
Securities held-to-maturity
Financing, advances and other receivables
Hedging financial instruments

Total

Financial liability

Deposits from customers
Hedging financial instruments
Subordinated Murabahah Tawarruq

Level 2	Level 3	Total
RM'000	RM'000	RM'000
1,187,894	-	1,187,894
61,189	-	61,189
1,089,671	5,830,625	6,920,296
7,340	-	7,340
2,346,094	5,830,625	8,176,720
5,035,689	-	5,035,689
1,114	-	1,114
-	402,786	402,786
5,036,803	402,786	5,439,589
1,058,265	-	1,058,265
61,088	-	61,088
913,296	6,087,520	7,000,816
9,267	-	9,267
2,041,916	6,087,520	8,129,435
3,639,561	-	3,639,561
459	-	459
-	429,337	429,337
3,640,020	429,337	4,069,357

KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

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

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

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

	Level 2	Level 3	Total
	RM'000	RM'000	RM'000
Bank			
30 Jun 2016			
Financial assets			
Securities available-for-sale	1,147,196	-	1,147,196
Securities held-to-maturity	61,189	-	61,189
Financing, advances and other receivables	1,089,671	5,830,625	6,920,296
Hedging financial instruments	7,340	-	7,340
Total	2,305,396	5,830,625	8,136,021
Financial liability			
Deposits from customers	4,893,874	-	4,893,874
Hedging financial instruments	1,114	-	1,114
Subordinated Murabahah Tawarruq	-	402,786	402,786
	4,894,988	402,786	5,297,774
31 Dec 2015			
Financial assets			
Securities available-for-sale	994,127	-	994,127
Securities held-to-maturity	61,088	-	61,088
Financing, advances and other receivables	913,296	6,087,520	7,000,816
Hedging financial instruments	9,267	-	9,267
Total	1,977,778	6,087,520	8,065,298
Financial liability			
Deposits from customers	3,555,851	-	3,555,851
Hedging financial instruments	459	-	459
Subordinated Murabahah Tawarruq	-	429,337	429,337
	3,556,310	429,337	3,985,647

Description of significant unobservable inputs to valuation:

	Valuation technique	Significant Unobservable inputs	Range (weighted average)
Financing, advances and other receivables	DCF method	Profit rate	5.5% - 6.0%

KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

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

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

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

Financial instruments comprise financial assets and financial liabilities. The fair value of a financial instrument is the amount at which the instrument could be exchanged or settled between knowledgeable and willing parties in an arm's length transaction, other than in a forced or liquidation sale. The information presented herein represents best estimates of fair values of financial instruments at the reporting date.

The estimated fair values of those on-balance sheets financial assets and financial liabilities as at the reporting date approximate their carrying amounts as shown in the statement of financial position, except for the following assets and liabilities:

Group				
30 Jun 2016		31 Dec 2015		
Carrying Value	Fair Value	Carrying Value	Fair Value	
RM'000	RM'000	RM'000	RM'000	
Financial Assets				
Securities held-to-maturity	61,235	61,189	61,251	61,088
Financing, advances and other receivables	6,922,833	6,920,296	7,002,145	7,000,816
	6,984,067	6,981,485	7,063,396	7,061,904
Financial Liabilities				
Deposits from customers	5,035,901	5,035,689	3,640,007	3,639,561
Subordinated Murabahah Tawarruq	403,541	402,786	429,538	429,337
	5,439,441	5,438,475	4,069,545	4,068,898

Bank				
30 Jun 2016		31 Dec 2015		
Carrying Value	Fair Value	Carrying Value	Fair Value	
RM'000	RM'000	RM'000	RM'000	
Financial Assets				
Securities held-to-maturity	61,235	61,189	61,251	61,088
Financing, advances and other receivables	6,922,833	6,920,296	7,002,145	7,000,816
	6,984,067	6,981,485	7,063,396	7,061,904
Financial Liabilities				
Deposits from customers	4,894,093	4,893,874	3,556,307	3,555,851
Subordinated Murabahah Tawarruq	403,541	402,786	429,538	429,337
	5,297,634	5,296,660	3,985,845	3,985,188

KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

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

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) Securities Held-For-Trading and Available-For-Sale

The fair values of securities actively traded are estimated based on quoted bid prices. For non-actively traded securities, independent broker quotations are obtained. Fair values of equity are estimated discounted cash flow techniques. Where discounted cash flow technique is used, the estimated future cash flows are discounted using applicable prevailing market or indicative rates of similar instruments at reporting date.

(d) Securities Held-To-Maturity

Fair values of securities that are traded is determined by quoted bid prices. For non-actively traded securities, independent broker quotations are obtained. Fair values of equity securities are estimated using a number of methods, including earnings multiples and discounted cash flow analysis. Where discounted cash flows techniques is used, the estimated futures cash flows are discounted using applicable prevailing market or indicative rates of similar instruments at the reporting date.

(e) Hedging Financial Instruments

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

KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

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

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

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

(f) Financing, Advances and Other Receivables

The fair values of variable rate financing are estimated to approximate their carrying values. For fixed rate financing, the fair values are estimated based on expected future cash flows of contractual instalment payments, discounted at applicable and prevailing rates at reporting date offered for similar facilities to new borrowers with similar credit profiles. In respect of impaired loans, the fair values are deemed to approximate the carrying values which are net of impairment allowances.

(g) Deposits from Customers, Deposits and Placement of Banks and Other Financial Institutions

The fair values of deposits payable on demand and deposits and placements with maturities of less than one year approximate their carrying values due to the relatively short maturity of these instruments. The fair values of fixed deposits and placements with remaining maturities of more than one year are estimated based on discounted cash flows using applicable rates currently offered for deposits and placements with similar remaining maturities. As at the reporting date, all deposits and placements of banks and other financial institutions have maturity less than one year.

(h) Subordinated Murabahah Tawaruq

The fair values of subordinated murabahah tawaruq with maturity of less than one year approximate their carrying values due to the relatively short maturity of the instruments. The fair values of subordinated murabahah tawaruq with remaining maturities of more than one year are estimated by discounting the expected future cash flows using the applicable prevailing interest rates for borrowings with similar risk profiles.

KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

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

A24 FINANCIAL RISK MANAGEMENT

As an Islamic Bank with diverse financial product offerings, the Group and the Bank are exposed to different types of financial risks arising from financial instruments. Financial risks encompass credit risks, liquidity risks, operational risks and market risks. Due to these, risk management is integral to the Bank's operation.

The main financial risks affecting the Group and the Bank are discussed further as follows:

(a) CREDIT RISK

(i) Maximum exposure to credit risk without taking account of any collateral

The following tables show the maximum exposure to credit risk for the components of the statements of financial position, including derivatives, before the effect of mitigation through the use of master netting and collateral agreements.

For on-balance sheet financial assets, the exposure to credit risk equals to their carrying amount. For off-balance sheet, exposures, the maximum exposure to credit risk are maximum amount that the Group and the Bank would have to pay if the obligations of the instruments issued are called upon and/or the full amount of the undrawn credit facilities granted to customers/borrowers.

	30 Jun 2016		31-Dec-15	
	Total gross maximum exposure		Total gross maximum exposure	
	Group	Bank	Group	Bank
	RM'000	RM'000	RM'000	RM'000
Cash and short-term funds	1,408,834	1,408,834	1,558,023	1,558,023
Deposits and placements with banks and other financial institutions	210,409	237,073	211,618	239,536
Securities available-for-sale	1,106,612	1,065,914	971,626	907,489
Securities held-to-maturity	61,235	61,235	61,251	61,251
Financing, advances and other receivables	6,922,833	6,922,833	7,002,145	7,002,145
Other assets	207,032	206,337	211,325	210,372
Statutory deposits with Bank Negara Malaysia ("BNM")	211,700	211,700	242,000	242,000
Hedging financial instruments				
- Ijarah rental swap	7,340	7,340	9,267	9,267
Total On-Balance Sheet	10,135,995	10,121,266	10,267,255	10,230,083
Financial guarantees	6,997	6,997	28,618	28,618
Contingent liabilities	60,319	60,319	95,845	95,845
Commitments*	470,932	470,932	539,907	539,907
Total Off-Balance Sheet	538,247	538,247	664,370	664,370
Total On and Off-Balance Sheet	10,674,242	10,659,513	10,931,625	10,894,453

* Exclude ijarah rental swaps as the fair value has already been disclose within hedging financial instruments.

KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

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

A24 FINANCIAL RISK MANAGEMENT (Cont'd.)

(a) CREDIT RISK (Cont'd.)

(i) Maximum exposure to credit risk without taking account of any collateral (Cont'd.)

By geographical segment:

	Geographic region				Total gross maximum exposure
	Malaysia	Middle east	Others	Collective assessment	
	RM'000	RM'000	RM'000	RM'000	RM'000
30 Jun 2016					
Group					
Cash and short-term funds	1,325,640	1,841	81,353	-	1,408,834
Deposits and placements with banks and other financial institutions	-	-	210,409	-	210,409
Securities held-for-trading					
- Unquoted	-	-	-	-	-
Securities available-for-sale					
- Unquoted	876,822	135,941	93,849	-	1,106,612
Securities held-to-maturity					
- Unquoted	10,112		51,123	-	61,235
Financing, advances and other receivables	6,999,976	5,826	10,152	(93,121)	6,922,833
Other assets	207,032	-	-	-	207,032
Statutory deposits with BNM	211,700	-	-	-	211,700
Hedging financial instruments					
- Ijarah rental swap	7,340	-	-	-	7,340
Total On-Balance Sheet	9,638,622	143,608	446,886	(93,121)	10,135,995
Financial guarantees	6,997	-	-	-	6,997
Contingent liabilities	60,319	-	-	-	60,319
Commitments*	470,932	-	-	-	470,932
Total Off-Balance Sheet	538,247	-	-	-	538,247
Total On and Off-Balance Sheet	10,176,869	143,608	446,886	(93,121)	10,674,242

* Exclude ijarah rental swaps as the fair value has already been disclose within hedging financial instruments.

KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

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

A24 FINANCIAL RISK MANAGEMENT (Cont'd.)

(a) CREDIT RISK (Cont'd.)

(i) Maximum exposure to credit risk without taking account of any collateral (Cont'd.)

By geographical segment (Cont'd.)

31 Dec 2015

Group

Cash and short-term funds	
Deposits and placements with banks and other financial institutions	
Securities held-for-trading	
- Unquoted	
Securities available-for-sale	
- Unquoted	
Securities held-to-maturity	
- Unquoted	
Financing, advances and other receivables	
Other assets	
Statutory deposits with BNM	
Hedging financial instruments	
- Ijarah rental swap	
Total On-Balance Sheet	
Financial guarantees	
Contingent liabilities	
Commitments*	
Total Off-Balance Sheet	
Total On and Off-Balance Sheet	

Geographic region				Total gross maximum exposure
Malaysia	Middle east	Others	Collective assessment	
RM'000	RM'000	RM'000	RM'000	RM'000
1,505,005	4,947	48,071	-	1,558,023
23,623	-	187,995	-	211,618
-	-	-	-	-
730,851	142,774	98,001	-	971,625
10,114	-	51,137	-	61,251
7,075,509	6,639	12,209	(92,212)	7,002,145
66,787	144,538	-	-	211,325
242,000	-	-	-	242,000
9,267	-	-	-	9,267
9,663,156	298,898	397,413	(92,212)	10,267,255
28,618	-	-	-	28,618
95,845	-	-	-	95,845
539,772	135	-	-	539,907
664,235	135	-	-	664,370
10,327,391	299,033	397,413	(92,212)	10,931,625

* Exclude ijarah rental swaps as the fair value has already been disclose within hedging financial instruments.

KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

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

A24 FINANCIAL RISK MANAGEMENT (Cont'd.)

(a) CREDIT RISK (Cont'd.)

(i) Maximum exposure to credit risk without taking account of any collateral (Cont'd.)

By geographical segment (Cont'd.)

30 Jun 2016

Bank

Cash and short-term funds
Deposits and placements with banks and
other financial institutions
Securities held-for-trading
- Unquoted
Securities available-for-sale
- Unquoted
Securities held-to-maturity
- Unquoted
Financing, advances and other receivables
Other assets
Statutory deposits with BNM
Hedging financial instruments
- Ijarah rental swap

Total On-Balance Sheet

Financial guarantees

Contingent liabilities

Commitments*

Total Off-Balance Sheet

Total On and Off-Balance Sheet

Geographic region				Total gross maximum exposure
Malaysia	Middle east	Others	Collective assessment	
RM'000	RM'000	RM'000	RM'000	RM'000
1,325,640	1,841	81,353	-	1,408,834
26,665	-	210,409	-	237,073
-	-	-	-	-
876,822	135,941	53,151	-	1,065,914
10,112	-	51,123	-	61,235
6,999,976	5,826	10,152	(93,121)	6,922,833
206,337	-	-	-	206,337
211,700	-	-	-	211,700
7,340	-	-	-	7,340
9,664,592	143,608	406,187	(93,121)	10,121,266
6,997	-	-	-	6,997
60,319	-	-	-	60,319
470,932	-	-	-	470,932
538,247	-	-	-	538,247
10,202,839	143,608	406,187	(93,121)	10,659,514

* Exclude ijarah rental swaps as the fair value has already been disclose within hedging financial instruments.

KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

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

A24 FINANCIAL RISK MANAGEMENT (Cont'd.)

(a) CREDIT RISK (Cont'd.)

(i) Maximum exposure to credit risk without taking account of any collateral (Cont'd.)

By geographical segment (Cont'd.)

31 Dec 2015

Bank

Cash and short-term funds	
Deposits and placements with banks and other financial institutions	
Securities held-for-trading	
- Unquoted	
Securities available-for-sale	
- Unquoted	
Securities held-to-maturity	
- Unquoted	
Financing, advances and other receivables	
Other assets	
Statutory deposits with BNM	
Hedging financial instruments	
- Ijarah rental swap	
Total On-Balance Sheet	
Financial guarantees	
Contingent liabilities	
Commitments*	
Total Off-Balance Sheet	
Total On and Off-Balance Sheet	

Geographic region				Total gross maximum exposure
Malaysia	Middle east	Others	Collective assessment	
RM'000	RM'000	RM'000	RM'000	RM'000
1,505,005	4,947	48,071	-	1,558,024
51,541	-	187,995	-	239,536
-	-	-	-	-
709,352	142,774	55,363	-	907,489
10,114		51,137		61,251
7,075,509	6,639	12,209	(92,212)	7,002,145
65,834	144,538			210,372
242,000	-	-	-	242,000
9,267	-	-	-	9,267
9,668,622	298,898	354,775	(92,212)	10,230,083
28,618	-	-	-	28,618
95,845	-	-	-	95,845
539,772	135	-	-	539,907
664,235	135	-	-	664,370
10,332,857	299,033	354,775	(92,212)	10,894,453

* Exclude ijarah rental swaps as the fair value has already been disclose within hedging financial instruments.

KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

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

A24 FINANCIAL RISK MANAGEMENT (Cont'd.)

(a) CREDIT RISK (Cont'd.)

(i) Maximum exposure to credit risk without taking account of any collateral (Cont'd.)

By Industry sector:

	Industry						Total gross maximum exposure
	Trading and manufacturing	Banks and financial institutions	Construction and real estate	Transportation, storage and communication	Government	Others	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
30 Jun 2016							
Group							
Cash and short-term funds	-	1,408,834	-	-	-	-	1,408,834
Deposits and placements with banks and other financial institutions	-	210,409	-	-	-	-	210,409
Securities held-for-trading	-	-	-	-	-	-	-
Securities available-for-sale	-	125,675	34,113	-	660,385	286,440	1,106,612
Securities held-to-maturity	-	56,171	-	5,063	-	-	61,235
Financing, advances and other receivables	983,982	395,758	1,999,564	419,262	-	3,217,386	6,922,833
Other assets	-	-	-	-	-	207,032	207,032
Statutory deposits with BNM	-	211,700	-	-	-	-	211,700
Hedging financial instruments	-	-	-	7,340	-	-	7,340
Total On-Balance Sheet	983,982	2,408,546	2,033,677	431,666	660,385	3,710,859	10,135,995
Financial guarantees	400	-	1,590	2,031	-	2,976	6,997
Contingent liabilities	7,367	-	17,135	2,930	-	32,886	60,319
Commitments*	-	-	-	-	-	470,932	470,932
Total Off-Balance Sheet	7,767	-	18,725	4,961	-	506,794	538,248
Total On and Off-Balance Sheet	991,750	2,408,546	2,052,402	436,627	660,385	4,217,653	10,674,242

* Exclude ijarah rental swaps as the fair value has already been disclose within hedging financial instruments.

KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

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

A24 FINANCIAL RISK MANAGEMENT (Cont'd.)

(a) CREDIT RISK (Cont'd.)

(i) Maximum exposure to credit risk without taking account of any collateral (Cont'd.)

By Industry sector (Cont'd.):

	Industry						Total gross maximum exposure
	Trading and manufacturing	Banks and financial institutions	Construction and real estate	Transportation, storage and communication	Government	Others	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
31 Dec 2015							
Group							
Cash and short-term funds	-	1,558,023	-	-	-	-	1,558,023
Deposits and placements with banks and other financial institutions	-	211,618	-	-	-	-	211,618
Securities held-for-trading	-	-	-	-	-	-	-
Securities available-for-sale	-	127,536	29,559	-	521,437	293,094	971,626
Securities held-to-maturity	-	56,186	-	5,065	-	-	61,251
Financing, advances and other receivables	1,267,524	367,248	2,139,926	468,647	-	2,851,012	7,002,145
Other assets	-	-	-	-	-	211,325	211,325
Statutory deposits with BNM	-	242,000	-	-	-	-	242,000
Hedging financial instruments	-	-	-	9,267	-	-	9,267
Total On-Balance Sheet	1,267,524	2,562,611	2,169,485	482,979	521,437	3,355,431	10,267,255
Financial guarantees	-	-	21,630	2,418	-	4,571	28,618
Contingent liabilities	802	-	26,271	3,447	-	65,324	95,845
Commitments*	81,125	-	127,774	18,676	-	312,332	539,907
Total Off-Balance Sheet	81,927	-	175,675	24,541	-	382,227	664,370
Total On and Off-Balance Sheet	1,349,451	2,562,611	2,345,160	507,520	521,437	3,737,658	10,931,625

* Exclude ijarah rental swaps as the fair value has already been disclose within hedging financial instruments.

KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

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

A24 FINANCIAL RISK MANAGEMENT (Cont'd.)

(a) CREDIT RISK (Cont'd.)

(i) Maximum exposure to credit risk without taking account of any collateral (Cont'd.)

By Industry sector (Cont'd.):

	Industry						Total gross maximum exposure
	Trading and manufacturing	Banks and financial institutions	Construction and real estate	Transportation, storage and communication	Government	Others	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
30 Jun 2016							
Bank							
Cash and short-term funds	-	1,408,834	-	-	-	-	1,408,834
Deposits and placements with banks and other financial institutions	-	237,073	-	-	-	-	237,073
Securities held-for-trading	-	-	-	-	-	-	-
Securities available-for-sale	-	125,675	34,113	-	619,686	286,440	1,065,914
Securities held-to-maturity	-	56,171	-	5,063	-	-	61,234
Financing, advances and other receivables	983,982	395,759	1,999,565	419,262	-	3,217,386	6,922,833
Other assets	-	-	-	-	-	206,337	206,337
Statutory deposits with BNM	-	211,700	-	-	-	-	211,700
Hedging financial instruments	-	-	-	7,340	-	-	7,340
Total On-Balance Sheet	983,982	2,435,213	2,033,678	431,665	619,686	3,710,163	10,121,266
Financial guarantees	400	-	1,590	2,031	-	2,976	6,997
Contingent liabilities	7,367	-	17,135	2,930	-	32,886	60,319
Commitments*	-	-	-	-	-	470,932	470,932
Total Off-Balance Sheet	7,767	-	18,725	4,961	-	506,794	538,247
Total On and Off-Balance Sheet	991,749	2,435,213	2,052,403	436,626	619,686	4,216,956	10,659,513

* Exclude ijarah rental swaps as the fair value has already been disclose within hedging financial instruments.

KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

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

A24 FINANCIAL RISK MANAGEMENT (Cont'd.)

(a) CREDIT RISK (Cont'd.)

(i) Maximum exposure to credit risk without taking account of any collateral (Cont'd.)

By Industry sector (Cont'd.):

	Industry						Total gross maximum exposure
	Trading and manufacturing	Banks and financial institutions	Construction and real estate	Transportation, storage and communication	Government	Others	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
31 Dec 2015							
Bank							
Cash and short-term funds	-	1,558,023	-	-	-	-	1,558,023
Deposits and placements with banks and other financial institutions	-	239,536	-	-	-	-	239,536
Securities held-for-trading	-	-	-	-	-	-	-
Securities available-for-sale	-	106,037	29,559	-	478,799	293,094	907,489
Securities held-to-maturity	-	56,186	-	5,065	-	-	61,251
Financing, advances and other receivables	1,267,524	367,248	2,139,926	468,647	-	2,851,012	7,002,145
Other assets	-	-	-	-	-	210,372	210,372
Statutory deposits with BNM	-	242,000	-	-	-	-	242,000
Hedging financial instruments	-	-	-	9,267	-	-	9,267
Total On-Balance Sheet	1,267,524	2,569,030	2,169,485	482,979	478,799	3,354,478	10,230,083
Financial guarantees	-	-	21,630	2,418	-	4,571	28,618
Contingent liabilities	802	-	26,271	3,447	-	65,324	95,845
Commitments*	81,125	-	127,774	18,676	-	312,332	539,907
Total Off-Balance Sheet	81,927	-	175,675	24,541	-	382,227	664,370
Total On and Off-Balance Sheet	1,349,451	2,569,030	2,345,160	507,520	478,799	3,736,705	10,894,453

* Exclude ijarah rental swaps as the fair value has already been disclose within hedging financial instruments.

KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

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

A24 FINANCIAL RISK MANAGEMENT (Cont'd.)

(a) CREDIT RISK (Cont'd.)

(i) Maximum exposure to credit risk without taking account of any collateral (Cont'd.)

An industry residual maturity analysis of the Bank's financial assets, before taking into account collateral held is as follows:

By residual maturity:

	Residual Maturity				Not on demand and no maturity date	Collective assessment	Total gross maximum exposure
	Less than 6 months	6 months to 1 year	1 year to 5 years	More than 5 years			
30 Jun 2016 Group	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cash and short-term funds	1,408,834	-	-	-	-	-	1,408,834
Deposits and placements with banks and other financial institutions	210,409	89,595	-	-	-	-	300,004
Securities held-for-trading	-	-	-	-	-	-	-
Securities available-for-sale	148,522	10,082	288,275	659,733	-	-	1,106,612
Securities held-to-maturity	-	-	61,235	-	-	-	61,235
Financing, advances and other receivables	4,151,993	39,432	329,974	2,494,554	-	(93,121)	6,922,833
Other assets	-	-	-	-	207,032	-	207,032
Statutory deposits with BNM	-	-	-	-	211,700	-	211,700
Hedging financial instruments	-	-	-	7,340	-	-	7,340
Total On-Balance Sheet	5,919,758	139,110	679,484	3,161,627	418,732	(93,121)	10,225,590
Financial guarantees	5,788	900	-	-	309	-	6,997
Contingent liabilities	13,481	21,073	23,412	-	2,353	-	60,319
Commitments*	196,727	21,007	49,570	114,850	88,778	-	470,932
Total Off-Balance Sheet	215,996	42,979	72,982	114,850	91,440	-	538,247
Total On and Off-Balance Sheet	6,135,754	182,089	752,466	3,276,477	510,172	(93,121)	10,763,837

* Exclude ijarah rental swaps as the fair value has already been disclose within hedging financial instruments.

KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

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

A24 FINANCIAL RISK MANAGEMENT (Cont'd.)

(a) CREDIT RISK (Cont'd.)

(i) Maximum exposure to credit risk without taking account of any collateral (Cont'd.)

An industry residual maturity analysis of the Bank's financial assets, before taking into account collateral held is as follows: (Cont'd.)

By residual maturity: (Cont'd.)

	Residual Maturity				Not on demand and no maturity date	Collective assessment	Total gross maximum exposure
	Less than 6 months	6 months to 1 year	1 year to 5 years	More than 5 years			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
31 Dec 2015							
Group							
Cash and short-term funds	1,558,023	-	-	-	-	-	1,558,023
Deposits and placements with banks and other financial institutions	211,618	-	-	-	-	-	211,618
Securities held-for-trading	-	-	-	-	-	-	-
Securities available-for-sale	31,112	121,383	300,920	518,211	-	-	971,626
Securities held-to-maturity	-	-	61,251	-	-	-	61,251
Financing, advances and other receivables	4,220,544	56,142	338,110	2,479,561	-	(92,212)	7,002,145
Other assets	-	-	-	-	211,325	-	211,325
Statutory deposits with BNM	-	-	-	-	242,000	-	242,000
Hedging financial instruments	-	-	9,267	-	-	-	9,267
Total On-Balance Sheet	6,021,297	177,525	709,549	2,997,772	453,325	(92,212)	10,267,255
Financial guarantees	3,770	12,765	2,083	10,000	-	-	28,618
Contingent liabilities	25,593	27,904	31,092	2,857	8,398	-	95,845
Commitments*	-	-	-	539,907	-	-	539,907
Total Off-Balance Sheet	29,363	40,669	33,175	552,764	8,398	-	664,369
Total On and Off-Balance Sheet	6,050,660	218,194	742,724	3,550,536	461,724	(92,212)	10,931,625

* Exclude ijarah rental swaps as the fair value has already been disclose within hedging financial instruments.

KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

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

A24 FINANCIAL RISK MANAGEMENT (Cont'd.)

(a) CREDIT RISK (Cont'd.)

(i) Maximum exposure to credit risk without taking account of any collateral (Cont'd.)

An industry residual maturity analysis of the Bank's financial assets, before taking into account collateral held is as follows: (Cont'd.)

By residual maturity: (Cont'd.)

	Residual Maturity				Not on demand and no maturity date	Collective assessment	Total gross maximum exposure
	Less than 6 months	6 months to 1 year	1 year to 5 years	More than 5 years			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
30 Jun 2016							
Bank							
Cash and short-term funds	1,408,834	-	-	-	-	-	1,408,834
Deposits and placements with banks and other financial institutions	237,073	-	-	-	-	-	237,073
Securities held-for-trading	-	-	-	-	-	-	-
Securities available-for-sale	148,522	10,082	247,577	659,733	-	-	1,065,914
Securities held-to-maturity	-	-	61,235	-	-	-	61,235
Financing, advances and other receivables	4,151,994	39,432	329,974	2,494,554	-	(93,121)	6,922,833
Other assets	-	-	-	-	206,337	-	206,337
Statutory deposits with BNM	-	-	-	-	211,700	-	211,700
Hedging financial instruments	-	-	-	7,340	-	-	7,340
Total On-Balance Sheet	5,946,424	49,514	638,786	3,161,627	418,037	(93,121)	10,121,266
Financial guarantees	5,788	900	-	-	309	-	6,997
Contingent liabilities	13,481	21,073	23,412	-	2,353	-	60,319
Commitments*	196,727	21,007	49,570	114,850	88,778	-	470,932
Total Off-Balance Sheet	215,996	42,979	72,982	114,850	91,440	-	538,247
Total On and Off-Balance Sheet	6,162,420	92,493	711,768	3,276,477	509,477	(93,121)	10,659,513

* Exclude ijarah rental swaps as the fair value has already been disclose within hedging financial instruments.

KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

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

A24 FINANCIAL RISK MANAGEMENT (Cont'd.)

(a) CREDIT RISK (Cont'd.)

(i) Maximum exposure to credit risk without taking account of any collateral (Cont'd.)

An industry residual maturity analysis of the Bank's financial assets, before taking into account collateral held is as follows: (Cont'd.)

By residual maturity: (Cont'd.)

	Residual Maturity				Not on demand and no maturity date	Collective assessment	Total gross maximum exposure
	Less than 6 months	6 months to 1 year	1 year to 5 years	More than 5 years			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
31 Dec 2015							
Bank							
Cash and short-term funds	1,558,023	-	-	-	-	-	1,558,023
Deposits and placements with banks and other financial institutions	239,536	-	-	-	-	-	239,536
Securities held-for-trading	-	-	-	-	-	-	-
Securities available-for-sale	9,613	121,383	258,281	518,212	-	-	907,489
Securities held-to-maturity	-	-	61,251	-	-	-	61,251
Financing, advances and other receivables	4,220,544	56,142	338,110	2,479,561	-	(92,212)	7,002,145
Other assets	-	-	-	-	210,372	-	210,372
Statutory deposits with BNM	-	-	-	-	242,000	-	242,000
Hedging financial instruments	-	-	9,267	-	-	-	9,267
Total On-Balance Sheet	6,027,716	177,525	666,910	2,997,773	452,372	(92,212)	10,230,083
Financial guarantees	3,770	12,765	2,083	10,000	-	-	28,618
Contingent liabilities	25,593	27,904	31,092	2,857	8,399	-	95,846
Commitments*	-	-	-	539,907	-	-	539,907
Total Off-Balance Sheet	29,363	40,669	33,175	552,764	8,399	-	664,370
Total On and Off-Balance Sheet	6,057,079	218,194	700,085	3,550,537	460,771	(92,212)	10,894,453

* Exclude ijarah rental swaps as the fair value has already been disclose within hedging financial instruments.

KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

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

A24 FINANCIAL RISK MANAGEMENT (Cont'd.)

(a) CREDIT RISK (Cont'd.)

(ii) Credit quality per class of financial assets

The credit quality of financial assets is managed by the Bank using internal credit ratings. The table below shows the credit quality by class of asset for all financial assets exposed to credit risk, based on the Bank's internal credit rating system. The amount presented are gross of impairment allowances.

	Performing	Performing unrated	Past due but not impaired	Restructured & rescheduled	Impaired	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
30 Jun 2016						
Group						
Cash and short-term funds	1,408,834	-	-	-	-	1,408,834
Deposits and placements with banks and other financial institutions	210,409	-	-	-	-	210,409
Securities held-for-trading	-	-	-	-	-	-
Securities available-for-sale	1,036,565	61,492	-	-	8,555	1,106,612
Securities held-to-maturity	61,235	-	-	-	-	61,235
Financing, advances and other receivables	4,239,783	2,258,721	308,005	1,157	489,675	7,297,341
Other assets	207,032	-	-	-	-	207,032
Statutory deposits with BNM	211,700	-	-	-	-	211,700
Hedging financial instruments	7,340	-	-	-	-	7,340
Total On-Balance Sheet	7,382,898	2,320,213	308,005	1,157	498,230	10,510,503
Financial guarantees	6,997	-	-	-	-	6,997
Contingent liabilities	60,319	-	-	-	-	60,319
Commitments*	470,932	-	-	-	-	470,932
Total Off-Balance Sheet	538,247	-	-	-	-	538,247
Total On and Off-Balance Sheet	7,921,145	2,320,213	308,005	1,157	498,230	11,048,750

KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

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

A24 FINANCIAL RISK MANAGEMENT (Cont'd.)

(a) CREDIT RISK (Cont'd.)

(ii) Credit quality per class of financial assets (Cont'd)

The credit quality of financial assets is managed by the Bank using internal credit ratings. The table below shows the credit quality by class of asset for all financial assets exposed to credit risk, based on the Bank's internal credit rating system. The amount presented are gross of impairment allowances. (Cont'd)

	Performing	Performing unrated	Past due but not impaired	Restructured & rescheduled	Impaired	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
30 Jun 2016						
Bank						
Cash and short-term funds	1,408,834	-	-	-	-	1,408,834
Deposits and placements with banks and other financial institutions	237,073	-	-	-	-	237,073
Securities held-for-trading	-	-	-	-	-	-
Securities available-for-sale	995,867	61,492	-	-	8,555	1,065,914
Securities held-to-maturity	61,235	-	-	-	-	61,235
Financing, advances and other receivables	4,239,783	2,258,721	308,005	1,157	489,675	7,297,341
Other assets	206,337	-	-	-	-	206,337
Statutory deposits with BNM	211,700	-	-	-	-	211,700
Hedging financial instruments	7,340	-	-	-	-	7,340
Total On-Balance Sheet	7,368,171	2,320,213	308,005	1,157	498,231	10,495,775
Financial guarantees	6,997	-	-	-	-	6,997
Contingent liabilities	60,319	-	-	-	-	60,319
Commitments*	470,932	-	-	-	-	470,932
Total Off-Balance Sheet	538,247	-	-	-	-	538,247
Total On and Off-Balance Sheet	7,906,418	2,320,213	308,005	1,157	498,231	11,034,022

* Exclude ijarah rental swaps as the fair value has already been disclose within hedging financial instruments.

KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

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

A24 FINANCIAL RISK MANAGEMENT (Cont'd.)

(a) CREDIT RISK (Cont'd.)

(ii) Credit quality per class of financial assets (Cont'd.)

The credit quality of financial assets is managed by the Bank using internal credit ratings. The table below shows the credit quality by class of asset for all financial assets exposed to credit risk, based on the Bank's internal credit rating system. The amount presented are gross of impairment allowances. (Cont'd.)

	Performing	Unrated	Past due but not impaired	Restructured & rescheduled	Impaired	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
31 Dec 2015						
Group						
Cash and short-term funds	1,558,023	-	-	-	-	1,558,023
Deposits and placements with banks and other financial institutions	211,618	-	-	-	-	211,618
Securities held-for-trading	-	-	-	-	-	-
Securities available-for-sale	898,093	63,921	-	-	9,613	971,627
Securities held-to-maturity	61,251	-	-	-	-	61,251
Financing, advances and other receivables	4,301,460	2,214,572	339,628	8,462	550,898	7,415,020
Other assets	211,066	-	-	-	260	211,326
Statutory deposits with BNM	242,000	-	-	-	-	242,000
Hedging financial instruments	9,267	-	-	-	-	9,267
Total On-Balance Sheet	7,492,778	2,278,493	339,628	8,462	560,771	10,680,132
Financial guarantees	28,618	-	-	-	-	28,618
Contingent liabilities	95,845	-	-	-	-	95,845
Commitments*	539,907	-	-	-	-	539,907
Total Off-Balance Sheet	664,370	-	-	-	-	664,370
Total On and Off-Balance Sheet	8,157,148	2,278,493	339,628	8,462	560,771	11,344,502

KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

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

A24 FINANCIAL RISK MANAGEMENT (Cont'd.)

(a) CREDIT RISK (Cont'd.)

(ii) Credit quality per class of financial assets (Cont'd)

The credit quality of financial assets is managed by the Bank using internal credit ratings. The table below shows the credit quality by class of asset for all financial assets exposed to credit risk, based on the Bank's internal credit rating system. The amount presented are gross of impairment allowances. (Cont'd.)

	Performing	Performing unrated	Past due but not impaired	Restructured & rescheduled	Impaired	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
31 Dec 2015						
Bank						
Cash and short-term funds	1,558,023	-	-	-	-	1,558,023
Deposits and placements with banks and other financial institutions	239,536	-	-	-	-	239,536
Securities held-for-trading	-	-	-	-	-	-
Securities available-for-sale	833,955	63,921	-	-	9,613	907,489
Securities held-to-maturity	61,251	-	-	-	-	61,251
Financing, advances and other receivables	4,301,460	2,214,572	339,628	8,462	550,898	7,415,020
Other assets	210,112	-	-	-	260	210,372
Statutory deposits with BNM	242,000	-	-	-	-	242,000
Hedging financial instruments	9,267	-	-	-	-	9,267
Total On-Balance Sheet	7,455,604	2,278,493	339,628	8,462	560,771	10,642,958
Financial guarantees	28,618	-	-	-	-	28,618
Contingent liabilities	95,845	-	-	-	-	95,845
Commitments*	539,907	-	-	-	-	539,907
Total Off-Balance Sheet	664,370	-	-	-	-	664,370
Total On and Off-Balance Sheet	8,119,974	2,278,493	339,628	8,462	560,771	11,307,328

* Exclude ijarah rental swaps as the fair value has already been disclose within hedging financial instruments.

KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

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

A24 FINANCIAL RISK MANAGEMENT (Cont'd.)

(a) CREDIT RISK (Cont'd.)

(iii) Credit risk exposure based on the Bank's internal credit risk rating

The principal objective of credit risk measurement for KFHMB is to produce accurate quantitative assessment of the credit risk to which the Bank is exposed to. To determine the counterparty risk, KFHMB has a risk rating system that enables the rank-ordering of the customers' risk profile to assess the credit quality of customers and assigns them an internal risk rating. Over the year, to ensure that the integrity of the data used is in place, KFHMB has undergone a verification exercise with an independent consultant and is in the midst of further refining the rating process. The rating system is actively monitored and a monthly analysis of the corporate and commercial customers are provided to the senior management and the Board for oversight.

For retail banking, KFHMB has in place a series of scorecards, which will assess the credit worthiness of the individual customers prior to approval. The main attributes of the credit assessment within the scorecard is mostly based on statistically derived default patterns within the customer profile and also credit bureau data. The performance of the scorecard is being monitored to ensure that it continues to effectively discriminate between good and potentially bad customers.

Group and Bank	30 Jun 2016	31 Dec 2015
	RM'000	RM'000
Corporate & Commercial		
Excellent	334,489	394,772
Strong	2,018,839	2,199,448
Minimum	1,254,119	1,171,600
Pass with condition	623,140	567,062
Early care	33,362	43,392
Impaired	197,951	224,046
New/SPV	49,522	51,479
Unrated *	2,504,532	2,442,558
	7,015,954	7,094,357
Less: Collective assessment	(93,121)	(92,212)
Total Corporate, Commercial and Retail	6,922,833	7,002,145

* Unrated segment includes retail consumer credit exposures

KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

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

A24 FINANCIAL RISK MANAGEMENT (Cont'd.)

(a) CREDIT RISK (Cont'd.)

(iii) Credit risk exposure based on the Bank's internal credit risk rating (Cont'd.)

30 Jun 2016

Securities

Moody's	Aaa to Aa3	A1 to A3	Baa1 to Ba3	B+ to C		Government - guaranteed	
S&P	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D			
Fitch	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D			
RAM	AAA to AA3	A to A3	BBB to BB	B to D			Total
MARC	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated		RM'000
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Group							
Securities available-for-sale	245,980	432,835	20,265	-	70,047	337,485	1,106,612
Securities held-to-maturity	61,235						61,235
Bank							
Securities available-for-sale	225,546	432,835			70,047	337,485	1,065,914
Securities held-to-maturity	61,235						61,235

31 Dec 2015

Securities

Moody's	Aaa to Aa3	A1 to A3	Baa1 to Ba3	B+ to C		Government - guaranteed	
S&P	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D			
Fitch	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D			
RAM	AAA to AA3	A to A3	BBB to BB	B to D			Total
MARC	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated		RM'000
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Group							
Securities held-for-trading	-	-	-	-	-	-	-
Securities available-for-sale	242,265	451,865	21,364	-	73,534	182,599	971,626
Securities held-to-maturity	61,251	-	-	-	-	-	61,251
Bank							
Securities held-for-trading	-	-	-	-	-	-	-
Securities available-for-sale	220,990	430,366	-	-	73,534	182,599	907,489
Securities held-to-maturity	61,251	-	-	-	-	-	61,251

KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

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

A24 FINANCIAL RISK MANAGEMENT (Cont'd.)

(a) CREDIT RISK (Cont'd.)

(iv) Aging analysis of past due but not impaired financing by class of financial assets

30 Jun 2016

Group and Bank

Financing and advances to customers

Corporate financing

Commercial financing

Retail & Consumer financing

Less than 30 days	31 to 60 days	61 to 90 days	Total
RM'000	RM'000	RM'000	RM'000
232	9,649	50	9,931
6,616	7,455	163	14,234
198,706	52,567	32,566	283,840
205,555	69,671	32,779	308,005

31 Dec 2015

Group and Bank

Financing and advances to customers

Corporate financing

Commercial financing

Retail & Consumer financing

Less than 30 days	31 to 60 days	61 to 90 days	Total
RM'000	RM'000	RM'000	RM'000
27,284	-	460	27,744
32,966	1,441	5,360	39,767
179,836	73,232	19,049	272,118
240,086	74,674	24,869	339,628

Impaired and past due financing by geographical regions

30 Jun 2016

Group and Bank

Malaysia

Middle East

Others

Total

Impaired	Past due but not impaired	Individual impairment	Collective impairment	Write-off
RM'000	RM'000	RM'000	RM'000	RM'000
480,438	307,420	280,694		20,444
-	-	-		-
9,237	585	694		-
489,675	308,005	281,388	93,120	20,444

31 Dec 2015

Group and Bank

Malaysia

Middle East

Others

Total

Impaired	Past due but not impaired	Individual impairment	Collective impairment	Write-off
RM'000	RM'000	RM'000	RM'000	RM'000
541,304	338,756	320,418		113,021
-	581	-		-
9,594	292	246		-
550,898	339,629	320,664	92,212	113,021

KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

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

A24 FINANCIAL RISK MANAGEMENT (Cont'd.)

(a) CREDIT RISK (Cont'd.)

(iv) Aging analysis of past due but not impaired financing by class of financial assets

Impaired and past due financing by industry sector

30 Jun 2016

Group and Bank

Trading and manufacturing	345,291
Banks and financial institutions	0
Construction and real estate	87,782
Transportation, storage and communication	12,223
Others	44,380
Total	489,675

Impaired	Past due but not impaired	Individual impairment	Collective impairment	Write-off
RM'000	RM'000	RM'000	RM'000	RM'000
345,291	-	256,838		-
0	-	0		-
87,782	16,474	0		-
12,223	-	2,027		17,426
44,380	291,531	22,522		3,019
489,675	308,005	281,388	93,120	20,444

31 Dec 2015

Group and Bank

Trading and manufacturing	399,664
Banks and financial institutions	28
Construction and real estate	88,202
Transportation, storage and communication	25,918
Others	37,086
Total	550,898

Impaired	Past due but not impaired	Individual impairment	Collective impairment	Write-off
RM'000	RM'000	RM'000	RM'000	RM'000
399,664	46,043	284,361		10,309
28	410	-		28,067
88,202	5,526	-		-
25,918	4,242	17,426		63,524
37,086	283,407	18,877		11,120
550,898	339,628	320,664	92,212	113,020

KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

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

A24 FINANCIAL RISK MANAGEMENT (Cont'd.)

(a) CREDIT RISK (Cont'd.)

(v) Carrying amount by class of financial assets whose terms have been renegotiated

	30 Jun 2016	31 Dec 2015
	Total	Total
	RM'000	RM'000
Group and Bank		
Financing and advances to customers		
Corporate financing	-	-
Commercial financing	-	-
Retail & Consumer financing	1,157	-
	1,157	-

Collateral

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. The Bank has established clear guidelines that have been approved by the management and the Board on the types of acceptable collateral, valuation parameters and processes and secured margins to be taken.

The main types of collateral accepted include real estate, securities, cash and bank guarantees. The Bank also obtains guarantees from parent companies for finance facilities extended to their subsidiaries. In line with the Bank's established credit guidelines, proper due diligence on the guarantor is conducted to ascertain their creditworthiness. Management monitors the market value of collateral, requests additional collateral in accordance with the underlying agreements, and monitors the market value of collateral obtained during its review of the adequacy of the allowance for impairment losses.

The financial effect of collateral (quantification of the extent to which collateral and other enhancements mitigate credit risk) held for financing, advances and other receivables for the Bank is approximately between the range of 85% - 95% as at 30 June 2016 (2015: 85% - 95%). The financial effect of collateral held for other financial assets is not significant.

Guidelines on Musyarakah and Mudharabah Contracts for Islamic Banking Institutions

In order to cater for the inherently higher credit risks associated to dealings in Musyarakah and Mudharabah contracts, the Bank has been maintaining an internal credit policy to cover the Bank's activities in such portfolio, in addition to complying with BNM's Guidelines on Musyarakah and Mudharabah Contracts for Islamic Banking Institutions. The internal policy, which sets stricter and more clearly defined guidelines, encompasses areas of managing risks associated to profit-sharing activities such as the business management, strategy, exit mechanisms, business monitoring/control, and trigger alerts for potential watchlist and impaired accounts. The credit policy is enhanced from time to time to cater for latest changes in the risk profile of the portfolio.

In terms of approval of new Musyarakah and Mudharabah contracts, the Bank has introduced greater control where all new proposals are tabled to Management Committee for approval and subsequently to Board Credit and Investment Committee for concurrence. This further augments the Board's credit monitoring oversight role, specifically on the relatively higher risk profit-sharing portfolio.

KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)
(Incorporated in Malaysia)

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

A24 FINANCIAL RISK MANAGEMENT (Cont'd.)

(b) LIQUIDITY RISK

Liquidity risk is defined as the exposure to loss as a result of the inability to meet cash flow obligations in a timely and cost-effective manner. It arises when the Bank does not have sufficient maturing assets to cover maturing liabilities that are not rolled-over. The Bank uses the Bank Negara Malaysia's New Liquidity Framework as a foundation in managing its liquidity.

The objective of liquidity risk management is to ensure that cash needs always can be met at reasonable cost, either by:

- i) maturity or sale of assets, or
- ii) the acquisition of deposits or additional funding from the Islamic money markets.

Liquidity risk management function is overseen by the Asset and Liability Management Committee ("ALCO"), who is guided by the Bank's Asset and Liability Management Policy.

Contractual maturity of total assets and liabilities

The maturities of on-balance sheet assets and liabilities as well as other off-balance sheets assets and liabilities, commitments and counter-guarantees are important factors in assessing liquidity of the Group and the Bank.

The table below provides analysis of assets and liabilities into relevant maturity tenures based on their behavioural profile. The disclosure is made in accordance with the requirement of revised BNM's GP8-i "Guidelines on Financial Reporting for Licensed Islamic Banks".

	Up to 6 months	>6 - 12 months	>1 - 5 years	Over 5 years	Not on demand & no maturity date	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Group						
30 Jun 2016						
ASSETS						
Cash and short-term funds	1,348,428	-	-	-	60,406	1,408,834
Deposits and placements with banks and other financial institutions	120,814	89,595	-	-	-	210,409
Securities held-for-trading	-	-	-	-	-	-
Securities available-for-sale	139,967	10,082	247,577	659,733	200,005	1,257,364
Securities held-to-maturity	-	-	-	61,235	-	61,235
Financing, advances and receivables	4,037,271	20,711	728,580	2,136,272	-	6,922,833
Musarakah capital investment	-	-	-	-	5,898	5,898
Other assets	-	-	-	-	640,699	640,699
Total Assets	5,646,480	120,388	976,157	2,857,239	907,008	10,507,272

KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

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

A24 FINANCIAL RISK MANAGEMENT (Cont'd.)

(b) LIQUIDITY RISK (Cont'd.)

Contractual maturity of total assets and liabilities (Cont'd.)

Group
30 Jun 2016

LIABILITIES AND SHAREHOLDER'S EQUITY

Deposits from customers
Deposits and placements of banks and other financial institutions
Subordinated Murabahah Tawarruq
Other liabilities

Total Liabilities

Shareholder's equity

Total Liabilities and Shareholder's equity

OFF-BALANCE SHEET LIABILITIES

Commitments & contingencies

Net maturity mismatch

Up to 6 months	>6 - 12 months	>1 - 5 years	Over 5 years	Not on demand & no maturity date	Total
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
3,902,178	364,798	2,392	-	766,534	5,035,902
3,129,226	147,673	6,250	-	-	3,283,149
-	-	-	403,541	-	403,541
-	-	-	-	70,801	70,801
7,031,404	512,470	8,642	403,541	837,336	8,793,393
-	-	-	-	1,713,879	1,713,879
7,031,404	512,470	8,642	403,541	2,551,215	10,507,272
215,997	42,979	72,982	114,850	91,440	538,248
(1,600,921)	(435,062)	894,533	2,338,849	(1,735,647)	(538,248)

KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

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

A24 FINANCIAL RISK MANAGEMENT (Cont'd.)

(b) LIQUIDITY RISK (Cont'd.)

Contractual maturity of total assets and liabilities (Cont'd.)

Group 31 Dec 2015	Up to 6 months RM'000	>6 - 12 months RM'000	>1 - 5 years RM'000	Over 5 years RM'000	Not on demand & no maturity date RM'000	Total RM'000
ASSETS						
Cash and short-term funds	1,558,023	-	-	-	-	1,558,023
Deposits and placements with banks and other financial institutions	89,800	121,818	-	-	-	211,618
Securities held-for-trading	-	-	-	-	-	-
Securities available-for-sale	21,499	121,383	300,920	518,212	173,208	1,135,222
Securities held-to-maturity	-	-	61,251	-	-	61,251
Financing, advances and receivables	4,151,648	475,206	343,560	2,031,731	-	7,002,145
Musarakah capital investment	-	-	-	-	5,898	5,898
Other assets	-	-	-	-	693,871	693,871
Total Assets	5,820,970	718,407	705,731	2,549,943	872,977	10,668,028
LIABILITIES AND SHAREHOLDER'S EQUITY						
Deposits from customers	3,299,155	335,383	5,469	-	-	3,640,007
Deposits and placements of banks and other financial institutions	4,644,227	205,123	-	-	-	4,849,350
Subordinated Murabahah Tawarruq	-	-	-	429,538	-	429,538
Other liabilities	-	-	-	-	81,662	81,662
Total Liabilities	7,943,382	540,506	5,469	429,538	81,662	9,000,557
Shareholder's equity	-	-	-	-	1,667,471	1,667,471
Total Liabilities and Shareholder's equity	7,943,382	540,506	5,469	429,538	1,749,133	10,668,028
OFF-BALANCE SHEET LIABILITIES						
Commitments & contingencies	29,363	40,669	33,176	552,764	8,398	664,370
Net maturity mismatch	(2,151,774)	137,232	667,086	1,567,641	(884,554)	(664,370)

KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)
(Incorporated in Malaysia)

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

A24 FINANCIAL RISK MANAGEMENT (Cont'd.)

(b) LIQUIDITY RISK (Cont'd.)

Contractual maturity of total assets and liabilities (Cont'd.)

	Up to 6 months	>6 - 12 months	>1 - 5 years	Over 5 years	Not on demand & no maturity date	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Bank						
30 Jun 2016						
ASSETS						
Cash and short-term funds	1,348,428	-	-	-	60,406	1,408,834
Deposits and placements with banks and other financial institutions	147,478	89,595	-	-	-	237,073
Securities held-for-trading	-	-	-	-	-	-
Securities available-for-sale	139,967	10,082	247,577	659,733	141,287	1,198,646
Securities held-to-maturity	-	-	-	61,235	-	61,235
Financing, advances and receivables	4,037,285	20,711	728,580	2,136,257	-	6,922,833
Musyarakah capital investment	-	-	-	-	5,898	5,898
Other assets	-	-	-	-	657,976	657,976
Total Assets	5,673,158	120,388	976,157	2,857,225	865,567	10,492,495
LIABILITIES AND SHAREHOLDER'S EQUITY						
Deposits from customers	3,839,872	364,798	2,392	-	687,032	4,894,093
Deposits and placements of banks and other financial institutions	3,283,745	147,673	6,250	-	-	3,437,667
Subordinated Murabahah Tawarruq	-	-	-	403,541	-	403,541
Murabahah bank financing	-	-	-	-	-	-
Other liabilities	-	-	-	-	70,119	70,119
Total Liabilities	7,123,616	512,470	8,642	403,541	757,151	8,805,421
Shareholder's equity	-	-	-	-	1,687,075	1,687,075
Total Liabilities and Shareholder's equity	7,123,616	512,470	8,642	403,541	2,444,226	10,492,495
OFF-BALANCE SHEET LIABILITIES						
Commitments & contingencies	215,997	42,979	72,982	114,850	91,440	538,248
Net maturity mismatch	(1,666,455)	(435,062)	894,533	2,338,834	(1,670,099)	(538,249)

KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

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

A24 FINANCIAL RISK MANAGEMENT (Cont'd.)

(b) LIQUIDITY RISK (Cont'd.)

Contractual maturity of total assets and liabilities (Cont'd.)

Bank 31 Dec 2015	Up to 6 months RM'000	>6 - 12 months RM'000	>1 - 5 years RM'000	Over 5 years RM'000	Not on demand & no maturity date RM'000	Total RM'000
ASSETS						
Cash and short-term funds	1,558,023	-	-	-	-	1,558,023
Deposits and placements with banks and other financial institutions	117,717	121,819	-	-	-	239,537
Securities held-for-trading	-	-	-	-	-	-
Securities available-for-sale	-	121,383	258,281	518,212	154,494	1,052,370
Securities held-to-maturity	-	-	61,251	-	-	61,251
Financing, advances and receivables	4,151,648	475,206	343,560	2,031,731	-	7,002,145
Musyarakah capital investment	-	-	-	-	5,898	5,898
Other assets	-	-	-	-	710,873	710,873
Total Assets	5,827,388	718,408	663,093	2,549,943	871,265	10,630,096
LIABILITIES AND SHAREHOLDER'S EQUITY						
Deposits from customers	3,215,455	335,383	5,469	-	-	3,556,307
Deposits and placements of banks and other financial institutions	4,717,009	205,123	-	-	-	4,922,132
Subordinated Murabahah Tawarruq	-	-	-	429,538	-	429,538
Other liabilities	-	-	-	-	80,880	80,880
Total Liabilities	7,932,464	540,506	5,469	429,538	80,880	8,988,857
Shareholder's equity	-	-	-	-	1,641,239	1,641,239
Total Liabilities and Shareholder's equity	7,932,464	540,506	5,469	429,538	1,722,119	10,630,096
OFF-BALANCE SHEET LIABILITIES						
Commitments & contingencies	29,363	40,669	33,176	552,764	8,398	664,370
Net maturity mismatch	(2,134,439)	137,233	624,447	1,567,641	(859,252)	(664,370)

KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

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

A24 FINANCIAL RISK MANAGEMENT (Cont'd.)

(b) LIQUIDITY RISK (Cont'd.)

Contractual maturity of financial liabilities on an undiscounted basis

The table below present the cash flows payable by the Group and the Bank under financial liabilities by remaining contractual maturities at the end of the reporting period. The amounts disclosed in the tables are the contractual undiscounted cash flow. The Group and the Bank manage inherent liquidity risk based on discounted expected cash flows:

	Up to 6 months	> 6 -12 months	> 1 – 5 years	Over 5 years	Not on demand & no maturity	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
30 Jun 2016						
Group						
Deposits from customers	3,962,968	373,355	2,625	-	766,534	5,105,482
Deposit and placements of banks and other financial institutions	3,183,824	151,554	6,934	-	-	3,342,312
Subordinated Murabahah Tawarruq	-	-	-	448,388	-	448,388
Other liabilities	-	-	-	-	70,801	70,801
Total	7,146,793	524,910	9,558	-	837,336	8,966,984
Bank						
Deposits from customers	3,901,582	373,627	2,632	-	687,032	4,964,872
Deposit and placements of banks and other financial institutions	3,338,940	151,411	6,907	-	-	3,497,259
Subordinated Murabahah Tawarruq	-	-	-	448,388	-	448,388
Other liabilities	-	-	-	-	70,119	70,119
Total	7,240,522	525,038	9,540	-	757,151	8,980,639

KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

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

A24 FINANCIAL RISK MANAGEMENT (Cont'd.)

(b) LIQUIDITY RISK (Cont'd.)

Contractual maturity of financial liabilities on an undiscounted basis (Cont'd.)

	Up to 6 months RM'000	> 6 -12 months RM'000	> 1 – 5 years RM'000	Over 5 years RM'000	Not on demand & no maturity RM'000	Total RM'000
31 Dec 2015						
Group						
Deposits from customers	2,527,261	342,591	5,955	97,823	723,553	3,697,183
Deposit and placements of banks and other financial institutions	4,736,486	211,266	-	-	-	4,947,752
Subordinated Murabahah Tawarruq	-	-	-	502,015	-	502,015
Other liabilities	-	-	-	-	81,662	81,662
Total	7,263,747	553,857	5,955	599,838	805,215	9,228,612
Bank						
Deposits from customers	2,528,310	342,760	5,967	-	723,553	3,600,590
Deposit and placements of banks and other financial institutions	4,809,594	211,192	-	-	-	5,020,785
Subordinated Murabahah Tawarruq	-	-	-	502,015	-	502,015
Other liabilities	-	-	-	-	78,180	78,180
Total	7,337,904	553,952	5,967	502,015	801,733	9,201,570

To manage the risk inherent from the above position, limits on the following ratios are imposed to ensure that the Bank has sufficient liquidity to meet the liability obligations:

- The sum of assets to mature within a period of one week and liquefiable assets over the liabilities that will mature within a period of 1 week;
- The sum of assets to mature within a period of one month and liquefiable assets over the liabilities that will mature within a period of 1 month; and
- The sum of cash, bank balances, placements and deposits with banks and financial institutions, and liquefiable assets over the total deposits from the 10 largest depositors of the Bank.

KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

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

A24 FINANCIAL RISK MANAGEMENT (Cont'd.)

(c) MARKET RISK

Trading

All positions, when the change in fair values will affect the current financial year net profit, are classified as trading positions. Limits on the trading exposures, annual loss and holding period are imposed to manage the potential impact of the trading positions on the Bank's profit and loss. Risk Management Division will review these limits regularly and will recommend to Board Risk Management Committee changes or additional limits, when necessary.

The capital requirement for the Bank's trading exposures is guided by Bank Negara Malaysia's Capital Adequacy Framework for Islamic Bank ("CAFIB").

(i) Benchmark Rate Risk

Rate sensitive financial instruments are normally affected by general changes in the market profit rate, known as general risk. Changes in factor related to a specific issuer, in particular issuer's credit quality, which would affect the instrument, are known as specific risk. The Bank has adopted the maturity method as defined in CAFIB in computing the general risk charge of rate sensitive instruments.

The Bank's exposures to benchmark rate risk comprise of exposures in Held-for-Trading (HTM) sukuks, ijarah rental swap (IRS) and forward foreign exchange related contracts. As at 30 June 2016, the total risk weighted assets for exposures with benchmark rate risk was RM 13.60 million (31 December 2015: RM17.64 million) with a total capital charge of RM 1.088 million (31 December 2015: RM1.41 million).

All positions in IRS were fully squared (2015: Squared). The table below indicates the Basis Point Value ("BPV") sensitivity analysis of the securities held-for-trading against the movement in market benchmark rates.

Securities held-for-trading

	30 Jun 2016			31 Dec 2015		
	Nominal amount RM' 000	Modified duration	BPV	Nominal amount RM	Modified duration	BPV
Group and Bank						
US Dollar (USD)	-	-	-	-	-	-

KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

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

A24 FINANCIAL RISK MANAGEMENT (Cont'd.)

(c) MARKET RISK (Cont'd.)

(ii) Foreign exchange risk

Foreign exchange risk is the risk to earnings and value of foreign currency assets, liabilities and derivative financial instruments caused by fluctuation in foreign exchange rates.

As at 30 June 2016, the total risk weighted assets for exposures with foreign exchange rate risk was RM8.700 million (31 December 2015: RM15.28 million) with a total capital charge of RM0.696 million (31 December 2015: RM1.22 million).

The table below indicates the currencies to which the Bank had significant exposure. The analysis calculates the effect of a reasonably possible movement of the currencies' exchange rates against Ringgit Malaysia, with all other variables held constant, on the income statement. A negative amount in the table reflects a potential net reduction in income statement, while a positive amount reflects a net potential increase.

	30 Jun 2016		31 Dec 2015	
	Change in exchange rate %	Effect on Income Statements / Equity RM	Change in exchange rate %	Effect on Income Statements / Equity RM
Group				
Singapore Dollar (SGD)	1	(4)	1	(29)
US Dollar (USD)	1	544	1	5,003
Euro (EUR)	1	(945)	1	(993)
Bank				
Singapore Dollar (SGD)	1	(4)	1	(29)
US Dollar (USD)	1	(1,409)	1	(219)
Euro (EUR)	1	(451)	1	(561)

KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

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

A24 FINANCIAL RISK MANAGEMENT (Cont'd.)

(c) MARKET RISK (Cont'd.)

Non-Trading

All positions, when the change in fair values will affect the Bank's equity, are classified as non-trading positions. The Bank's exposures in securities available-for-sale are classified as non-trading market risk positions. At present, these exposures are not subject to market risk capital charge requirement.

The table below indicates the Basis Point Value ('BPV') sensitivity analysis of the securities available-for-sale against the movement in market benchmark rates.

Securities available-for-sale

Group	30 Jun 2016			31 Dec 2015		
	Nominal amount RM' 000	Modified duration	BPV	Nominal amount RM' 000	Modified duration	BPV
Ringgit Malaysia	503,670	3.85	196,219	352,000	3.45	120,077
US Dollar	551,939	3.70	217,618	541,020	4.29	244,115
Bank						
Ringgit Malaysia	503,670	3.85	196,219	352,000	3.37	117,437
US Dollar	511,651	3.78	207,101	523,899	4.30	236,525

KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

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

A24 FINANCIAL RISK MANAGEMENT (Cont'd.)

(d) RATE OF RETURN RISK

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

Group 30 Jun 2016	Non-trading book						Trading book	Total RM'000	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			
ASSETS									
Cash and short-term funds	1,348,428	-	-	-	-	60,406	-	1,408,834	3.10
Deposits and placements with banks and other financial institutions	-	31,219	179,190	-	-	-	-	210,409	1.26
Securities available-for-sale	61,063	-	88,986	247,577	659,733	200,005	-	1,257,364	3.02
Securities held-to-maturity	-	-	-	61,235	-	-	-	61,235	5.21
Financing, advances and receivables	2,064,880	2,685,916	365,133	491,025	1,315,879	-	-	6,922,833	5.27
Musyarakah capital investment	-	-	-	-	-	5,898	-	5,898	
Other assets	-	-	-	-	-	640,699	-	640,699	
TOTAL ASSETS	3,474,371	2,717,135	633,310	799,836	1,975,612	907,008	-	10,507,271	
LIABILITIES AND SHAREHOLDER'S EQUITY									
Deposits from customers	1,212,499	1,921,188	1,124,166	2,392	-	775,657	-	5,035,902	3.14
Deposits and placements of banks and other financial institutions	1,773,147	732,183	771,568	6,250	-	-	-	3,283,149	3.52
Subordinated Murabahah Tawarruq	-	403,541	-	-	-	-	-	403,541	2.13
Other liabilities	-	-	-	-	-	70,801	-	70,801	
Total Liabilities	2,985,646	3,056,912	1,895,734	8,642	-	846,459	-	8,793,393	
Shareholder's equity	-	-	-	-	-	1,713,878	-	1,713,878	
Total Liabilities and Shareholder's Equity	2,985,646	3,056,912	1,895,734	8,642	-	2,560,337	-	10,507,271	
On-balance sheet profit sensitivity gap	490,092	(341,130)	(1,262,424)	791,194	1,975,612	(1,653,343)	-	-	
Off-balance sheet profit sensitivity gap	-	-	-	-	-	-	-	-	
Total profit sensitivity gap	490,092	(341,130)	(1,262,424)	791,194	1,975,612	(1,653,343)	-	-	

KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

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

A24 FINANCIAL RISK MANAGEMENT (Cont'd.)

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

Group 31 Dec 2015	Non-trading book						Trading book	Total	Effective profit rate
	Up to 1 month	>1 - 3 months	>3 - 12 months	>1 - 5 years	Over 5 years	Non- profit sensitive			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	%
ASSETS									
Cash and short-term funds	1,511,355	-	-	-	-	46,668	-	1,558,023	3.11
Deposits and placements with banks and other financial institutions	-	44,152	167,466	-	-	-	-	211,618	1.22
Securities available-for-sale	21,499	-	121,383	300,920	518,212	173,208	-	1,135,222	2.93
Securities held-to-maturity	-	-	-	61,251	-	-	-	61,251	5.21
Financing, advances and receivables	2,148,013	2,969,990	534,309	78,583	1,271,250	-	-	7,002,145	5.36
Musyarakah capital investment	-	-	-	-	-	5,898	-	5,898	
Other assets	-	-	-	-	-	693,871	-	693,871	
TOTAL ASSETS	3,680,867	3,014,141	823,158	440,754	1,789,462	919,645	-	10,668,028	
LIABILITIES AND SHAREHOLDER'S EQUITY									
Deposits from customers	1,516,625	580,273	734,961	5,469	-	802,679	-	3,640,006	2.88
Deposits and placements of banks and other financial institutions	2,174,522	1,783,757	891,071	-	-	-	-	4,849,350	4.01
Subordinated Murabahah Tawarruq	429,538	-	-	-	-	-	-	429,538	3.17
Other liabilities	-	-	-	-	-	81,662	-	81,662	
Total Liabilities	4,120,685	2,364,030	1,626,032	5,469	-	884,340	-	9,000,557	
Shareholder's equity	-	-	-	-	-	1,667,471	-	1,667,471	
Total Liabilities and Shareholder's Equity	4,120,685	2,364,030	1,626,032	5,469	-	2,551,811	-	10,668,028	
On-balance sheet profit sensitivity gap	(439,818)	650,111	(802,874)	435,285	1,789,462	(1,632,166)	-	-	
Off-balance sheet profit sensitivity gap	-	-	-	-	-	-	-	-	
Total profit sensitivity gap	(439,818)	650,111	(802,874)	435,285	1,789,462	(1,632,166)	-	-	

KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

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

A24 FINANCIAL RISK MANAGEMENT (Cont'd.)

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

Bank 30 Jun 2016	Non-trading book						Trading book	Total	Effective profit rate
	Up to 1 month	>1 - 3 months	>3 - 12 months	>1 - 5 years	Over 5 years	Non- profit sensitive			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	%
ASSETS									
Cash and short-term funds	1,348,428	-	-	-	-	60,406	-	1,408,834	3.10
Deposits and placements with banks and other financial institutions	-	57,883	179,190	-	-	-	-	237,073	1.19
Securities available-for-sale	61,063	-	88,986	247,577	659,733	141,287	-	1,198,646	3.17
Securities held-to-maturity	-	-	-	61,235	-	-	-	61,235	5.21
Financing, advances and receivables	2,064,894	2,685,916	365,133	491,025	1,315,865	-	-	6,922,833	5.27
Musarakah capital investment	-	-	-	-	-	5,898	-	5,898	
Other assets	-	-	-	-	-	657,976	-	657,976	
TOTAL ASSETS	3,474,385	2,743,799	633,310	799,837	1,975,598	865,567	-	10,492,495	
LIABILITIES AND SHAREHOLDER'S EQUITY									
Deposits from customers	1,164,791	1,920,743	1,124,166	2,392	-	682,001	-	4,894,093	3.24
Deposits and placements of banks and other financial institutions	1,927,665	732,183	771,568	6,250	-	-	-	3,437,667	3.39
Subordinated Murabahah Tawarruq	-	403,541	-	-	-	-	-	403,541	2.13
Other liabilities	-	-	-	-	-	70,119	-	70,119	
Total Liabilities	3,092,456	3,056,467	1,895,734	8,642	-	752,121	-	8,805,420	
Shareholder's equity						1,687,075	-	1,687,075	
Total Liabilities and Shareholder's Equity	3,092,456	3,056,467	1,895,734	8,642	-	2,439,196	-	10,492,495	
On-balance sheet profit sensitivity gap	383,289	(314,027)	(1,262,424)	791,194	1,975,598	(1,573,629)	-	-	
Off-balance sheet profit sensitivity gap	-	-	-	-	-	-	-	-	
Total profit sensitivity gap	383,289	(314,027)	(1,262,424)	791,194	1,975,598	(1,573,629)	-	-	

KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

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

A24 FINANCIAL RISK MANAGEMENT (Cont'd.)

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

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

KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

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

A24 FINANCIAL RISK MANAGEMENT (Cont'd.)

(e) FOREIGN EXCHANGE RISK

Foreign exchange risk is the risk to earnings and value of foreign currency assets, liabilities and hedging financial instruments caused by fluctuations in foreign exchange rates.

The banking activities of providing financial products and services to customers expose the Group and the Bank to foreign exchange risk. Foreign exchange risk is managed by treasury function, and monitored by Group Risk Management against delegated limits. The Group's policy is to ensure, where appropriate and practical, that its capital is protected from foreign exchange exposures. Hedging against foreign exchange exposures is mainly to protect the real economic value, rather than to avoid the short-term accounting impact.

The table below analyses the net foreign exchange positions of the Group and the Bank by major currencies, which are mainly in Ringgit Malaysia, Singapore Dollar, US Dollar, Euro and Kuwait Dinar.

Group
30 Jun 2016

ASSETS

Cash and short-term funds
Deposits and placements with banks and
other financial institutions
Securities held-for-trading
Securities available-for-sale
Securities held-to-maturity
Financing, advances and receivables
Musyarakah capital investment
Other assets
Total Assets

MYR	SGD	USD	EUR	KWD	Others	Total
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
1,337,086	-	68,489	-	-	3,259	1,408,834
-	-	-	-	-	-	-
-	210,409	-	-	-	-	210,409
-	-	-	-	-	-	-
695,842	-	561,521	-	-	-	1,257,364
61,235	-	-	-	-	-	61,235
6,691,672	-	231,161	-	-	-	6,922,833
5,898	-	-	-	-	-	5,898
640,699	-	-	-	-	-	640,699
9,432,432	210,409	861,171	-	-	3,259	10,507,271

KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

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

A24 FINANCIAL RISK MANAGEMENT (Cont'd.)

(e) FOREIGN EXCHANGE RISK (Cont'd.)

Group
30 Jun 2015 (Cont'd.)

LIABILITIES AND SHAREHOLDER'S EQUITY

Deposits from customers
Deposits and placements with banks and
other financial institutions
Subordinated Murabahah Tawarruq
Other liabilities
Total Liabilities
Shareholder's equity
Total Liabilities and Shareholder's equity

On-balance sheet open position
Off-balance sheet open position

Net open position

MYR	SGD	USD	EUR	KWD	Others	Total
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
4,711,668	210,511	107,595	-	-	6,128	5,035,902
-	-	-	-	-	-	-
2,895,901	-	360,366	26,882	-	-	3,283,149
-	-	403,541	-	-	-	403,541
70,801	-	-	-	-	-	70,801
7,678,370	210,511	871,502	26,882	-	6,128	8,793,392
1,713,879	-	-	-	-	-	1,713,879
9,392,249	210,511	871,502	26,882	-	6,128	10,507,271
40,183	(102)	(10,330)	(26,882)	-	(2,869)	-
-	-	-	-	-	-	-
40,183	(102)	(10,330)	(26,882)	-	(2,869)	-

KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

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

A24 FINANCIAL RISK MANAGEMENT (Cont'd.)

(e) FOREIGN EXCHANGE RISK (Cont'd.)

Group 31 Dec 2015	MYR RM'000	SGD RM'000	USD RM'000	EUR RM'000	KWD RM'000	Others RM'000	Total RM'000
ASSETS							
Cash and short-term funds	1,503,524	30,509	21,472	-	-	2,518	1,558,023
Deposits and placements with banks and other financial institutions	-	167,466	23,623	-	-	20,529	211,618
Securities held-for-trading	-	-	-	-	-	-	-
Securities available-for-sale	348,225	-	768,283	18,714	-	-	1,135,222
Securities held-to-maturity	61,251	-	-	-	-	-	61,251
Financing, advances and receivables	6,703,819	-	298,326	-	-	-	7,002,145
Musyarakah capital investment	5,898	-	-	-	-	-	5,898
Other assets	693,871	-	-	-	-	-	693,871
Total Assets	9,316,588	197,975	1,111,704	18,714	-	23,047	10,668,028
LIABILITIES AND SHAREHOLDER'S EQUITY							
Deposits from customers	3,315,604	198,914	118,687	-	-	6,802	3,640,007
Deposits and placements with banks and other financial institutions	4,362,513	-	446,962	39,875	-	-	4,849,350
Subordinated Murabahah Tawarruq	-	-	429,538	-	-	-	429,538
Other liabilities	81,662	-	-	-	-	-	81,662
Total Liabilities	7,759,779	198,914	995,187	39,875	-	6,802	9,000,557
Shareholder's equity	1,667,471	-	-	-	-	-	1,667,471
Total Liabilities and Shareholder's equity	9,427,250	198,914	995,187	39,875	-	6,802	10,668,028
On-balance sheet open position	(110,662)	(939)	116,517	(21,161)	-	16,244	-
Off-balance sheet open position	-	-	-	-	-	-	-
Net open position	(110,662)	(939)	116,517	(21,161)	-	16,244	-

KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

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

A24 FINANCIAL RISK MANAGEMENT (Cont'd.)

(e) FOREIGN EXCHANGE RISK (Cont'd.)

Bank	MYR	SGD	USD	EUR	KWD	Others	Total
30 Jun 2016	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
ASSETS							
Cash and short-term funds	1,337,087	-	68,489	-	-	3,259	1,408,834
Deposits and placements with banks and other financial institutions	-	210,415	-	26,658	-	-	237,073
Securities held-for-trading	-	-	-	-	-	-	-
Securities available-for-sale	637,124	-	561,521	-	-	-	1,198,646
Securities held-to-maturity	61,235	-	-	-	-	-	61,235
Financing, advances and receivables	6,691,672	-	231,161	-	-	-	6,922,833
Musyarakah capital investment	5,898	-	-	-	-	-	5,898
Other assets	657,976	-	-	-	-	-	657,976
Total Assets	9,390,991	210,415	861,171	26,658	-	3,259	10,492,495
LIABILITIES AND SHAREHOLDER'S EQUITY							
Deposits from customers	4,570,304	210,511	107,150	-	-	6,128	4,894,093
Deposits and placements with banks and other financial institutions	-	-	-	-	-	-	-
Subordinated Murabahah Tawarruq	2,901,355	-	509,430	26,882	-	-	3,437,667
Other liabilities	-	-	403,541	-	-	-	403,541
Other liabilities	70,119	-	-	-	-	-	70,119
Total Liabilities	7,541,779	210,511	1,020,121	26,882	-	6,128	8,805,421
Shareholder's equity	1,687,075	-	-	-	-	-	1,687,075
Total Liabilities and Shareholder's equity	9,228,854	210,511	1,020,121	26,882	-	6,128	10,492,495
On-balance sheet open position	162,137	(96)	(158,949)	(224)	-	(2,869)	-
Off-balance sheet open position	-	-	-	-	-	-	-
Net open position	162,137	(96)	(158,949)	(224)	-	(2,869)	-

KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

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

A24 FINANCIAL RISK MANAGEMENT (Cont'd.)

(e) FOREIGN EXCHANGE RISK (Cont'd.)

Bank	MYR	SGD	USD	EUR	KWD	Others	Total
31 Dec 2015	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
ASSETS							
Cash and short-term funds	1,503,524	30,509	21,472	-	-	2,518	1,558,023
Deposits and placements with banks and other financial institutions	-	167,466	23,623	27,918	14,161	6,368	239,536
Securities held-for-trading	-	-	-	-	-	-	-
Securities available-for-sale	348,225	-	704,145	-	-	-	1,052,370
Securities held-to-maturity	61,251	-	0	-	-	-	61,251
Financing, advances and receivables	6,703,819	-	298,326	-	-	-	7,002,145
Musyarakah capital investment	5,898	-	-	-	-	-	5,898
Other assets	701,606	-	9,267	-	-	-	710,873
Total Assets	9,324,323	197,975	1,056,833	27,918	14,161	8,886	10,630,096
LIABILITIES AND SHAREHOLDER'S EQUITY							
Deposits from customers	3,231,903	198,914	118,687	-	-	6,803	3,556,307
Deposits and placements with banks and other financial institutions	4,368,540	-	513,716	39,876	-	-	4,922,132
Subordinated Murabahah Tawarruq	-	-	429,538	-	-	-	429,538
Other liabilities	80,880	-	-	-	-	-	80,880
Total Liabilities	7,681,323	198,914	1,061,941	39,876	-	6,803	8,988,857
Shareholder's equity	1,641,239	-	-	-	-	-	1,641,239
Total Liabilities and Shareholder's equity	9,322,562	198,914	1,061,941	39,876	-	6,803	10,630,096
On-balance sheet open position	1,761	(939)	(5,108)	(11,958)	14,161	2,083	-
Off-balance sheet open position	-	-	-	-	-	-	-
Net open position	1,761	(939)	(5,108)	(11,958)	14,161	2,083	-

KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

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

A24 FINANCIAL RISK MANAGEMENT (Cont'd.)

(f) PROFIT RATE RISK

Profit rate risk refers to movements in profit rates that can expose the Bank to higher funding costs or lower investment and financing yields. Due to the nature of the Bank's business, changes in profit rates can adversely affect the Bank in the form of lower net revenue depending on the mix and form of assets and liabilities.

The profit rate risk management function is overseen by the Asset and Liability Management Committee ("ALCO"), with the secretariat resided at Risk Management Division. ALCO is chaired by Chief Executive Officer with members comprised of senior management representing major business units, Finance Division, Credit & Risk Management Division.

The primary aim of profit rate risk management is to maintain the Bank's profit rate risk exposure within acceptable parameters when there is a change in the market profit rate. Profit rate risk limits shall provide the means for achieving this objective. ALCO had set the limits for the following ratios:

- i) The total of fixed rate financing over the Bank's total financing; and
- ii) The 3 months rate sensitive assets over the 3 months rate sensitive liabilities.

The following table summarises the Bank's exposures to profit rate risk as at 30 June 2016. The assets and liabilities at carrying amount are categorised by the earlier of the next contractual repricing dates and maturity dates. All retail deposits (liabilities) are assumed to be re-priced immediately when the market profit rate changes.

Exposures to profit rate risk

30 Jun 2016

Group

<i>RM million</i>	1-3 months	4-6 months	7-12 months	Over 12 months	Non-sensitive	Total
Rate sensitive assets	6,310	421	101	3,088	587	10,507
Rate sensitive liabilities	6,113	1,322	515	6	837	8,793
Monthly mismatch	196	(901)	(413)	3,082	(250)	
Cumulative mismatch	342	(1,054)	(5,628)	1,964	1,714	
	-	-	-	-	-	
Bank	-	-	-	-	-	
Rate sensitive assets	6,336	421	101	3,088	546	10,492
Rate sensitive liabilities	6,267	1,322	515	6	695	8,805
Monthly mismatch	69	(901)	(413)	3,082	(149)	
Cumulative mismatch	(94)	(1,436)	(6,393)	1,836	1,687	

The above analysis is performed on a monthly basis and subsequently, reported to ALCO for review and deliberation.

KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

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

A24 FINANCIAL RISK MANAGEMENT (Cont'd.)

(f) PROFIT RATE RISK (Cont'd.)

The following table summarises the Bank's exposures to profit rate risk as at 31 December 2015. The assets and liabilities at carrying amount are categorised by the earlier of the next contractual repricing dates and maturity dates. All retail deposits (liabilities) are assumed to be re-priced immediately when the market profit rate changes.

Exposures to profit rate risk

31 Dec 2015

Group

<i>RM million</i>	1-3 months	4-6 months	7-12 months	Over 12 months	Non-sensitive	Total
Rate sensitive assets	6,702	160	663	2,574	569	10,668
Rate sensitive liabilities	6,573	1,078	539	5	805	9,001
Monthly mismatch	130	(918)	124	2,568	(236)	
Cumulative mismatch	(561)	(1,826)	(5,202)	1,904	1,667	
Bank						
Rate sensitive assets	6,709	160	663	2,531	567	10,630
Rate sensitive liabilities	6,562	1,078	539	5	804	8,989
Monthly mismatch	147	(918)	124	2,526	(237)	
Cumulative mismatch	(559)	(1,774)	(5,098)	1,878	1,641	

The above analysis is performed on a monthly basis and subsequently, reported to ALCO for review and deliberation.

The following table indicates the sensitivity of the net revenue and the economic value of equity on over the rate of return upward and downward rate shocks.

Profit rate risk simulation sensitivity analysis (%)

30 Jun 2016

Group

	Movement in market profit rate (%)					
	(2.00)	(1.00)	(0.50)	0.50	1.00	2.00
Change in Net Revenue	0.05	0.03	0.01	(0.01)	(0.03)	(0.05)
Change in Economic Value of Equity	30.86	14.53	7.06	(6.67)	(12.98)	(24.61)
Bank						
Change in Net Revenue	0.05	0.03	0.01	(0.02)	(0.03)	(0.06)
Change in Economic Value of Equity	30.86	14.53	7.06	(6.67)	(12.98)	(24.61)

31 Dec 2015

Group

	Movement in market profit rate (%)					
	(2.00)	(1.00)	(0.50)	0.50	1.00	2.00
Change in Net Revenue	(7.44)	(9.75)	(10.91)	(13.59)	(15.11)	(18.16)
Change in Economic Value of Equity	31.00	14.57	7.07	(6.67)	(12.97)	(24.54)
Bank						
Change in Net Revenue	(8.26)	(10.60)	(11.77)	(14.24)	(15.53)	(18.12)
Change in Economic Value of Equity	30.82	14.48	7.02	(6.63)	(12.88)	(24.37)

KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

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

A24 FINANCIAL RISK MANAGEMENT (Cont'd.)

(g) Credit Risk Disclosures for portfolios under the Standardised Approach

For the calculation of credit risk-weighted assets under the Standardised Approach for Capital Adequacy Framework for Islamic Bank (CAFIB) issued by BNM, external credit assessments (or external ratings) on the obligor (the issuer) or specific securities issued by the issuer (the issue) form as a basis for the determination of risk weights for exposures to sovereigns, central banks, public sector entities, banking institutions, corporates as well as certain other specific portfolios in the banking book. The Bank captures all available external ratings of obligor or issues and adheres to the conditions stipulated in the BNM CAFIB to choose the applicable rating assessment for exposures with single or multiple external ratings. The Bank then assigns the appropriate risk weight to the banking book exposure that is equivalent to the standard risk-weights in CAFIB for issue-specific rating. The Bank also applies the principles stipulated in CAFIB to determine the applicable risk weights to the exposures that do not have issue-specific rating.

(i) Names of External Credit Assessment Institution ("ECAIs") used are :

Standard & Poor's Rating Services ("S&P")
Moody's Investor's Service ("Moody's")
Fitch Ratings ("Fitch")
Rating Agency Malaysia ("RAM")
Malaysian Rating Corporation Berhad ("MARC")

(ii) Types of exposures for which each ECAI is used :

Exposures to Sovereign and Central Banks
Exposures to Non-Federal Government Public Sector Entities ("PSEs")
Exposures to Multilateral Banks ("MDB"s)
Exposures to Banking Institutions and Corporates

(iii) The breakdown of all rated and unrated exposures risk-weighted assets ("RWA") by exposures in each major risk category for the current financial year are as follows:

30 Jun 2016

Exposure class	Rating of Corporates by approved ECAIs					
	Moody's	Aaa to Aa3	A1 to A3	Baa1 to Ba3	B+ to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	RAM	AAA to AA3	A to A3	BBB to BB	B to D	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	Rating & Investment Inc	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
On and Off-Balance Sheet Exposures		RM '000	RM '000	RM '000	RM '000	RM '000
Credit exposures (using corporate risk-weights)						
Group						
Corporates		145,113	184,656	222,965	25,477	4,362,423
		145,113	184,656	222,965	25,477	4,362,423
Bank						
Corporates		145,113	184,656	222,965	25,477	4,370,934
		145,113	184,656	222,965	25,477	4,370,934

KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

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

A24 FINANCIAL RISK MANAGEMENT (Cont'd.)

(g) Credit Risk Disclosures for portfolios under the Standardised Approach (Cont'd.)

30 Jun 2016

Exposure class	Rating of Sovereigns and Central Banks by approved ECAIs						
	Moody's	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to B3	Caa1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	Rating & Investment Inc	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to C	Unrated
On and Off-Balance Sheet Exposures		RM '000	RM '000	RM '000	RM '000	RM '000	RM '000
Group Sovereigns/Central Banks		73,585	1,454,143	20,265	-	-	378,458
Bank Sovereigns/Central Banks		53,151	1,454,143	-	-	-	378,458

Exposure class	Rating of Banking Institutions by approved ECAIs						
	Moody's	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to B3	Caa1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	RAM	AAA to AA3	A to A3	BBB1 to BBB3	BB1 to B3	C1 to D	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	C+ to D	Unrated
On and Off-Balance Sheet Exposures	Rating & Investment Inc	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to C	Unrated
		RM '000	RM '000	RM '000	RM '000	RM '000	RM '000
	Group Banks, MDBs and FDIs	113,217	273,713	52,885	42	-	91,749
	Bank Banks, MDBs and FDIs	139,882	273,713	52,885	42	-	91,749

KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

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

A24 FINANCIAL RISK MANAGEMENT (Cont'd.)

(g) Credit Risk Disclosures for portfolios under the Standardised Approach (Cont'd.)

31 Dec 2015

Exposure class	Rating of Corporates by approved ECAs					
	Moody's	Aaa to Aa3	A1 to A3	Baa1 to Ba3	B+ to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	RAM	AAA to AA3	A to A3	BBB to BB	B to D	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	Rating & Investment Inc	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
On and Off-Balance Sheet Exposures		RM '000	RM '000	RM '000	RM '000	RM '000
Credit exposures (using corporate risk-weights)						
Group Corporates		133,279	192,344	127,516	39,455	4,708,436
		133,279	192,344	127,516	39,455	4,708,436
Bank Corporates		133,279	192,344	127,516	39,455	4,717,513
		133,279	192,344	127,516	39,455	4,717,513

KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

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

A24 FINANCIAL RISK MANAGEMENT (Cont'd.)

(g) Credit Risk Disclosures for portfolios under the Standardised Approach (Cont'd.)

31 Dec 2015

Exposure class	Rating of Sovereigns and Central Banks by approved ECAs						
	Moody's	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to B3	Caa1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	Rating & Investment Inc	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to C	Unrated
On and Off-Balance Sheet Exposures		RM '000	RM '000	RM '000	RM '000	RM '000	RM '000
Group Sovereigns/Central Banks		76,637	1,744,050	21,364	-	-	260,208
Bank Sovereigns/Central Banks		55,363	1,744,050	-	-	-	260,208

Exposure class	Rating of Banking Institutions by approved ECAs						
	Moody's	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to B3	Caa1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	RAM	AAA to AA3	A to A3	BBB1 to BBB3	BB1 to B3	C1 to D	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	C+ to D	Unrated
Exposure class	Rating & Investment Inc	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to C	Unrated
		RM '000	RM '000	RM '000	RM '000	RM '000	RM '000
	Group Banks, MDBs and FDIs	(22,756)	280,855	51,358	37	-	96,825
	Bank Banks, MDBs and FDIs	5,161	280,855	51,358	37	-	96,825

KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

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

A24 FINANCIAL RISK MANAGEMENT (Cont'd.)

(h) Credit Risk Mitigation ("CRM") Disclosures under the Standardised Approach

The Bank's exposures covered by eligible guarantee and collateral under CAFIB are as follows:-

30 Jun 2016

Group	Exposures before CRM	Exposures Covered by Guarantees	Exposures Covered by Eligible Financial Collateral
	RM'000	RM'000	RM'000
(i) Credit Risk			
(a) On-Balance Sheet Exposures			
Sovereigns/Central Banks	1,926,450	151,637	-
Banks, Development Financial Institutions & MDBs	528,983	40,093	-
Corporates	4,669,968	145,755	139,735
Regulatory Retail	2,103,494	-	13,677
Residential Mortgages	303,931	-	1,206
Higher Risk Assets ¹	419,980	-	-
Other Assets	292,710	-	-
Defaulted Exposures ²	165,124	-	1,680
Total On Balance Sheet Exposures	10,410,640	337,485	156,298
(b) Off-Balance Sheet Exposures			
OTC Derivatives ³	11,832	-	-
Off-balance sheet exposures other than OTC derivatives ²	179,594	-	-
Total Off-Balance Sheet Exposures	191,426	-	-
Total On and Off-Balance Sheet Exposures	10,602,066	337,485	156,298

KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

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

A24 FINANCIAL RISK MANAGEMENT (Cont'd.)

(h) Credit Risk Mitigation ("CRM") Disclosures under the Standardised Approach (Cont'd.)

31 Dec 2015

Group	Exposures before CRM	Exposures Covered by Guarantees	Exposures Covered by Eligible Financial Collateral
	RM'000	RM'000	RM'000
(i) Credit Risk			
(a) On-Balance Sheet Exposures			
Sovereigns/Central Banks	2,102,259	-	-
Banks, Development Financial Institutions & MDBs	403,514	39,413	-
Corporates	4,765,687	143,186	185,866
Regulatory Retail	1,865,275	-	16,957
Residential Mortgages	446,167	-	1,896
Higher Risk Assets ¹	437,757	-	-
Other Assets	295,165	-	-
Defaulted Exposures ²	237,008	-	2,367
Total On Balance Sheet Exposures	10,552,832	182,599	207,086
(b) Off-Balance Sheet Exposures			
OTC Derivatives ³	14,113	-	-
Off-balance sheet exposures other than OTC derivatives ²	262,645	-	-
Total Off-Balance Sheet Exposures	276,758	-	-
Total On and Off-Balance Sheet Exposures	10,829,590	182,599	207,086

KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

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

A24 FINANCIAL RISK MANAGEMENT (Cont'd.)

(h) Credit Risk Mitigation ("CRM") Disclosures under the Standardised Approach (Cont'd.)

30 Jun 2016

Bank	Exposures before CRM	Exposures Covered by Guarantees	Exposures Covered by Eligible Financial Collateral
	RM'000	RM'000	RM'000
(i) Credit Risk			
(a) On-Balance Sheet Exposures			
Sovereigns/Central Banks	1,885,752	151,637	-
Banks, Development Financial Institutions & MDBs	555,648	40,093	-
Corporates	4,678,479	145,755	139,735
Regulatory Retail	2,103,494	-	13,677
Residential Mortgages	303,931	-	1,206
Higher Risk Assets ¹	419,980	-	-
Other Assets	264,776	-	-
Defaulted Exposures ²	165,124	-	1,680
Total On-Balance Sheet Exposures	10,377,184	337,485	156,298
(b) Off-Balance Sheet Exposures			
OTC Derivatives ³	11,832	-	-
Off-balance sheet exposures other than OTC derivatives ²	179,594	-	-
Total Off Balance Sheet Exposures	191,426	-	-
Total On and Off-Balance Sheet Exposures	10,568,609	337,485	156,298

KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

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

A24 FINANCIAL RISK MANAGEMENT (Cont'd.)

(h) Credit Risk Mitigation ("CRM") Disclosures under the Standardised Approach (Cont'd.)

31 Dec 2015

Bank	Exposures before CRM	Exposures Covered by Guarantees	Exposures Covered by Eligible Financial Collateral
	RM'000	RM'000	RM'000
(i) Credit Risk			
(a) On-Balance Sheet Exposures			
Sovereigns/Central Banks	2,059,621	-	-
Banks, Development Financial Institutions & MDBs	431,431	39,413	-
Corporates	4,774,763	143,186	185,866
Regulatory Retail	1,865,275	-	16,957
Residential Mortgages	446,167	-	1,896
Higher Risk Assets ¹	437,757	-	-
Other Assets	244,198	-	-
Defaulted Exposures ²	237,008	-	2,367
Total On Balance Sheet Exposures	10,496,220	182,599	207,086
(b) Off-Balance Sheet Exposures			
OTC Derivatives ³	14,113	-	-
Off-balance sheet exposures other than OTC derivatives ²	262,645	-	-
Total Off-Balance Sheet Exposures	276,758	-	-
Total On and Off-Balance Sheet Exposures	10,772,978	182,599	207,086

* Credit equivalent of off-balance sheet items

¹ Higher risk assets are defined in CAFIB guidelines issued by Bank Negara Malaysia which comprised of i) exposures structured as Musyarakah and Mudharabah contracts and ii) Investment in equity financial instruments that are non-publicly traded.

² Defaulted exposures are defined as the Islamic bank considers that an obligor is "unlikely to repay" in full its credit obligations; and the obligor has breached its contractual repayment schedule and is past due for more than 90 days. For events under "unlikelihood to repay", please refer to Appendix 3 paragraph 2 of CAFIB guidelines issued by Bank Negara Malaysia.

³ Comprising Ijarah Rental Swaps, Cross Currency Ijarah Rental Swaps and Promissory Foreign Exchange Contracts.

KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

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

A24 FINANCIAL RISK MANAGEMENT (Cont'd.)

(i) General Disclosure for Off-Balance Sheet exposures and Counterparty Credit Risk

Off-balance Sheet exposures and Counterparty Credit Risk (CCR) as at 30 June 2016, are as follows:

Group and Bank

30 Jun 2016

Direct Credit Substitutes
Transaction related contingent Items
Short Term Self Liquidating trade related contingencies
Foreign exchange related contracts
 One year or less
Profit rate related contracts
 Over five years
Other commitments, such as formal standby facilities
 and credit lines, with an original maturity of over one year
Other commitments, such as formal standby facilities
 and credit lines, with an original maturity of up to one year

Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount RM'000	Risk Weighted Assets RM'000
6,997		6,997	6,500
50,238		25,119	9,908
10,081		2,016	2,016
37,858	337	832	373
204,989	7,003	11,000	9,360
170,918		85,459	72,173
300,015		60,003	59,964
781,095	7,340	191,426	160,294

KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

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

A24 FINANCIAL RISK MANAGEMENT (Cont'd.)

(i) General Disclosure for Off-Balance Sheet exposures and Counterparty Credit Risk (Cont'd.)

Off-balance Sheet exposures and Counterparty Credit Risk (CCR) as at 31 December 2015, are as follows:

Group and Bank

31 Dec 2015

Direct Credit Substitutes
Transaction related contingent Items
Short Term Self Liquidating trade related contingencies
Foreign exchange related contracts
 One year or less
Profit rate related contracts
 Over five years
Other commitments, such as formal standby facilities
 and credit lines, with an original maturity of over one year
Other commitments, such as formal standby facilities
 and credit lines, with an original maturity of up to one year

Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount RM'000	Risk Weighted Assets RM'000
28,618		28,618	20,129
85,700		42,850	32,888
10,146		2,029	2,029
8,873	265	350	163
245,505	9,002	13,763	11,799
270,554		135,277	124,479
269,352		53,870	52,465
918,748	9,267	276,758	243,952

KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

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

A24 FINANCIAL RISK MANAGEMENT (Cont'd.)

(j) Equities (Disclosure for banking book positions)

30 Jun 2016

Group and Bank

Equity

Privately Held

(a) Subsidiaries

Kuwait Finance House (Labuan) Berhad
KFH Nominees (Tempatan) Sdn. Bhd.
KFH Asset Management Sdn. Bhd.
Kuwait Finance House (Australia) Pty Ltd

(b) Investment

Intrared Sdn Bhd
KFH Global Sukuk Fund
Al Faiz Fund 1

(c) Musyarakah Capital Investment

Amount	Unrealised Loss	Risk-Weighted Assets
RM'000	RM'000	RM'000
30,200	(11,520)	
10,200	-	Capital Deduction
-	-	Capital Deduction
20,000	(11,520)	Capital Deduction
-	-	Capital Deduction
132,731	-	213,071
36,100	-	54,150
81,282	-	114,190
15,350	-	44,731
5,898	-	8,847

31 Dec 2015

Group and Bank

Equity

Privately Held

(a) Subsidiaries

Kuwait Finance House (Labuan) Berhad
KFH Nominees (Tempatan) Sdn. Bhd.
KFH Asset Management Sdn. Bhd.

(b) Investment

Intrared Sdn Bhd
KFH Global Sukuk Fund
Al Faiz Fund 1

(c) Musyarakah Capital Investment

Amount	Unrealised Loss	Risk-Weighted Assets
RM'000	RM'000	RM'000
30,200	(11,520)	
10,200	-	Capital Deduction
-	-	Capital Deduction
20,000	(11,520)	Capital Deduction
155,382	(10,500)	217,322
36,100	-	54,150
86,638	-	129,957
32,644	(10,500)	33,215
5,898	-	8,847

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

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

B1 Basis of Preparation of the Financial Statements

The unaudited condensed interim financial statements for the six months ended 30 June 2016 of the Group and the Bank have been prepared in accordance with MFRS 134 "Interim Financial Reporting" issued by the Malaysian Accounting Standards Board ("MASB"), BNM's Guidelines on Financial Reporting for Islamic Banking Institutions ("BNM/GP8-i") and Shariah principles.

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2015. The explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Bank since the financial year ended 31 December 2015.

The financial statements are presented in Ringgit Malaysia (RM) and all values are rounded to the nearest thousand (RM'000) except where otherwise indicated.

B2 Significant Accounting Policies

The significant accounting policies and methods of computation applied in the unaudited condensed interim financial statements are consistent with those adopted in the most recent audited annual financial statements for the financial year ended 31 December 2015, and modified for the adoption of the following accounting standards applicable for financial periods beginning on or after 1 January 2016 (whichever relevant):

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

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
MFRS 15 Revenue from Contracts with Customers
MFRS 9 Financial Instruments

**Effective for financial period
beginning on or after**
1 January 2018
1 January 2018

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

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

B3 Auditors' Report on Preceding Annual Financial Statements

The auditors' report on the audited financial statements for the financial year ended 31 December 2015 was not qualified.

B4 Seasonal or Cyclical Factors Affecting Operations

The operations of the Group and the Bank were not materially affected by any seasonal or cyclical factors in the six-months ended 30 June 2016.

B5 Unusual Items Due to their Nature, Size or Incidence

There were no items of unusual nature, size or incidence affecting the assets, liabilities, equity, net income or cash flows of the Group and the Bank during the six-months ended 30 June 2016.

B6 Changes in Estimates

There were no changes in the estimates of amounts reported in prior financial years that have a material effect to the six-months ended 30 June 2016.

B7 Debt and Equity Securities

There were no issuances, cancellation, repurchases, resales or repayments of debt and equity securities during the six-months ended 30 June 2016.

B8 Dividends Paid

There were no dividends paid during the six-months ended 30 June 2016.

KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

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

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

(i) Primary Segment - By Business Segment

Group	Treasury & Capital Markets	Corporate & Investment Banking	Commercial Banking	Others	Elimination	Total
30 Jun 2016	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
External revenue	54,264	89,851	34,640	73,264		252,019
Revenue from other segments	117,241	813	3,495	29,115	(150,665)	-
Total Revenue	171,505	90,664	38,135	102,379	(150,665)	252,019
Segment results	(1,032)	4,518	56,646	26,038		86,169
Unallocated expenses						(41,676)
Profit from operations						44,493
Taxation						(14,781)
Net profit for the year						29,712
Other information						
Segment assets	2,989,307	3,640,240	971,511	2,640,305	(255,131)	9,986,232
Unallocated corporate assets						521,039
Total assets						10,507,271
Segment liabilities	6,193,428	80,905	177,216	2,133,506	(236,484)	8,348,572
Unallocated corporate liabilities						444,821
Total liabilities						8,793,393
Other segment items						
Purchase of property and equipment				3,380		3,380
Purchase of intangible assets				96		96
Depreciation of property and equipment				4,676		4,676
Amortisation of intangible assets				1,346		1,346
Other non-cash expense other than depreciation	-	(12,136)	43,565	(7,333)	-	24,096

(ii) By Geographical Locations

Group	Operating Revenue RM'000	Profit Before Zakat and Taxation RM'000	Total Assets RM'000
30 Jun 2016			
Malaysia	252,019	44,493	10,507,271
Outside Malaysia	-	-	-
	252,019	44,493	10,507,271

KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

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

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

(i) Primary Segment - By Business Segment

Group	Treasury & Capital Markets	Corporate & Investment Banking	Commercial Banking	Others	Elimination	Total
30 Jun 2015	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
External revenue	47,451	88,839	38,510	66,267		241,067
Revenue from other segments	105,655	876	2,313	28,963	(137,808)	-
Total Revenue	153,106	89,715	40,823	95,231	(137,808)	241,067
Segment results	4,054	15,643	(174)	60,320		79,843
Unallocated expenses						(47,429)
Profit from operations						32,414
Zakat						
Taxation						(10,089)
Net profit for the year						22,325
Other information						
Segment assets	3,051,063	3,417,327	1,144,588	2,459,872	(135,415)	9,937,434
Unallocated corporate assets						527,841
Total assets						10,465,275
Segment liabilities	6,643,050	105,522	100,460	1,543,675	(116,735)	8,275,972
Unallocated corporate liabilities						456,192
Total liabilities						8,732,164
Other segment items						
Purchase of property and equipment	-	-	-	(2,749)	-	(2,749)
Purchase of intangible assets	-	-	-	(2,494)	-	(2,494)
Depreciation of property and equipment	-	-	-	4,799	-	4,799
Amortisation of intangible assets	-	-	-	2,003	-	2,003
Other non-cash expense other than depreciation	-	(3,142)	(13,744)	20,646	-	3,760

(ii) By Geographical Locations

Group	Operating Revenue RM'000	Profit Before Zakat and Taxation RM'000	Total Assets RM'000
30 Jun 2015			
Malaysia	241,067	32,415	10,465,275
Outside Malaysia	-	-	-
	241,067	32,414	10,465,275

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

B10 Valuation of Property and Equipment

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

B11 Subsequent Events

There were no material events subsequent to the end of the current interim period that requires disclosure or adjustments to the unaudited condensed interim financial statements.

B12 Changes In Composition Of The Group

There were no significant changes in the composition of the Group since the last audited financial statements as at 31 December 2015.

B13 Changes In Contingent Liabilities and Contingent Assets

There were no significant changes in the contingent liabilities and contingent assets since the last annual statements of financial position as at 31 December 2015 other than those as disclosed in note A20.

B14 Capital Commitments

The capital commitments not provided for in the interim financial statements as at 30 June 2016 are as follows:

Capital expenditure

Authorised and contracted for:

- renovation
- purchase of IT hardware & software
- purchase of equipment

Group	Bank
RM'000	RM'000
15	15
1,862	1,862
-	-
1,877	1,877

KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

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Certification of Financial Statements

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



Mohd Hazran Abd Hadi
Chief Financial Officer

I, Nor Azzam Bin Abdul Jalil, being the Acting 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.



Nor Azzam Bin Abdul Jalil
Acting Chief Executive Officer