

KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

Interim Report for the Period Ended 30 June 2017

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KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

INTERIM CONDENSED STATEMENTS OF FINANCIAL POSITION

	Note	Group		Bank	
		30 Jun 2017 RM'000	31 Dec 2016 RM'000	30 Jun 2017 RM'000	31 Dec 2016 RM'000
ASSETS					
Cash and short-term funds		876,638	2,341,840	876,638	2,341,840
Deposits and placements with banks and other financial institutions	A3	375,460	171,073	404,599	199,165
Investment accounts due from designated financial institutions	A11	10,697	8,563	10,697	8,563
Hedging financial instruments	A7	3,133	5,956	3,133	5,956
Securities available-for-sale	A4	2,043,819	1,092,402	2,009,941	1,059,538
Securities held-to-maturity	A4	61,227	61,251	61,227	61,251
Financing, advances and other receivables	A5	6,391,975	6,494,270	6,391,975	6,494,270
Other assets	A6	175,106	190,369	174,852	189,975
Statutory deposits with Bank Negara Malaysia		216,000	201,000	216,000	201,000
Musarakah capital investment	A8	5,898	5,898	5,898	5,898
Investment in subsidiaries		-	-	13,907	15,069
Property and equipment		15,241	13,633	14,837	13,276
Intangible assets		9,596	10,719	9,421	10,363
Deferred tax assets		187,428	198,329	187,429	198,329
		10,372,219	10,795,303	10,380,554	10,804,493
LIABILITIES					
Deposits from customers	A9	4,491,699	4,329,342	4,428,255	4,295,095
Investment accounts of customers	A11	10,697	8,563	10,697	8,563
Deposits and placements of banks and other financial institutions	A10	3,663,460	4,261,411	3,768,239	4,336,014
Hedging financial instruments	A7	2,180	1,163	2,180	1,163
Subordinated Murabahah Tawarruq	A13	434,615	451,070	434,615	451,070
Other liabilities	A12	88,318	96,976	87,891	96,141
		8,690,969	9,148,525	8,731,877	9,188,046
SHAREHOLDER'S EQUITY					
Share capital	A14	1,425,272	1,425,272	1,425,272	1,425,272
Reserves		255,978	221,506	223,405	191,175
		1,681,250	1,646,778	1,648,677	1,616,447
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY					
		10,372,219	10,795,303	10,380,554	10,804,493
COMMITMENTS AND CONTINGENCIES					
	A20	889,168	895,885	889,168	895,885
CAPITAL ADEQUACY					
Common Equity Tier I/ Tier I Capital Ratio	A21	20.702%	20.275%	19.743%	19.505%
Total Capital Ratio	A21	27.915%	27.722%	26.984%	26.979%
NET ASSETS PER SHARE (RM)					
		1.18	1.16	1.16	1.13

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	
		2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Continuing operations					
Operating revenue		117,798	122,386	245,228	252,019
Income derived from investment of depositors' funds and others	A15	94,502	99,114	195,063	208,117
Income derived from investment of investment account funds	A19	82	65	152	121
Income derived from investment of shareholder's equity	A16	23,214	23,207	50,013	43,781
Total gross income		117,798	122,386	245,228	252,019
Impairment write-back on others		-	-	-	45
Impairment write-back/(loss) on securities		-	-	(9,365)	-
Impairment (charge)/write-back on financing	A17	6,570	10,734	29,000	24,050
Total distributable income		124,368	133,120	264,863	276,114
Income attributable to the depositors	A18	(62,508)	(65,003)	(125,979)	(142,289)
Profit distributed to investment account holders	A19	(49)	(39)	(91)	(73)
Total net income		61,811	68,078	138,793	133,753
Personnel expenses		(21,799)	(20,212)	(42,462)	(41,034)
Other overheads and expenditures		(20,684)	(21,635)	(42,646)	(42,025)
Finance cost		(8,988)	(2,907)	(15,965)	(6,201)
Profit before zakat and taxation		10,341	23,323	37,720	44,493
Taxation		(1,549)	(7,535)	(10,424)	(14,781)
Net profit for the period		8,792	15,788	27,296	29,712
Attributable to:					
Equity holders of the Bank		8,792	15,788	27,296	29,712
Earnings per share attributable to equity holders of the Bank					
- Basic/Diluted (sen)		0.62	1.11	1.92	2.08

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 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	
2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
8,792	15,788	27,296	29,712
3,504	7,647	9,602	27,657
(30)	-	(35)	(2,147)
(1,158)	1,214	(1,734)	(2,437)
(339)	(1,912)	(656)	(6,377)
1,976	6,950	7,177	16,696
10,768	22,738	34,473	46,407
10,768	22,738	34,473	46,407

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 INCOME STATEMENTS

	Note	2nd Quarter ended 30-Jun		Half-year ended 30-Jun	
		2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Bank					
Continuing operations					
Operating revenue		115,700	119,292	240,543	247,227
Income derived from investment of depositors' funds and others	A15	94,611	98,852	195,232	207,769
Income derived from investment of investment account funds	A19	82	65	152	121
Income derived from investment of shareholder's equity	A16	21,007	20,376	45,159	39,337
Total gross income		115,701	119,293	240,543	247,227
Impairment write-back on others		(450)	-	(1,162)	45
Impairment write-back/(loss) on securities		-	-	(9,365)	(0)
Impairment write-back on financing	A17	6,570	10,734	29,000	24,051
Total distributable income		121,821	130,027	259,015	271,322
Income attributable to the depositors	A18	(62,752)	(65,207)	(126,403)	(142,651)
Profit distributed to investment account holders	A19	(49)	(39)	(91)	(73)
Total net income		59,019	64,781	132,522	128,599
Personnel expenses		(21,276)	(19,385)	(41,067)	(39,472)
Other overheads and expenditures		(20,229)	(20,975)	(41,657)	(40,722)
Finance cost		(8,988)	(2,907)	(15,965)	(6,201)
Profit before zakat and taxation		8,527	21,514	33,832	42,204
Taxation		(1,544)	(7,530)	(10,414)	(14,771)
Net profit for the period		6,984	13,984	23,418	27,433

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 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	
2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
6,984	13,984	23,418	27,433
3,134	7,307	9,164	24,536
(31)	-	(35)	-
-	(1,827)	(317)	(6,134)
3,103	5,480	8,812	18,402
10,087	19,464	32,230	45,835

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

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INTERIM CONDENSED STATEMENTS OF CHANGES IN EQUITY

	Non-distributable			Distributable	Total Equity RM'000
	Share Capital RM'000	Statutory Reserve RM'000	Translation Reserve RM'000	Available-for-sale Reserve RM'000	
Group					
At 1 Jan 2017	1,425,272	158,385	7,090	(9,254)	1,646,778
Total comprehensive (loss)/income	-	-	(1,734)	8,911	34,472
At 30 Jun 2017	1,425,272	158,385	5,356	(343)	1,681,250
At 1 Jan 2016	1,425,272	158,385	4,702	(14,450)	1,667,471
Total comprehensive (loss)/income	-	-	(2,436)	19,132	46,408
At 30 Jun 2016	1,425,272	158,385	2,266	4,682	1,713,879
Bank					
At 1 Jan 2017	1,425,272	158,385	-	(9,000)	1,616,447
Total comprehensive income	-	-	-	8,812	32,230
At 30 Jun 2017	1,425,272	158,385	-	(188)	1,648,677
At 1 Jan 2016	1,425,272	158,385	-	(13,918)	1,641,239
Total comprehensive (loss)/income	-	-	-	18,402	45,835
At 30 Jun 2016	1,425,272	158,385	-	4,484	1,687,074

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

KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

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INTERIM CONDENSED STATEMENTS OF CASH FLOWS

	Group		Bank	
	30-Jun 2017 RM'000	30-Jun 2016 RM'000	30-Jun 2017 RM'000	30-Jun 2016 RM'000
Profit before zakat and taxation	37,720	44,493	33,832	42,204
Adjustments for non-cash items	6,291	(6,317)	7,372	(6,475)
Operating profit before changes in working capital	44,011	38,176	41,204	35,728
<u>Changes in the working capital</u>				
Net changes in operating assets	(72,467)	138,315	(73,674)	139,300
Net changes in operating liabilities	(482,685)	(221,134)	(474,241)	(192,721)
Zakat and taxation refund/(paid)	(30)	(20)	-	-
Net cash generated from operating activities	(555,182)	(82,839)	(547,915)	(53,421)
Net purchases of assets	(959,386)	(106,791)	(958,491)	(131,496)
Net cash used in investing activities	(959,386)	(106,791)	(958,491)	(131,496)
Net change in cash and cash equivalents	(1,470,557)	(151,454)	(1,465,201)	(149,189)
Cash and cash equivalents at beginning of the period	2,341,840	1,558,023	2,341,840	1,558,023
Exchange differences on translation of opening balances	5,356	2,266	-	-
Cash and cash equivalents at end of the period	876,638	1,408,834	876,638	1,408,834

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 recorded profit before zakat and taxation of RM37.7 million and the Bank recorded profit before zakat and taxation of RM27.3 million for the period ended 30 June 2017.

A2 OUTLOOK FOR 2017

The Malaysian economy is expected to expand between 4.3% to 4.8% in 2017 (2016: 4.2%), underpinned by domestic demand, especially private sector expenditure. During the Q1 2017, the GDP growth increased for a third straight quarter to 5.6%, from 4.5% in the Q4 2016 which indicated a strong growth momentum at the start of the year. Malaysia's accommodative monetary and fiscal policies in 2017 will help to support private consumption, which will remain the key driver of GDP growth throughout the year. The headline inflation is forecasted to range between 3.0% to 4.0% in 2017. On the supply side, services will continue to account for the largest share of GDP and Malaysia's global pre-eminence in the provision of Islamic finance will support the growth of the financial services sector. The upside risks to growth may come from the positive spillovers from expansionary policies by major economies. However, several downside risks remain such as slower global growth, volatility in capital flows and exchange rates as well as weaker consumer and business sentiments but Malaysia's strong fundamentals will provide resilience in confronting these risks. Overall, we continue to expect BNM to keep the overnight policy rate (OPR) steady throughout 2017 and the current monetary policy stance is appropriate to support the economic activity.

A3 Deposits and Placements with Banks and Other Financial Institutions

	Group		Bank	
	30 Jun 2017 RM'000	31 Dec 2016 RM'000	30 Jun 2017 RM'000	31 Dec 2016 RM'000
Licensed Islamic banks	109,410	-	109,410	-
Other financial institutions	266,050	171,073	295,189	199,165
	375,460	171,073	404,599	199,165

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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

Group		Bank	
30 Jun 2017 RM'000	31 Dec 2016 RM'000	30 Jun 2017 RM'000	31 Dec 2016 RM'000
398,500	444,691	385,753	431,467
1,576,949	573,686	1,576,949	573,686
1,975,449	1,018,377	1,962,702	1,005,153
36,100	36,100	36,100	36,100
21,131	19,640	-	-
11,139	18,285	11,139	18,285
68,370	74,025	47,239	54,385
2,043,819	1,092,402	2,009,941	1,059,538

ii) Securities Held-To-Maturity

At amortised cost

Unquoted Islamic private debt securities/sukuk

Group		Bank	
30 Jun 2017 RM'000	31 Dec 2016 RM'000	30 Jun 2017 RM'000	31 Dec 2016 RM'000
61,227	61,251	61,227	61,251

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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 2017 RM'000	31 Dec 2016 RM'000
826,834	762,988
1,182,876	1,212,692
35,385	50,117
301,892	331,139
6,711	6,053
604,671	541,130
3,762,913	3,947,680
13,143	11,578
6,734,425	6,863,378
(143,621)	(139,421)
(198,829)	(229,687)
6,391,975	6,494,270

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 2017 RM'000	31 Dec 2016 RM'000
2,153,650	2,053,752
4,283,838	4,499,057
66,200	71,378
1,530	1,043
227,904	236,813
1,303	1,335
6,734,425	6,863,378

iii) By type of customer

Domestic business enterprises

Individuals

Foreign entities

Domestic non-bank financial institutions

Group and Bank	
30 Jun 2017 RM'000	31 Dec 2016 RM'000
4,081,063	4,210,604
2,641,509	2,533,727
7,681	14,299
4,172	104,748
6,734,425	6,863,378

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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 2017 RM'000	31 Dec 2016 RM'000
3,670,901	3,879,579
230,966	225,908
143,478	139,689
2,689,080	2,618,202
6,734,425	6,863,378

(v) By geographical distribution

Malaysia
Middle East
Other countries

Group and Bank	
30 Jun 2017 RM'000	31 Dec 2016 RM'000
6,717,740	6,846,625
4,973	5,170
11,712	11,583
6,734,425	6,863,378

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 2017 RM'000	31 Dec 2016 RM'000
7,396	7,550
604,671	541,130
301,892	331,139
1,620,575	1,593,095
824,519	760,197
3,375,372	3,630,267
6,734,425	6,863,378

vii) By economic purpose

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 2017 RM'000	31 Dec 2016 RM'000
198,900	219,242
608,578	544,890
861,584	798,690
925,445	949,149
68,757	86,632
1,795,122	1,852,617
431,548	467,263
1,202,682	1,230,718
641,810	714,177
6,734,425	6,863,378

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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.)

viii) By sector

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

Group and Bank	
30 Jun 2017 RM'000	31 Dec 2016 RM'000
662,837	616,724
150,463	157,686
182,265	321,489
2,642,404	2,533,727
768,749	794,955
322,319	336,615
1,257,386	1,317,458
213,061	238,021
473,352	477,180
61,588	69,523
6,734,425	6,863,378

(ix) Financing by types and Shariah contract

30 Jun 2017	Group and Bank						
	Ijarah Muntahia Bittamlik/ Al-Ijarah Thumma Al-Bai' (lease ended with ownership)	Murabahah (cost-plus)	Mudharabah (profit sharing)	Musarakah (profit and loss sharing)	Qard (benevolent financing)	Istisna'	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
House financing	800,702	91	-	24,739	-	1,303	826,834
Personal financing	-	1,182,373	-	-	503	-	1,182,876
Leasing financing	-	12,890	22,495	-	-	-	35,385
Syndicated financing	59,122	242,769	-	-	-	-	301,892
Cashline financing	-	6,711	-	-	-	-	6,711
Hire purchase receivables	604,671	-	-	0	-	-	604,671
Other term financing	678,805	2,837,441	43,705	202,962	-	-	3,762,913
Staff financing	10,350	1,563	-	204	1,026	-	13,143
Total	2,153,650	4,283,838	66,200	227,904	1,530	1,303	6,734,425

31 Dec 2016	Group and Bank						
	Ijarah Muntahia Bittamlik/ Al-Ijarah Thumma Al-Bai' (lease ended with ownership)	Murabahah (cost-plus)	Mudharabah (profit sharing)	Musarakah (profit and loss sharing)	Qard (benevolent financing)	Istisna'	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
House financing	735,129	93	-	26,432	-	1,335	762,988
Personal financing	-	1,212,205	-	-	487	-	1,212,692
Leasing financing	-	22,443	27,673	-	-	-	50,116
Syndicated financing	62,901	268,239	-	-	-	-	331,140
Cashline financing	-	6,053	-	-	-	-	6,053
Hire purchase receivables	533,921	-	-	7,209	-	-	541,130
Other term financing	711,504	2,989,509	43,705	202,962	0	-	3,947,680
Staff financing	10,297	515	-	210	556	-	11,578
Total	2,053,752	4,499,057	71,378	236,813	1,043	1,335	6,863,378

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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	1,043	1,147
Source of Qard fund:	1,023	1,104
- Depositors' Fund	856	915
- Shareholders' Fund	167	189
Uses of Qard fund:	(536)	(1,208)
- Financing for asset purchase	(448)	(1,001)
- Staff Benevolent	(88)	(207)
Closing balance	1,530	1,043

Group and Bank	
30 Jun 2017 RM'000	31 Dec 2016 RM'000
1,043	1,147
1,023	1,104
856	915
167	189
(536)	(1,208)
(448)	(1,001)
(88)	(207)
1,530	1,043

xi) Movements in impaired financing, advances and other receivables

At 1 Jan	478,060	550,898
Impaired during the period/year	(36,792)	(72,838)
- Impaired during the period/year	18,691	223,973
- Reclassified to performing during the year	(2,234)	(7,316)
- Amount recovered	(48,514)	(149,115)
- Amount written off	(4,735)	(140,380)
Closing balance	441,268	478,060

Group and Bank	
30 Jun 2017 RM'000	31 Dec 2016 RM'000
478,060	550,898
(36,792)	(72,838)
18,691	223,973
(2,234)	(7,316)
(48,514)	(149,115)
(4,735)	(140,380)
441,268	478,060
3.71%	3.74%

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

xii) Movements in impairment allowance on financing, advances and other receivables

Collective impairment

At 1 Jan	139,421	92,212
Allowance charged during the year	4,200	47,208

Closing balance

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

Group and Bank	
30 Jun 2017 RM'000	31 Dec 2016 RM'000
139,421	92,212
4,200	47,208
143,621	139,421
2.20%	2.10%

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

xii) Movements in impairment allowance on financing, advances and other receivables (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 2017 RM'000	31 Dec 2016 RM'000
229,687	320,664
(26,123)	49,403
12,158	151,157
(38,281)	(101,754)
(4,735)	(140,380)
198,829	229,687

xiii) Impaired financing by sector

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 2017 RM'000	31 Dec 2016 RM'000
79	79
167	9,337
52,578	46,392
186,392	191,926
197,126	217,688
-	7,209
4,927	5,429
441,268	478,060

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A6 Other Assets

	Group		Bank	
	30 Jun 2017 RM'000	31 Dec 2016 RM'000	30 Jun 2017 RM'000	31 Dec 2016 RM'000
Deposits and prepayments	11,268	8,222	11,048	7,991
Amount due from subsidiaries	(0)	-	4	4
Amount due from other related parties	51,561	51,561	51,561	51,561
Fee receivable	371	742	371	742
Sundry debtors	2,620	2,895	2,581	2,728
Commodity assets	-	-	-	-
Tax recoverable	-	-	-	-
Gold depository	109,286	126,949	109,286	126,949
	175,106	190,369	174,852	189,975

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
<u>Group and Bank</u>			
At 30 Jun 2017			
Forward foreign exchange related contracts	56,677	60	2,143
Ijarah rental swap related contracts	181,691	3,072	37
Total	238,368	3,133	2,180
At 31 Dec 2016			
Forward foreign exchange related contracts	85,225	994	1,113
Ijarah rental swap related contracts	199,152	4,962	50
Total	284,377	5,956	1,163

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.

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A9 Deposits from Customers

(i) By type of deposit

	Group		Bank	
	30 Jun 2017 RM'000	31 Dec 2016 RM'000	30 Jun 2017 RM'000	31 Dec 2016 RM'000
Non Mudharabah				
- Demand deposits	509,147	686,580	446,181	652,831
- Gold deposits	108,039	127,209	108,039	127,210
- Wakalah deposits	478	498	-	-
- Savings deposits	79,571	52,844	79,571	52,844
Murabahah	3,794,464	3,462,211	3,794,463	3,462,210
	4,491,699	4,329,342	4,428,255	4,295,095

(ii) By type of customer

	Group		Bank	
	30 Jun 2017 RM'000	31 Dec 2016 RM'000	30 Jun 2017 RM'000	31 Dec 2016 RM'000
Business enterprises	1,819,938	1,760,948	1,674,761	1,602,031
Individuals	338,138	385,418	338,138	385,418
Subsidiaries	-	-	81,733	124,670
Government and statutory bodies	1,776,279	1,249,020	1,776,279	1,249,020
Other enterprises	557,344	933,956	557,344	933,956
	4,491,699	4,329,342	4,428,255	4,295,095

(iii) By contractual maturity

	Group		Bank	
	30 Jun 2017 RM'000	31 Dec 2016 RM'000	30 Jun 2017 RM'000	31 Dec 2016 RM'000
Due within six months	4,108,524	4,014,438	4,045,080	3,980,191
More than six months to one year	379,375	312,324	379,375	312,324
More than one year to three years	3,800	2,580	3,800	2,580
	4,491,699	4,329,342	4,428,255	4,295,095

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A10 Deposits and Placements of Banks and Other Financial Institutions

Murabahah

Licensed Islamic banks
Licensed investment banks
Other financial institutions

Group		Bank	
30 Jun 2017 RM'000	31 Dec 2016 RM'000	30 Jun 2017 RM'000	31 Dec 2016 RM'000
600,000	452,014	600,000	452,014
120,000	-	120,000	-
2,943,460	3,809,397	3,048,239	3,884,000
3,663,460	4,261,411	3,768,239	4,336,014

A11 INVESTMENT ACCOUNTS

As at 1 January

Net placement during the year

Income from investment

Profit distributed to mudarib

As at 30 June / 31 December

Investment asset:

Wadiah placement with BNM

Group and Bank	
30 Jun 2017 RM'000	31 Dec 2016 RM'000
8,563	7,490
2,043	919
152	258
(61)	(104)
10,697	8,563
10,697	8,563

Profit Sharing Ratio, Rate of Return and Performance Incentive Fee

Unrestricted investment accounts:

Less than 3 months

Investment account holder	
Average profit sharing ratio	Average rate of return
(%)	(%)
60	1.80

Business enterprises

Individuals

Other enterprises

Group and Bank	
30 Jun 2017 RM'000	31 Dec 2016 RM'000
1,861	2,789
8,024	4,529
812	1,245
10,697	8,563

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A12 Other Liabilities

	Group		Bank	
	30 Jun 2017 RM'000	31 Dec 2016 RM'000	30 Jun 2017 RM'000	31 Dec 2016 RM'000
Sundry creditors	55,404	53,041	55,362	53,006
Accrued restoration cost	5,820	5,857	5,713	5,750
Undistributed charity funds (ii)	5,265	7,377	5,265	7,377
Other provisions and accruals	21,830	30,701	21,551	30,008
	88,318	96,976	87,891	96,141

(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:

	Group and Bank	
	30 Jun 2017 RM'000	31 Dec 2016 RM'000
Sources of charity funds:		
Undistributed charity funds as at 1 January	7,377	5,587
Penalty charges / (Reversal) on late payment	3,102	1,946
Total sources of funds during the year	10,480	7,533
Uses of charity funds:		
Contribution to Baitulmal	-	-
Compensation of late payment charges	(5,000)	-
Contribution to non profit organisations	(190)	(108)
Aid to needy family	(25)	(48)
Total uses of funds during the year	(5,215)	(156)
Closing balance	5,265	7,377

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 USD101,214,583 or equivalent RM434,615,421 (2016: USD100,550,495 or equivalent RM451,069,519) is unsecured effective from 31 May 2007 which extended until 23 September 2018 and forms part of the Bank's Tier-2 capital. The Murabahah profit is determined with reference to London Interbank Offer Rate ("LIBOR").

A14 Share Capital

	Number of ordinary shares at RM1.00 each		Amount	
	30 Jun 2017 Units'000	31 Dec 2016 Units'000	30 Jun 2017 RM'000	31 Dec 2016 RM'000
Authorised:				
At 1 January/At closing balance	3,000,000	3,000,000	3,000,000	3,000,000
Issued and fully paid:				
At 1 January	1,425,272	1,425,272	1,425,272	1,425,272
At 1 January/At closing balance	1,425,272	1,425,272	1,425,272	1,425,272

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A15 Income derived from Investment of Depositors' Funds and Others

Group

	2nd Quarter ended 30-Jun		Half-year ended 30-Jun	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Finance income from financing, advances and other receivables	72,788	80,897	146,034	163,880
Finance income from impaired financing	47	(105)	343	113
Securities				
- Held-for-trading	21	(1)	21	3
- Available-for-sale	13,186	7,907	21,541	15,426
- Held-to-maturity	648	647	1,295	1,306
Money at call and deposits with financial institutions	6,171	7,378	19,155	22,336
	92,861	96,721	188,389	203,064
Amortisation of premium less accretion of discounts	(1,143)	(1,120)	(2,278)	(2,286)
Total finance income and hibah	91,718	95,601	186,111	200,778
Gain arising from sale of securities				
- Held-for-trading	150	687	154	1,014
- Available-for-sale	301	-	301	-
Foreign exchange gain				
- Realised	1,668	2,006	7,091	4,595
Gain/(loss) on Ijarah rental swap obligation	666	820	1,405	1,730
	94,502	99,114	195,063	208,117

Bank

Finance income from financing, advances and other receivables	72,910	80,880	146,298	163,941
Finance income from impaired financing	47	(105)	343	113
Securities				
- Held-for-trading	21	(1)	21	3
- Available-for-sale	13,158	7,707	21,476	15,021
- Held-to-maturity	649	647	1,297	1,307
Money at call and deposits with financial institutions	6,216	7,413	19,263	22,426
	93,002	96,541	188,699	202,811
Amortisation of premium less accretion of discounts	(1,145)	(1,120)	(2,282)	(2,286)
Total finance income and hibah	91,857	95,421	186,417	200,525
Gain arising from sale of securities				
- Held-for-trading	150	687	154	1,014
Foreign exchange gain				
- Realised	1,636	1,924	6,952	4,500
Gain/(loss) on Ijarah rental swap obligation	667	820	1,408	1,730
	94,611	98,852	195,232	207,769

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A16 Income derived from Investment of Shareholder's Equity

Group	2nd Quarter ended 30-Jun		Half-year ended 30-Jun	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Finance income from financing, advances and other receivables	14,758	16,508	28,696	31,619
Finance income from impaired financing	11	(20)	67	20
Securities				
- Held-for-trading	4	(0)	4	0
- Available-for-sale	2,668	1,613	4,260	2,984
- Held-to-maturity	131	132	255	252
Money at call and deposits with financial institutions	1,252	1,502	3,715	4,208
	18,823	19,735	36,997	39,084
Amortisation of premium less accretion of discounts	(232)	(228)	(448)	(441)
Total finance income and hibah	18,591	19,506	36,549	38,643
Fee income				
- Commission	594	539	1,241	911
- Fund management fee	132	1,200	496	2,194
- Other fee income	1,814	1,072	3,082	1,905
- Compensation of late payment charges	1,000		5,000	-
Gain arising from sale of securities				
- Held-for-trading	31	140	32	202
- Available-for-sale	60	-	60	-
Unrealised (loss)/gain on revaluation of securities held-for-trading and Ijarah rental swap (net)	(906)	(987)	(1,849)	(2,765)
Foreign exchange gain/(loss)				
- Realised	493	590	1,554	1,092
- Unrealised	(660)	(822)	(539)	(1,269)
Gain/(loss) on Ijarah rental swap obligation	135	167	276	333
Other income	1,916	1,743	4,061	2,419
Management fee	10	58	49	116
	23,214	23,207	50,013	43,781

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

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

Fee income

- Commission
- Other fee income

Gain arising from sale of securities

- Held-for-trading

Unrealised (loss)/gain on revaluation of securities
held-for-trading and Ijarah rental swap (net)

Foreign exchange gain/(loss)

- Realised
- Unrealised

Gain/(loss) on Ijarah rental swap obligation

Management fee

2nd Quarter ended 30-Jun		Half-year ended 30-Jun	
2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
14,636	16,525	28,432	31,559
11	(20)	66	20
4	(0)	4	0
2,636	1,574	4,201	2,900
130	132	252	252
1,248	1,511	3,693	4,211
18,664	19,722	36,649	38,941
(230)	(229)	(444)	(440)
18,435	19,493	36,206	38,501
594	624	1,255	1,097
2,814	1,070	8,081	1,902
31	140	32	202
(906)	(987)	(1,849)	(2,765)
483	574	1,512	1,070
(667)	(848)	(564)	(1,286)
134	168	273	332
30	142	153	284
21,007	20,376	45,159	39,337

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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	
2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
4,200	408	4,200	908
(5,588)	(8,718)	(26,123)	(18,832)
5,001	24,567	12,158	30,478
(10,589)	(33,286)	(38,281)	(49,310)
(5,182)	(2,424)	(7,077)	(6,127)
(6,570)	(10,734)	(29,000)	(24,050)
4,200	408	4,200	908
(5,588)	(8,718)	(26,123)	(18,832)
5,001	24,567	12,158	30,478
(10,589)	(33,286)	(38,281)	(49,310)
(5,182)	(2,424)	(7,077)	(6,127)
(6,570)	(10,734)	(29,000)	(24,051)

A18 Income Attributable to the Depositors

Group

Deposits from customers

- Murabahah
- Wakalah

Deposits and placements of banks and other financial institutions

- Murabahah and Wakalah

Others

Bank

Deposits from customers

- Murabahah

Deposits and placements of banks and other financial institutions

- Murabahah and Wakalah

Others

2nd Quarter ended 30-Jun		Half-year ended 30-Jun	
2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
32,664 1	37,465 1	60,931 2	65,645 6
29,113	26,537	63,557	75,172
730	1,001	1,489	1,466
62,508	65,003	125,979	142,289
32,665	37,466	60,931	65,646
29,357	26,740	63,983	75,540
730	1,001	1,489	1,466
62,752	65,207	126,403	142,651

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A19 Profit Distributed to Investment Account Holders

Group & Bank

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

2nd Quarter ended 30-Jun		Half-year ended 30-Jun	
2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
82	65	152	121
33	26	61	49
49	39	91	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.

	As at 30 Jun 2017			As at 31 Dec 2016		
	Principal amount RM'000	Credit equivalent amount RM'000	Risk weighted amount RM'000	Principal amount RM'000	Credit equivalent amount RM'000	Risk weighted amount RM'000
Group and Bank						
Direct credit substitutes	5,437	5,437	5,437	6,987	6,987	6,887
Transaction related contingencies	101,375	50,688	42,009	117,263	58,632	50,555
Trade related contingencies	17,624	3,525	3,525	9,374	1,875	1,875
Irrevocable commitments to extend credit						
- maturity less than one year	145,508	29,258	28,134	299,227	59,845	65,442
- maturity more than one year	144,988	73,674	60,036	178,657	89,329	76,982
Foreign exchange related contracts *						
- less than one year	312,376	4,745	1,028	85,225	2,048	1,558
Profit rate related contracts (Ijarah rental swap obligation) *						
- five years and above	161,860	4,601	3,712	199,152	6,823	5,775
	889,168	171,926	143,881	895,885	225,539	209,074

*

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

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A21 Credit transactions and exposures with connected parties

Bank

Financing, credit facility and leasing (except guarantee)
Equities and Islamic Private Debt Securities held
Off-balance sheet exposures

As at 30 Jun 2017			
Total outstanding value RM'000	Total number of accounts	Total exposure * RM'000	Total non- performing credit exposure RM'000
404,497	2	403,950	-
36,100	1	36,100	-
570	1	600	-
441,167	4	440,650	-
Total exposure to connected parties as % capital base		23.1%	0.0%
Total exposure to connected parties as % of total outstanding credit exposures		4.9%	0.0%

Bank

Financing, credit facility and leasing (except guarantee)
Equities and Islamic Private Debt Securities held
Off-balance sheet exposures

As at 31 Dec 2016			
Total outstanding value RM'000	Total number of accounts	Total exposure * RM'000	Total non- performing credit exposure RM'000
404,108	2	403,669	-
36,100	1	36,100	-
570	1	600	-
440,778	4	440,369	-
Total exposure to connected parties as % capital base		22.9%	0.0%
Total exposure to connected parties as % of total outstanding credit exposures		5.4%	0.0%

* Included total outstanding and unutilised limit

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A21 Capital Adequacy

The Group has adopted Bank Negara Malaysia's Capital Adequacy Framework for Islamic Banks ("CAFIB") guidelines to further improve capital adequacy assessment; enhance risk management processes, measurements and management capabilities; as well as to promote thorough and transparent reporting.

For the purpose of the computation of capital adequacy ratios, the Group has adopted the Standardised Approach for Credit Risk and Market Risk, and the Basic Indicator Approach for Operational Risk. The definition and classification of the counterparty, exposure and asset types applied for the purpose of Capital Adequacy's reports are as per the Bank Negara Malaysia's CAFIB.

In addition, the Bank has also provided detailed Capital Adequacy disclosures as per the requirements stipulated in Bank Negara Malaysia CAFIB - Disclosures Requirements (Pillar 3) guidelines.

(a) The capital adequacy ratios of the Group and the Bank are as follows:

	Group		Bank	
	30 Jun 2017	31 Dec 2016	30 Jun 2017	31 Dec 2016
Common Equity Tier I/ Tier I Capital Ratio				
Credit risk	22.134%	21.724%	21.071%	20.863%
Credit, market, operational and large exposure risks	20.702%	20.275%	19.743%	19.505%
Total Capital Ratio				
Credit risk	29.846%	29.702%	28.799%	28.857%
Credit, market, operational and large exposure risks	27.915%	27.722%	26.984%	26.979%

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A21 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 2017 RM'000	31 Dec 2016 RM'000	30 Jun 2017 RM'000	31 Dec 2016 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	85,432	63,121	41,601	32,790
	1,669,089	1,646,778	1,625,258	1,616,447
Less: Deferred tax assets (net)	(198,329)	(198,329)	(198,329)	(198,329)
Less: Investment in subsidiaries	-	-	(30,200)	(30,200)
Total CET I / Tier I capital	1,470,760	1,448,449	1,396,729	1,387,918
<u>Tier II capital</u>				
Subordinated Murabahah Tawarruq	429,400	448,625	429,400	448,625
Collective impairment on financing	83,060	83,345	82,859	83,157
Total Tier II capital	512,460	531,970	512,259	531,782
Total capital	1,983,220	1,980,419	1,908,988	1,919,700

(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 2017 RM'000	31 Dec 2016 RM'000	30 Jun 2017 RM'000	31 Dec 2016 RM'000
Computation of Total Risk-Weighted Assets (RWA)				
Total Credit RWA	6,644,823	6,667,598	6,628,751	6,652,557
Total Market RWA	15,475	16,750	15,475	16,750
Total Operational RWA	424,060	439,447	410,131	426,170
Large Exposure Risk RWA for Equity Holdings	20,048	20,048	20,048	20,048
Total Risk-Weighted Assets	7,104,406	7,143,843	7,074,405	7,115,525
Computation of Capital Ratios				
Core Capital	1,470,760	1,448,449	1,396,729	1,387,918
Capital Base	1,983,220	1,980,419	1,908,988	1,919,700
CET I / Tier I Capital Ratio	20.702%	20.275%	19.743%	19.505%
Total Capital Ratio	27.915%	27.722%	26.984%	26.979%

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A21 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 2017	RM'000	RM'000	RM'000	RM'000	RM'000
(i) Credit Risk					
(a) On-Balance Sheet Exposures					
Sovereigns/Central Banks	2,153,116	2,153,116	47,353	47,353	3,788
Banks, Development Financial Institutions & MDBs	700,160	700,160	216,313	216,313	17,305
Corporates	4,053,753	4,053,753	3,635,205	3,635,205	290,816
Regulatory Retail	1,936,677	1,936,677	1,448,957	1,448,957	115,917
Residential Mortgages	643,138	643,138	262,686	262,686	21,015
Higher Risk Assets ¹	278,594	278,594	417,891	417,891	33,431
Other Assets	291,046	291,046	128,468	128,468	10,277
Defaulted Exposures ²	268,795	268,795	344,069	344,069	27,526
	10,325,279	10,325,279	6,500,942	6,500,942	520,075
(b) Off-Balance Sheet Exposures*					
OTC Hedging Financial Instruments ³	9,345	9,345	4,740	4,740	379
Off balance sheet exposures other than OTC hedging financial instruments	162,581	162,581	139,141	139,141	11,131
	171,926	171,926	143,881	143,881	11,510
Total On and Off-Balance Sheet Exposures	10,497,205	10,497,205	6,644,823	6,644,823	531,586
(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	134,721	131,739	2,982	5,600	448
Foreign Currency Risk ⁴	1,705	8,453	(6,748)	9,875	790
			(3,766)	15,475	1,238
(iv) Operational Risk			424,060	424,060	33,924.80
(v) Total RWA and Capital Requirements		10,535,436	7,104,406	7,104,406	568,353

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.

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A21 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 2016	RM'000	RM'000	RM'000	RM'000	RM'000
(i) Credit Risk					
(a) On-Balance Sheet Exposures					
Sovereigns/Central Banks	2,765,858	2,765,858	48,895	48,895	3,912
Banks, Development Financial Institutions & MDBs	433,307	433,307	148,408	148,408	11,873
Corporates	4,127,921	4,127,921	3,592,653	3,592,653	287,412
Regulatory Retail	1,893,397	1,893,397	1,415,536	1,415,536	113,243
Residential Mortgages	578,131	578,131	247,843	247,843	19,827
Higher Risk Assets ¹	259,408	259,408	389,112	389,112	31,129
Other Assets	303,827	303,827	124,840	124,840	9,987
Defaulted Exposures ²	368,590	368,590	491,237	491,237	39,299
	10,730,439	10,730,439	6,458,524	6,458,524	516,682
(b) Off-Balance Sheet Exposures*					
OTC Hedging Financial Instruments ³	8,871	8,871	7,333	7,333	587
Off balance sheet exposures other than OTC hedging financial instruments	216,668	216,668	201,741	201,741	16,139
	225,539	225,539	209,074	209,074	16,726
Total On and Off-Balance Sheet Exposures	10,955,978	10,955,978	6,667,598	6,667,598	533,408
(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	157,835	153,004	4,831	8,208	657
Foreign Currency Risk ⁴	8,281	4,531	3,750	8,542	683
			8,581	16,750	1,340
(iv) Operational Risk					
(v) Total RWA and Capital Requirements			439,447	439,447	35,156
			7,143,843	7,143,843	571,508

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.

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A21 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 As at 30 Jun 2017			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
(i) Credit Risk							
(a) On-Balance Sheet Exposures							
Sovereigns/Central Banks			2,140,369	2,140,369	47,353	47,353	3,788
Banks, Development Financial Institutions & MDBs			729,299	729,299	222,206	222,206	17,776
Corporates			4,061,828	4,061,828	3,643,280	3,643,280	291,462
Regulatory Retail			1,936,677	1,936,677	1,448,957	1,448,957	115,917
Residential Mortgages			643,138	643,138	262,686	262,686	21,015
Higher Risk Assets ¹			278,594	278,594	417,891	417,891	33,431
Other Assets			261,006	261,006	98,428	98,428	7,874
Defaulted Exposures ²			268,795	268,795	344,069	344,069	27,526
			10,319,706	10,319,706	6,484,870	6,484,870	518,790
(b) Off-Balance Sheet Exposures*							
OTC Hedging Financial Instruments ³			9,345	9,345	4,740	4,740	379.20
Off balance sheet exposures other than OTC hedging financial instruments			162,581	162,581	139,141	139,141	11,131.27
			171,926	171,926	143,881	143,881	11,510
Total On and Off-Balance Sheet Exposures			10,491,633	10,491,633	6,628,751	6,628,751	530,300
(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	134,721	131,739	2,982	5,600	5,600	448	
Foreign Currency Risk ⁴	1,705	8,453	(6,748)	9,875	9,875	790	
			(3,766)	15,475	15,475	1,238	
(iv) Operational Risk				410,131	410,131	32,810.45	
(v) Total RWA and Capital Requirements				10,529,864	7,074,405	7,074,405	565,952

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.

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A21 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 2016	RM'000	RM'000	RM'000	RM'000	RM'000
(i) Credit Risk					
(a) On-Balance Sheet Exposures					
Sovereigns/Central Banks	2,752,633	2,752,633	48,895	48,895	3,912
Banks, Development Financial Institutions & MDBs	461,398	461,398	154,114	154,114	12,329
Corporates	4,136,357	4,136,357	3,601,089	3,601,089	288,087
Regulatory Retail	1,893,397	1,893,397	1,415,535	1,415,535	113,243
Residential Mortgages	578,131	578,131	247,843	247,843	19,827
Higher Risk Assets ¹	259,408	259,408	389,112	389,112	31,129
Other Assets	274,644	274,644	95,658	95,658	7,653
Defaulted Exposures ²	368,590	368,590	491,237	491,237	39,299
	10,724,558	10,724,558	6,443,483	6,443,483	515,479
(b) Off-Balance Sheet Exposures*					
OTC Hedging Financial Instruments ³	8,871	8,871	7,333	7,333	587
Off balance sheet exposures other than OTC hedging financial instruments	216,668	216,668	201,741	201,741	16,139
	225,539	225,539	209,074	209,074	16,726
Total On and Off-Balance Sheet Exposures	10,950,097	10,950,097	6,652,557	6,652,557	532,205
(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	157,835	153,004	4,831	8,208	657
Foreign Currency Risk ⁴	8,281	4,531	3,750	8,542	683
		8,581	16,750	16,750	1,340
(iv) Operational Risk			426,170	426,170	34,094
(v) Total RWA and Capital Requirements			7,115,525	7,115,525	569,243

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.

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A21 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 2017								
Risk-Weights								
0%	1,916,348	39,337	317,470	4,939	3,899	-	128,158	2,410,152
20%	236,768	386,085	114,585	-	-	-	43,025	780,462
35%	-	-	-	-	484,025	-	-	484,025
50%	-	280,494	103,674	(24)	128,955	-	-	513,100
75%	-	-	-	1,979,875	-	-	-	1,979,875
100%	-	-	3,675,584	89	37,503	-	119,863	3,833,039
150%	-	-	175,439	5,659	-	315,453	-	496,551
	2,153,116	705,916	4,386,751	1,990,539	654,383	315,453	291,046	10,497,205
As at 31 Dec 2016								
Risk-Weights								
0%	2,521,383	39,749	292,834	6,250	4,757	-	143,025	3,007,998
20%	244,475	163,158	264,281	-	-	-	44,952	716,866
35%	-	-	-	-	431,213	-	-	431,213
50%	-	232,323	123,051	(202)	94,451	-	-	449,623
75%	-	-	-	1,936,233	-	-	-	1,936,233
100%	-	-	3,666,372	379	66,906	-	115,849	3,849,506
150%	-	-	224,404	5,148	-	334,987	-	564,539
	2,765,858	435,230	4,570,942	1,947,808	597,327	334,987	303,826	10,955,978

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A21 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
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	RM'000
Bank								
As at 30 Jun 2017								
Risk-Weights								
0%	1,903,601	39,337	317,470	4,939	3,899	-	128,158	2,397,405
20%	236,768	415,011	114,585	-	-	-	43,025	809,389
35%	-	-	-	-	484,025	-	-	484,025
50%	-	280,707	103,674	(24)	128,955	-	-	513,313
75%	-	-	-	1,979,875	-	-	-	1,979,875
100%	-	-	3,683,659	89	37,503	-	89,823	3,811,074
150%	-	-	175,439	5,659	-	315,453	-	496,551
	2,140,369	735,056	4,394,826	1,990,539	654,383	315,453	261,006	10,491,633
As at 31 Dec 2016								
Risk-Weights								
0%	2,508,159	39,749	292,834	6,250	4,757	-	143,025	2,994,774
20%	244,475	190,957	264,281	-	-	-	44,952	744,665
35%	-	-	-	-	431,213	-	-	431,213
50%	-	232,615	123,051	(202)	94,451	-	-	449,915
75%	-	-	-	1,936,233	-	-	-	1,936,233
100%	-	-	3,674,808	379	66,905	-	86,667	3,828,759
150%	-	-	224,404	5,148	-	334,986	-	564,538
	2,752,634	463,321	4,579,378	1,947,808	597,326	334,986	274,644	10,950,097

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A21 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 2017				
0%	2,410,152	-	2,397,405	-
20%	780,462	156,092	809,389	161,878
35%	484,025	169,409	484,025	169,409
50%	513,100	256,550	513,313	256,657
75%	1,979,875	1,484,906	1,979,875	1,484,906
100%	3,833,039	3,833,039	3,811,074	3,811,074
150%	496,551	744,827	496,551	744,827
Risk-weighted assets for credit risk	10,497,205	6,644,823	10,491,633	6,628,751
Risk-weighted assets for market risk		15,475		15,475
Risk-weighted assets for operational risk		424,060		410,131
Large exposure risk-weighted assets for equity holdings		20,048		20,048
Total risk-weighted assets		7,104,406		7,074,405
As at 31 Dec 2016				
0%	3,007,998	-	2,994,774	-
20%	716,866	143,373	744,665	148,933
35%	431,213	150,924	431,213	150,925
50%	449,623	224,811	449,915	224,957
75%	1,936,233	1,452,175	1,936,233	1,452,175
100%	3,849,506	3,849,506	3,828,759	3,828,759
150%	564,539	846,809	564,538	846,808
Risk-weighted assets for credit risk	10,955,978	6,667,598	10,950,097	6,652,557
Risk-weighted assets for market risk		16,750		16,750
Risk-weighted assets for operational risk		439,447		426,170
Large exposure risk-weighted assets for equity holdings		20,048		20,048
Total risk-weighted assets		7,143,843		7,115,525

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

	As at 30 Jun 2017		As at 31 Dec 2016	
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	5,600	448	8,208	657
Foreign Exchange Risk	9,875	790	8,542	683
Total	15,475	1,238	16,750	1,340

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A22 FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

Determination of fair value and fair value hierarchy

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

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

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

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

Group

30 Jun 2017

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 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

Level 2	Level 3	Total
RM'000	RM'000	RM'000
1,975,449	-	1,975,449
61,162	-	61,162
1,353,386	5,036,511	6,389,897
3,133	-	3,133
3,393,130	5,036,511	8,429,641
4,491,685	-	4,491,685
2,180	-	2,180
-	429,280	429,280
4,493,865	429,280	4,923,145
1,018,377	-	1,018,377
60,334	-	60,334
1,226,547	5,265,769	6,492,316
5,956	-	5,956
2,311,214	5,265,769	7,576,983
4,329,342	-	4,329,342
1,163	-	1,163
-	448,509	448,509
4,330,505	448,509	4,779,014

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A22 FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (Cont'd.)

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

	Level 2	Level 3	Total
	RM'000	RM'000	RM'000
Bank			
30 Jun 2017			
Financial assets			
Securities available-for-sale	1,962,702	-	1,962,702
Securities held-to-maturity	61,162	-	61,162
Financing, advances and other receivables	1,353,386	5,036,511	6,389,897
Hedging financial instruments	3,133	-	3,133
Total	3,380,383	5,036,511	8,416,894
Financial liability			
Deposits from customers	4,428,242	-	4,428,242
Hedging financial instruments	2,180	-	2,180
Subordinated Murabahah Tawarruq	-	429,280	429,280
	4,430,422	429,280	4,859,702
31 Dec 2016			
Financial assets			
Securities available-for-sale	1,005,153	-	1,005,153
Securities held-to-maturity	60,334	-	60,334
Financing, advances and other receivables	1,226,547	5,265,769	6,492,316
Hedging financial instruments	5,956	-	5,956
Total	2,297,990	5,265,769	7,563,759
Financial liability			
Deposits from customers	4,295,095	-	4,295,095
Hedging financial instruments	1,163	-	1,163
Subordinated Murabahah Tawarruq	-	448,509	448,509
	4,296,258	448,509	4,744,767

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%

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A22 FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (Cont'd.)

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

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

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

Group				
30 Jun 2017		31 Dec 2016		
Carrying Value	Fair Value	Carrying Value	Fair Value	
RM'000	RM'000	RM'000	RM'000	
Financial Assets				
Securities held-to-maturity	61,227	61,162	61,251	60,334
Financing, advances and other receivables	6,391,975	6,389,897	6,494,270	6,492,316
	6,453,202	6,451,059	6,555,521	6,552,650
Financial Liabilities				
Deposits from customers	4,491,699	4,491,685	4,329,342	4,329,342
Subordinated Murabahah Tawarruq	434,615	429,280	451,070	448,509
	4,926,314	4,920,965	4,780,412	4,777,851

Bank				
30 Jun 2017		31 Dec 2016		
Carrying Value	Fair Value	Carrying Value	Fair Value	
RM'000	RM'000	RM'000	RM'000	
Financial Assets				
Securities held-to-maturity	61,227	61,162	61,251	60,334
Financing, advances and other receivables	6,391,975	6,389,897	6,494,270	6,492,316
	6,453,202	6,451,059	6,555,521	6,552,650
Financial Liabilities				
Deposits from customers	4,428,255	4,428,242	4,295,095	4,295,095
Subordinated Murabahah Tawarruq	434,615	429,280	451,070	448,509
	4,862,871	4,857,522	4,746,165	4,743,604

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A22 FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (Cont'd.)

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

The following methods and assumptions used to estimate the fair values of the following classes of financial instruments:

(a) Cash and Short-Term Funds

The carrying amount approximates fair value due to the relatively short maturity of the financial instruments.

(b) Deposits and Placements with Banks and Other Financial Institutions

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

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

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

(d) Securities Held-To-Maturity

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

(e) Hedging Financial Instruments

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

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A22 FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (Cont'd.)

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

(f) Financing, Advances and Other Receivables

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

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

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

(h) Subordinated Murabahah Tawaruq

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

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A23 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 2017		31-Dec-16	
	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	876,638	876,638	2,341,840	2,341,840
Deposits and placements with banks and other financial institutions	375,460	404,599	171,073	199,165
Securities available-for-sale	1,975,449	1,962,702	1,018,377	1,005,153
Securities held-to-maturity	61,227	61,227	61,251	61,251
Financing, advances and other receivables	6,391,975	6,391,975	6,494,270	6,494,270
Other assets	175,106	174,852	190,369	189,975
Statutory deposits with Bank Negara Malaysia ("BNM")	216,000	216,000	201,000	201,000
Hedging financial instruments				
- Ijarah rental swap	3,133	3,133	5,956	5,956
Total On-Balance Sheet	10,074,988	10,091,126	10,484,136	10,498,610
Financial guarantees	5,437	5,437	6,987	6,987
Contingent liabilities	118,999	118,999	126,637	126,637
Commitments*	290,496	290,496	477,884	477,884
Total Off-Balance Sheet	414,932	414,932	611,508	611,508
Total On and Off-Balance Sheet	10,489,920	10,506,059	11,095,644	11,110,118

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

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A23 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 2017					
Group					
Cash and short-term funds	791,358	7,832	77,448	-	876,638
Deposits and placements with banks and other financial institutions	64,537	-	310,923	-	375,460
Securities available-for-sale					
- Unquoted	1,848,117	114,585	12,747	-	1,975,449
Securities held-to-maturity					
- Unquoted	10,112	-	51,115	-	61,227
Financing, advances and other receivables	6,519,718	4,973	10,904	(143,621)	6,391,975
Other assets	175,106	-	-	-	175,106
Statutory deposits with BNM	216,000	-	-	-	216,000
Hedging financial instruments					
- Ijarah rental swap	3,133	-	-	-	3,133
Total On-Balance Sheet	9,628,082	127,390	463,137	(143,621)	10,074,988
Financial guarantees	5,437	-	-	-	5,437
Contingent liabilities	118,999	-	-	-	118,999
Commitments*	290,361	135	-	-	290,496
Total Off-Balance Sheet	414,797	135	-	-	414,932
Total On and Off-Balance Sheet	10,042,879	127,525	463,137	(143,621)	10,489,920

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

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A23 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 2016

Group

Cash and short-term funds
Deposits and placements with banks and
other financial institutions
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
2,119,410	4,100	218,330		2,341,840
-	-	171,073		171,073
875,881	129,272	13,224		1,018,377
10,113	-	51,138		61,251
6,617,689	5,170	10,832	(139,421)	6,494,270
69,411	120,958			190,369
201,000				201,000
5,956				-
5,956				5,956
9,899,460	259,500	464,597	(139,421)	10,484,136
6,987	-	-	-	6,987
126,637	-	-	-	126,637
477,749	135	-	-	477,884
611,373	135	-	-	611,508
10,510,833	259,635	464,597	(139,421)	11,095,644

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

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A23 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 2017

Bank

Cash and short-term funds
Deposits and placements with banks and
other financial institutions
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
791,358	7,832	77,448	-	876,638
93,676	-	310,923	-	404,599
1,848,117	114,585	-	-	1,962,702
10,112	-	51,115	-	61,227
6,519,718	4,973	10,904	(143,621)	6,391,975
174,852	-	-	-	174,852
216,000	-	-	-	216,000
3,133	-	-	-	3,133
9,656,967	127,390	450,391	(143,621)	10,091,126
5,437	-	-	-	5,437
118,999	-	-	-	118,999
290,361	135	-	-	290,496
414,797	135	-	-	414,932
10,071,764	127,525	450,391	(143,621)	10,506,059

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

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A23 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 2016

Bank

Cash and short-term funds
Deposits and placements with banks and
other financial institutions
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
2,119,410	4,100	218,330	-	2,341,840
28,092		171,073	-	199,165
875,881	129,272	-	-	1,005,153
10,113	-	51,138	-	61,251
6,617,689	5,170	10,832	(139,421)	6,494,270
69,017	120,958			189,975
201,000				201,000
5,956				5,956
9,927,157	259,500	451,373	(139,421)	10,498,610
6,987	-	-	-	6,987
126,637	-	-	-	126,637
477,749	135	-	-	477,884
611,373	135	-	-	611,508
10,538,531	259,635	451,373	(139,421)	11,110,118

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

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A23 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 2017							
Group							
Cash and short-term funds	-	876,638	-	-	-	-	876,638
Deposits and placements with banks and other financial institutions	-	375,460	-	-	-	-	375,460
Securities available-for-sale	-	128,116	15,377	-	1,549,627	282,329	1,975,449
Securities held-to-maturity	-	56,164	-	5,063	-	-	61,227
Financing, advances and other receivables	1,124,418	182,265	1,873,377	213,061	-	3,142,474	6,391,975
Other assets	-	-	-	-	-	175,106	175,106
Statutory deposits with BNM	-	216,000	-	-	-	-	216,000
Hedging financial instruments	-	-	-	3,133	-	-	3,133
Total On-Balance Sheet	1,124,418	1,834,642	1,888,755	221,257	1,549,627	3,599,909	10,074,988
Financial guarantees	-	-	4,000	-	-	1,437	5,437
Contingent liabilities	2,173	-	10,032	3,173	-	103,621	118,999
Commitments*	53,806	-	37,194	8,097	-	191,399	290,496
Total Off-Balance Sheet	55,978	-	51,227	11,271	-	296,457	414,932
Total On and Off-Balance Sheet	1,180,396	1,834,642	1,939,981	232,528	1,549,627	3,896,365	10,489,920

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

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A23 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	
31 Dec 2016	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cash and short-term funds	-	2,341,840	-	-	-	-	2,341,840
Deposits and placements with banks and other financial institutions	-	171,073	-	-	-	-	171,073
Securities available-for-sale	-	129,625	34,999	-	547,161	306,592	1,018,377
Securities held-to-maturity	-	56,186	-	5,065	-	-	61,251
Financing, advances and other receivables	1,149,326	312,318	1,867,336	238,021	-	3,066,690	6,494,270
Other assets	-	-	-	-	-	190,369	190,369
Statutory deposits with BNM	-	201,000	-	-	-	-	201,000
Hedging financial instruments	-	-	-	5,956	-	-	5,956
Total On-Balance Sheet	1,149,326	3,212,042	1,902,335	249,042	547,161	3,563,651	10,484,136
Financial guarantees	400	-	4,000	2,000	-	587	6,987
Contingent liabilities	64	-	23,027	11,910	-	91,636	126,637
Commitments*	105,487	-	98,973	25,796	-	247,628	477,884
Total Off-Balance Sheet	105,951	-	126,000	39,706	-	339,851	611,508
Total On and Off-Balance Sheet	1,255,277	3,212,042	2,028,335	288,748	547,161	3,903,502	11,095,644

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

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A23 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 2017							
Bank							
Cash and short-term funds	-	876,638	-	-	-	-	876,638
Deposits and placements with banks and other financial institutions	-	404,599	-	-	-	-	404,599
Securities available-for-sale	-	128,116	15,377	-	1,536,880	282,329	1,962,702
Securities held-to-maturity	-	56,164	-	5,063	-	-	61,227
Financing, advances and other receivables	1,124,418	182,265	1,873,377	213,061	-	3,142,474	6,391,975
Other assets	-	-	-	-	-	174,852	174,852
Statutory deposits with BNM	-	216,000	-	-	-	-	216,000
Hedging financial instruments	-	-	-	3,133	-	-	3,133
Total On-Balance Sheet	1,124,418	1,863,783	1,888,754	221,257	1,536,880	3,599,654	10,091,126
Financial guarantees	-	-	4,000	-	-	1,437	5,437
Contingent liabilities	2,173	-	10,032	3,173	-	103,621	118,999
Commitments*	53,806	-	37,194	8,097	-	191,399	290,496
Total Off-Balance Sheet	55,978	-	51,227	11,271	-	296,457	414,932
Total On and Off-Balance Sheet	1,180,396	1,863,783	1,939,981	232,528	1,536,880	3,896,111	10,506,059

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

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A23 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 2016							
Bank							
Cash and short-term funds	-	2,341,840	-	-	-	-	2,341,840
Deposits and placements with banks and other financial institutions	-	199,165	-	-	-	-	199,165
Securities available-for-sale	-	129,625	34,999	-	533,937	306,592	1,005,153
Securities held-to-maturity	-	56,186	-	5,065	-	-	61,251
Financing, advances and other receivables	1,149,326	312,318	1,867,336	238,021	-	3,066,690	6,494,270
Other assets	-	-	-	-	-	189,975	189,975
Statutory deposits with BNM	-	201,000	-	-	-	-	201,000
Hedging financial instruments	-	5,956	-	-	-	-	5,956
Total On-Balance Sheet	1,149,326	3,246,090	1,902,335	243,086	533,937	3,563,257	10,498,610
Financial guarantees	400	-	4,000	2,000	-	587	6,987
Contingent liabilities	64	-	23,027	11,910	-	91,636	126,637
Commitments*	105,487	-	98,973	25,796	-	247,628	477,884
Total Off-Balance Sheet	105,951	-	126,000	39,706	-	339,851	611,508
Total On and Off-Balance Sheet	1,255,277	3,246,090	2,028,335	282,792	533,937	3,903,108	11,110,118

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

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A23 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 2017 Group	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cash and short-term funds	876,638	-	-	-	-	-	876,638
Deposits and placements with banks and other financial institutions	240,425	135,035	-	-	-	-	375,460
Securities available-for-sale	73,042	25,192	1,055,603	821,612	-	-	1,975,449
Securities held-to-maturity	56,164	-	5,063	-	-	-	61,227
Financing, advances and other receivables	3,438,619	65,236	362,014	2,669,728	-	(143,621)	6,391,975
Other assets	-	-	-	-	175,106	-	175,106
Statutory deposits with BNM	-	-	-	-	216,000	-	216,000
Hedging financial instruments	-	-	-	3,133	-	-	3,133
Total On-Balance Sheet	4,684,888	225,463	1,422,680	3,494,473	391,106	(143,621)	10,074,988
Financial guarantees	4,000	487	950	-	-	-	5,437
Contingent liabilities	29,023	76,558	13,068	-	350	-	118,999
Commitments*	59,790	20,817	30,071	96,935	82,884	-	290,496
Total Off-Balance Sheet	92,813	97,861	44,089	96,935	83,234	-	414,932
Total On and Off-Balance Sheet	4,777,701	323,325	1,466,769	3,591,407	474,340	(143,621)	10,489,920

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

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A23 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 2016							
Group							
Cash and short-term funds	2,341,840	-	-	-	-	-	2,341,840
Deposits and placements with banks and other financial institutions	171,073	-	-	-	-	-	171,073
Securities available-for-sale	19,692	74,910	549,931	373,844	-	-	1,018,377
Securities held-to-maturity	-	56,186	5,065	-	-	-	61,251
Financing, advances and other receivables	3,650,411	32,670	356,289	2,594,321	-	(139,421)	6,494,270
Other assets	-	-	-	-	190,369	-	190,369
Statutory deposits with BNM	-	-	-	-	201,000	-	201,000
Hedging financial instruments	-	-	5,956	-	-	-	5,956
Total On-Balance Sheet	6,183,016	163,766	917,241	2,968,165	391,369	(139,421)	10,484,136
Financial guarantees	987	4,000	-	-	2,000	-	6,987
Contingent liabilities	81,440	4,536	17,598	-	23,063	-	126,637
Commitments*	82,996	21,395	78,658	97,968	196,867	-	477,884
Total Off-Balance Sheet	165,423	29,931	96,256	97,968	221,930	-	611,508
Total On and Off-Balance Sheet	6,348,439	193,697	1,013,497	3,066,133	613,299	(139,421)	11,095,644

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

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A23 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			
30 Jun 2017	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Bank							
Cash and short-term funds	876,638	-	-	-	-	-	876,638
Deposits and placements with banks and other financial institutions	404,599	-	-	-	-	-	404,599
Securities available-for-sale	73,042	25,192	1,042,856	821,612	-	-	1,962,702
Securities held-to-maturity	56,164	-	5,063	-	-	-	61,227
Financing, advances and other receivables	3,438,619	65,236	362,014	2,669,728	-	(143,621)	6,391,975
Other assets	-	-	-	-	174,852	-	174,852
Statutory deposits with BNM	-	-	-	-	216,000	-	216,000
Hedging financial instruments	-	-	-	3,133	-	-	3,133
Total On-Balance Sheet	4,849,062	90,428	1,409,933	3,494,473	390,852	(143,621)	10,091,126
Financial guarantees	4,000	487	950	-	-	-	5,437
Contingent liabilities	29,023	76,558	13,068	-	350	-	118,999
Commitments*	59,790	20,817	30,071	96,935	82,884	-	290,496
Total Off-Balance Sheet	92,813	97,861	44,089	96,935	83,234	-	414,932
Total On and Off-Balance Sheet	4,941,875	188,290	1,454,022	3,591,407	474,086	(143,621)	10,506,059

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

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A23 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 2016							
Bank							
Cash and short-term funds	2,341,840	-	-	-	-	-	2,341,840
Deposits and placements with banks and other financial institutions	199,165	-	-	-	-	-	199,165
Securities available-for-sale	19,692	74,910	536,707	373,844	-	-	1,005,153
Securities held-to-maturity	-	56,186	5,065	-	-	-	61,251
Financing, advances and other receivables	3,650,411	32,670	356,289	2,594,321	-	(139,421)	6,494,270
Other assets	-	-	-	-	189,975	-	189,975
Statutory deposits with BNM	-	-	-	-	201,000	-	201,000
Hedging financial instruments	-	-	5,956	-	-	-	5,956
Total On-Balance Sheet	6,211,108	163,766	904,017	2,968,165	390,975	(139,421)	10,498,610
Financial guarantees	987	4,000	-	-	2,000	-	6,987
Contingent liabilities	81,440	4,536	17,598	-	23,063	-	126,637
Commitments*	82,996	21,395	78,658	97,968	196,867	-	477,884
Total Off-Balance Sheet	165,423	29,931	96,256	97,968	221,930	-	611,508
Total On and Off-Balance Sheet	6,376,531	193,697	1,000,273	3,066,133	612,905	(139,421)	11,110,118

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

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A23 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 2017						
Group						
Cash and short-term funds	876,638	-	-	-	-	876,638
Deposits and placements with banks and other financial institutions	375,460	-	-	-	-	375,460
Securities available-for-sale	1,909,806	65,643	-	-	-	1,975,449
Securities held-to-maturity	61,227	-	-	-	-	61,227
Financing, advances and other receivables	3,620,486	1,811,833	858,461	2,198	441,447	6,734,425
Other assets	175,106	-	-	-	-	175,106
Statutory deposits with BNM	216,000	-	-	-	-	216,000
Hedging financial instruments	3,133	-	-	-	-	3,133
Total On-Balance Sheet	7,237,856	1,877,476	858,461	2,198	441,447	10,417,438
Financial guarantees	5,437	-	-	-	-	5,437
Contingent liabilities	118,999	-	-	-	-	118,999
Commitments*	290,496	-	-	-	-	290,496
Total Off-Balance Sheet	414,932	-	-	-	-	414,932
Total On and Off-Balance Sheet	7,652,789	1,877,476	858,461	2,198	441,447	10,832,370

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A23 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.)

31 Dec 2016 Group	Performing	Unrated	Past due but not impaired	Restructured & rescheduled	Impaired	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cash and short-term funds	2,341,840	-	-	-	-	2,341,840
Deposits and placements with banks and other financial institutions	171,073	-	-	-	-	171,073
Securities available-for-sale	941,218	67,546	-	-	9,613	1,018,377
Securities held-to-maturity	61,251	-	-	-	-	61,251
Financing, advances and other receivables	3,770,394	2,274,881	338,567	1,412	478,125	6,863,378
Other assets	190,109	-	-	-	260	190,369
Statutory deposits with BNM	201,000	-	-	-	-	201,000
Hedging financial instruments	5,956	-	-	-	-	5,956
Total On-Balance Sheet	7,682,841	2,342,427	338,567	1,412	487,998	10,853,244
Financial guarantees	6,987	-	-	-	-	6,987
Contingent liabilities	126,637	-	-	-	-	126,637
Commitments*	477,884	-	-	-	-	477,884
Total Off-Balance Sheet	611,508	-	-	-	-	611,508
Total On and Off-Balance Sheet	8,294,349	2,342,427	338,567	1,412	487,998	11,464,752

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A23 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 2017						
Bank						
Cash and short-term funds	876,638	-	-	-	-	876,638
Deposits and placements with banks and other financial institutions	404,599	-	-	-	-	404,599
Securities available-for-sale	1,897,059	65,643	-	-	-	1,962,702
Securities held-to-maturity	61,227	-	-	-	-	61,227
Financing, advances and other receivables	3,620,486	1,811,833	858,461	2,198	441,447	6,734,425
Other assets	174,852	-	-	-	-	174,852
Statutory deposits with BNM	216,000	-	-	-	-	216,000
Hedging financial instruments	3,133	-	-	-	-	3,133
Total On-Balance Sheet	7,253,996	1,877,476	858,461	2,198	441,447	10,433,576
Financial guarantees	5,437	-	-	-	-	5,437
Contingent liabilities	118,999	-	-	-	-	118,999
Commitments*	290,496	-	-	-	-	290,496
Total Off-Balance Sheet	414,932	-	-	-	-	414,932
Total On and Off-Balance Sheet	7,668,928	1,877,476	858,461	2,198	441,447	10,848,509

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

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A23 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 2016						
Bank						
Cash and short-term funds	2,341,840	-	-	-	-	2,341,840
Deposits and placements with banks and other financial institutions	199,165	-	-	-	-	199,165
Securities available-for-sale	927,994	67,546	-	-	9,613	1,005,153
Securities held-to-maturity	61,251	-	-	-	-	61,251
Financing, advances and other receivables	3,770,394	2,274,881	338,566	1,412	478,125	6,863,378
Other assets	189,715	-	-	-	260	189,975
Statutory deposits with BNM	201,000	-	-	-	-	201,000
Hedging financial instruments	5,956	-	-	-	-	5,956
Total On-Balance Sheet	7,697,314	2,342,427	338,566	1,412	487,998	10,867,717
Financial guarantees	6,987	-	-	-	-	6,987
Contingent liabilities	126,637	-	-	-	-	126,637
Commitments*	477,884	-	-	-	-	477,884
Total Off-Balance Sheet	611,508	-	-	-	-	611,508
Total On and Off-Balance Sheet	8,308,822	2,342,427	338,566	1,412	487,998	11,479,225

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

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A23 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 2017
	RM'000
Corporate & Commercial	
Excellent	-
Very Strong	-
Strong	357,772
Good	642,373
Satisfactory	926,290
Weak	811,989
Special Mention	906,384
Impaired	223,917
Unrated *	2,666,872
	6,535,596
Less: Collective assessment	(143,621)
Total Corporate, Commercial and Retail	6,391,976

* Unrated segment includes retail consumer credit exposures

Group and Bank	31 Dec 2016
	RM'000
Corporate & Commercial	
Excellent	125,403
Strong	2,027,143
Minimum	945,810
Pass with condition	657,498
Early care	28,303
Impaired	232,597
New/SPV	49,912
Unrated *	2,567,025
	6,633,691
Less: Collective assessment	(139,421)
Total Corporate, Commercial and Retail	6,494,270

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A23 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 2017

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	175,247	394,378	-	-	65,643	1,340,181	1,975,449
Securities held-to-maturity	61,227	-	-	-	-	-	61,227
Bank							
Securities available-for-sale	162,500	394,378	-	-	65,643	1,340,181	1,962,702
Securities held-to-maturity	61,227	-	-	-	-	-	61,227

31 Dec 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	185,128	426,880	-	-	77,158	329,211	1,018,377
Securities held-to-maturity	61,251	-	-	-	-	-	61,251
Bank							
Securities available-for-sale	171,903	426,880	-	-	77,159	329,211	1,005,153
Securities held-to-maturity	61,251	-	-	-	-	-	61,251

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A23 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 2017
Group and Bank
Financing and advances to customers
Corporate 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
21,583	-	2,738	24,321
670,318	111,819	52,002	834,139
691,901	111,819	54,740	858,461

31 Dec 2016
Group and Bank
Financing and advances to customers
Corporate 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
13,713	-	50	13,763
200,037	73,839	50,928	324,804
213,750	73,839	50,978	338,567

Impaired and past due financing by geographical regions

30 Jun 2017
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
431,486	857,470	198,022		4,735
-	857	-		-
9,960	134	807		-
441,447	858,461	198,829	143,621	4,735

31 Dec 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
467,872	337,374	228,937		140,380
-	882	-		-
10,253	311	750		-
478,125	338,567	229,687	139,421	140,380

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A23 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 2017

Group and Bank

Trading and manufacturing
Banks and financial institutions
Construction and real estate
Transportation, storage and communication
Others
Total

Impaired	Past due but not impaired	Individual impairment	Collective impairment	Write-off
RM'000	RM'000	RM'000	RM'000	RM'000
191,319	16,238	117,682		-
0	-	0		-
197,126	8,390	46,846		-
0	424	0		-
53,002	833,409	34,300		4,735
441,447	858,461	198,829	143,621	4,735

31 Dec 2016

Group and Bank

Trading and manufacturing
Banks and financial institutions
Construction and real estate
Transportation, storage and communication
Others
Total

Impaired	Past due but not impaired	Individual impairment	Collective impairment	Write-off
RM'000	RM'000	RM'000	RM'000	RM'000
197,355	850	122,809		140,380
9,172	-	9,172		-
217,688	13,844	66,846		-
7,209	-	-		-
46,701	323,873	30,861		-
478,125	338,567	229,687	139,421	140,380

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A23 FINANCIAL RISK MANAGEMENT (Cont'd.)

(a) CREDIT RISK (Cont'd.)

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

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 accept 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 at 76.4% as at 30 June 2017 (31 Dec 2016: 73.5%). 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.

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A23 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 Financial Reporting for Islamic Banking Institutions.

	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 2017						
ASSETS						
Cash and short-term funds	773,012	-	-	-	103,626	876,638
Deposits and placements with banks and other financial institutions	240,425	135,035	-	-	-	375,460
Securities available-for-sale	73,042	25,192	1,055,603	821,612	68,370	2,043,819
Securities held-to-maturity	56,164	-	5,063	-	-	61,227
Financing, advances and receivables	3,311,231	13,736	809,570	2,257,438	-	6,391,975
Musarakah capital investment	-	-	-	-	5,898	5,898
Other assets	-	-	-	-	617,201	617,201
Total Assets	4,453,874	173,963	1,870,236	3,079,050	795,096	10,372,219

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A23 FINANCIAL RISK MANAGEMENT (Cont'd.)

(b) LIQUIDITY RISK (Cont'd.)

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

Group
30 Jun 2017

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
3,502,727	371,673	154	-	617,144	4,491,698
3,610,115	53,345	-	-	-	3,663,460
-	-	-	434,615	-	434,615
-	-	-	-	101,195	101,195
7,112,842	425,017	154	434,615	718,340	8,690,969
-	-	-	-	1,681,250	1,681,250
7,112,842	425,017	154	434,615	2,399,590	10,372,219
92,813	97,861	42,466	96,198	83,039	412,378
(2,751,782)	(348,916)	1,827,616	2,548,237	(1,687,533)	(412,378)

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A23 FINANCIAL RISK MANAGEMENT (Cont'd.)

(b) LIQUIDITY RISK (Cont'd.)

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

Group
31 Dec 2016

ASSETS

Cash and short-term funds	2,222,951	-	-	-	127,452	2,350,403
Deposits and placements with banks and other financial institutions	31,204	139,869	-	-	-	171,073
Securities available-for-sale	10,079	74,910	549,931	373,844	83,638	1,092,402
Securities held-to-maturity	-	56,186	5,065	-	-	61,251
Financing, advances and receivables	3,534,357	32,890	758,981	2,168,042	-	6,494,270
Musarakah capital investment	-	-	-	-	5,898	5,898
Other assets	-	-	-	-	620,006	620,006

Total Assets

LIABILITIES AND SHAREHOLDER'S EQUITY

Deposits from customers	3,370,257	303,751	5	-	655,329	4,329,342
Deposits and placements of banks and other financial institutions	4,191,458	69,953	-	-	8,563	4,269,974
Subordinated Murabahah Tawarruq	-	-	-	451,070	-	451,070
Other liabilities	-	-	-	-	98,139	98,139

Total Liabilities

Shareholder's equity

Total Liabilities and Shareholder's equity

OFF-BALANCE SHEET LIABILITIES

Commitments & contingencies

Net maturity mismatch

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
2,222,951	-	-	-	127,452	2,350,403
31,204	139,869	-	-	-	171,073
10,079	74,910	549,931	373,844	83,638	1,092,402
-	56,186	5,065	-	-	61,251
3,534,357	32,890	758,981	2,168,042	-	6,494,270
-	-	-	-	5,898	5,898
-	-	-	-	620,006	620,006
5,798,591	303,855	1,313,977	2,541,886	836,994	10,795,303
3,370,257	303,751	5	-	655,329	4,329,342
4,191,458	69,953	-	-	8,563	4,269,974
-	-	-	451,070	-	451,070
-	-	-	-	98,139	98,139
7,561,715	373,704	5	451,070	762,031	9,148,525
-	-	-	-	1,646,778	1,646,778
7,561,715	373,704	5	451,070	2,408,809	10,795,303
165,423	29,931	96,256	97,968	221,930	611,508
(1,928,547)	(99,780)	1,217,716	1,992,848	(1,793,745)	(611,508)

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A23 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 2017						
ASSETS						
Cash and short-term funds	773,012	-	-	-	103,626	876,638
Deposits and placements with banks and other financial institutions	269,564	135,035	-	-	-	404,599
Securities available-for-sale	73,042	25,192	1,042,856	821,612	47,239	2,009,941
Securities held-to-maturity	56,164	-	5,063	-	-	61,227
Financing, advances and receivables	3,311,239	13,736	809,570	2,257,430	-	6,391,975
Musarakah capital investment	-	-	-	-	5,898	5,898
Other assets	-	-	-	-	630,276	630,276
Total Assets	4,483,021	173,963	1,857,489	3,079,042	787,039	10,380,554
LIABILITIES AND SHAREHOLDER'S EQUITY						
Deposits from customers	3,502,249	371,673	154	-	554,179	4,428,255
Deposits and placements of banks and other financial institutions	3,714,894	53,345	-	-	-	3,768,239
Subordinated Murabahah Tawarruq	-	-	-	434,615	-	434,615
Other liabilities	-	-	-	-	100,768	100,768
Total Liabilities	7,217,143	425,018	154	434,615	654,947	8,731,877
Shareholder's equity	-	-	-	-	1,648,677	1,648,677
Total Liabilities and Shareholder's equity	7,217,143	425,018	154	434,615	2,303,624	10,380,554
OFF-BALANCE SHEET LIABILITIES						
Commitments & contingencies	92,813	97,861	42,466	96,198	83,039	412,378
Net maturity mismatch	(2,826,935)	(348,916)	1,814,869	2,548,229	(1,599,624)	(412,377)

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A23 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						
31 Dec 2016						
ASSETS						
Cash and short-term funds	2,222,951	-	-	-	127,452	2,350,403
Deposits and placements with banks and other financial institutions	59,296	139,869	-	-	-	199,165
Securities available-for-sale	10,080	74,910	549,931	373,844	50,773	1,059,538
Securities held-to-maturity	-	56,186	5,065	-	-	61,251
Financing, advances and receivables	3,534,366	32,890	758,981	2,168,033	-	6,494,270
Musarakah capital investment	-	-	-	-	5,898	5,898
Other assets	-	-	-	-	633,968	633,968
Total Assets	5,826,693	303,855	1,313,977	2,541,877	818,091	10,804,493
LIABILITIES AND SHAREHOLDER'S EQUITY						
Deposits from customers	3,211,339	303,751	5	-	780,000	4,295,095
Deposits and placements of banks and other financial institutions	4,266,061	69,953	-	-	8,563	4,344,577
Subordinated Murabahah Tawarruq	-	-	-	451,070	-	451,070
Other liabilities	-	-	-	-	97,304	97,304
Total Liabilities	7,477,400	373,704	5	451,070	885,867	9,188,046
Shareholder's equity	-	-	-	-	1,616,447	1,616,447
Total Liabilities and Shareholder's equity	7,477,400	373,704	5	451,070	2,502,314	10,804,493
OFF-BALANCE SHEET LIABILITIES						
Commitments & contingencies	165,423	29,931	96,256	97,968	221,930	611,508
Net maturity mismatch	(1,816,130)	(99,780)	1,217,716	1,992,839	(1,906,153)	(611,508)

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A23 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 2017						
Group						
Deposits from customers	3,554,880	380,004	168	-	617,144	4,552,197
Deposit and placements of banks and other financial institutions	3,669,143	54,658	-	-	-	3,723,801
Subordinated Murabahah Tawarruq	-	-	-	646,018	-	646,018
Other liabilities	-	-	-	-	101,195	101,195
Total	7,224,023	434,663	168	-	718,340	9,023,211
Bank						
Deposits from customers	3,555,085	380,115	168	-	554,179	4,489,547
Deposit and placements of banks and other financial institutions	3,774,412	54,632	-	-	-	3,829,044
Subordinated Murabahah Tawarruq	-	-	-	646,017	-	646,017
Other liabilities	-	-	-	-	100,768	100,768
Total	7,329,497	434,747	168	-	654,947	9,065,377

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A23 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 2016						
Group						
Deposits from customers	3,418,444	310,289	5	-	655,329	4,384,067
Deposit and placements of banks and other financial institutions	4,264,590	71,793	-	-	8,562	4,344,945
Subordinated Murabahah Tawarruq	-	-	-	539,102	-	539,102
Other liabilities	-	-	-	-	98,139	98,139
Total	7,683,034	382,081	5	539,102	762,030	9,366,253
Bank						
Deposits from customers	3,257,571	310,334	5	-	780,000	4,347,910
Deposit and placements of banks and other financial institutions	4,339,236	71,762	-	-	8,563	4,419,561
Subordinated Murabahah Tawarruq	-	-	-	539,103	-	539,103
Other liabilities	-	-	-	-	97,304	97,304
Total	7,596,807	382,096	5	539,103	885,867	9,403,878

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.

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A23 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 interest rate swap (IRS) and forward foreign exchange related contracts. As at 30 June 2017, the total risk weighted assets for exposures with benchmark rate risk was RM5.6 million (31 December 2016: RM8.21 million) with a total capital charge of RM0.4 million (31 December 2016: RM0.6 million).

All positions in IRS were fully squared (2016: Fully 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.

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(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 RM15.48 million (31 December 2016: RM16.75 million) with a total capital charge of RM1.24 million (31 December 2016: RM1.34 million).

The table below indicates the currencies to which the Bank had significant exposure as at 30 June 2017. 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 2017		31 Dec 2016	
	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	(62)	1	(48)
US Dollar (USD)	1	(12,455)	1	(1,930)
Euro (EUR)	1	(1,439)	1	(1,337)
Bank				
Singapore Dollar (SGD)	1	(62)	1	(48)
US Dollar (USD)	1	(17,337)	1	(5,050)
Euro (EUR)	1	(12)	1	(11)

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(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 2017			31 Dec 2016		
	Nominal amount RM' 000	Modified duration	BPV	Nominal amount RM' 000	Modified duration	BPV
Ringgit Malaysia	1,478,670	5.14	772,302	498,670	4.05	203,021
US Dollar	442,282	3.29	155,461	480,029	3.77	191,629
Bank						
Ringgit Malaysia	1,478,670	5.14	772,302	498,670	4.05	203,021
US Dollar	429,400	3.30	151,853	466,570	3.79	187,272

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A23 FINANCIAL RISK MANAGEMENT

(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.

	Non-trading book						Trading book	Total	Effective profit rate
	Up to 1 month	>1 - 3 months	>3 - 12 months	>1 - 5 years	Over 5 years	Non-profit sensitive			
Group	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	%
30 Jun 2017									
ASSETS									
Cash and short-term funds	773,012	-	-	-	-	103,626	-	876,638	2.99
Deposits and placements with banks and other financial institutions	-	177,608	197,852	-	-	-	-	375,460	1.47
Securities available-for-sale	-	43,025	55,209	1,055,603	821,612	68,370	-	2,043,819	3.90
Securities held-to-maturity	-	56,164	-	5,063	-	-	-	61,227	5.21
Financing, advances and receivables	1,730,480	2,649,354	2,118	669,357	1,340,667	-	-	6,391,976	5.07
Musarakah capital investment	-	-	-	-	-	5,898	-	5,898	
Other assets	-	-	-	-	-	617,201	-	617,201	
TOTAL ASSETS	2,503,492	2,926,151	255,178	1,730,023	2,162,279	795,095	-	10,372,219	
LIABILITIES AND SHAREHOLDER'S EQUITY									
Deposits from customers	1,606,473	1,290,976	976,910	154	-	617,185	-	4,491,699	3.00
Deposits and placements of banks and other financial institutions	1,850,516	1,313,688	499,256	-	-	-	-	3,663,460	3.30
Subordinated Murabahah Tawarruq	-	434,615	-	-	-	-	-	434,615	8.25
Other liabilities	-	-	-	-	-	101,195	-	101,195	
Total Liabilities	3,456,989	3,039,279	1,476,166	154	-	718,381	-	8,690,969	
Shareholder's equity	-	-	-	-	-	1,681,250	-	1,681,250	
Total Liabilities and Shareholder's Equity	3,456,989	3,039,279	1,476,166	154	-	2,399,631	-	10,372,219	
On-balance sheet profit sensitivity gap	(953,497)	(113,129)	(1,220,988)	1,729,869	2,162,279	(1,604,535)	-	-	
Off-balance sheet profit sensitivity gap	-	-	-	-	-	-	-	-	
Total profit sensitivity gap	(953,497)	(113,129)	(1,220,988)	1,729,869	2,162,279	(1,604,535)	-	-	

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A23 FINANCIAL RISK MANAGEMENT (Cont'd.)

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

Group 31 Dec 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	RM'000	RM'000	
ASSETS									
Cash and short-term funds	2,214,388	-	-	-	-	127,452	-	2,341,840	2.96
Deposits and placements with banks and other financial institutions	-	-	171,073	-	-	-	-	171,073	1.49
Securities available-for-sale	-	-	84,989	549,931	373,844	83,638	-	1,092,402	3.65
Securities held-to-maturity	-	-	56,187	5,064	-	-	-	61,251	5.21
Financing, advances and receivables	2,110,744	2,461,144	7,399	604,488	1,310,495	-	-	6,494,270	5.21
Musyarakah capital investment	-	-	-	-	-	5,898	-	5,898	
Other assets	-	-	-	-	-	628,569	-	628,569	
TOTAL ASSETS	4,325,132	2,461,144	319,648	1,159,483	1,684,339	845,557	-	10,795,303	
LIABILITIES AND SHAREHOLDER'S EQUITY									
Deposits from customers	2,417,501	450,664	805,801	5	-	655,371	-	4,329,342	2.88
Deposits and placements of banks and other financial institutions	3,108,080	800,853	352,478	-	-	8,563	-	4,269,974	3.52
Subordinated Murabahah Tawarruq	-	451,070	-	-	-	-	-	451,070	3.63
Other liabilities	-	-	-	-	-	98,139	-	98,139	
Total Liabilities	5,525,581	1,702,587	1,158,279	5	-	762,073	-	9,148,525	
Shareholder's equity	-	-	-	-	-	1,646,778	-	1,646,778	
Total Liabilities and Shareholder's Equity	5,525,581	1,702,587	1,158,279	5	-	2,408,851	-	10,795,303	
On-balance sheet profit sensitivity gap	(1,191,878)	758,558	(838,632)	1,159,478	1,684,340	(1,571,866)	-	-	
Off-balance sheet profit sensitivity gap	-	-	-	-	-	-	-	-	-
Total profit sensitivity gap	(1,191,878)	758,558	(838,632)	1,159,478	1,684,340	(1,571,866)	-	-	

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A23 FINANCIAL RISK MANAGEMENT (Cont'd.)

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

Bank 30 Jun 2017	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	773,012	-	-	-	-	103,626	-	876,638	2.99
Deposits and placements with banks and other financial institutions	-	206,748	197,852	-	-	-	-	404,599	1.40
Securities available-for-sale	-	43,025	55,209	1,042,856	821,612	47,239	-	2,009,941	3.96
Securities held-to-maturity	-	56,164	-	5,063	-	-	-	61,227	5.21
Financing, advances and receivables	1,730,488	2,649,354	2,118	669,357	1,340,659	-	-	6,391,975	5.07
Musarakah capital investment	-	-	-	-	-	5,898	-	5,898	
Other assets	-	-	-	-	-	630,275	-	630,275	
TOTAL ASSETS	2,503,500	2,955,290	255,178	1,717,276	2,162,271	787,038	-	10,380,554	
LIABILITIES AND SHAREHOLDER'S EQUITY									
Deposits from customers	1,605,995	1,290,976	976,910	154	-	554,220	-	4,428,255	3.04
Deposits and placements of banks and other financial institutions	1,938,109	1,330,874	499,256	-	-	-	-	3,768,239	3.23
Subordinated Murabahah Tawarruq	-	434,615	-	-	-	-	-	434,615	8.25
Other liabilities	-	-	-	-	-	100,768	-	100,768	
Total Liabilities	3,544,104	3,056,466	1,476,165	154	-	654,988	-	8,731,877	
Shareholder's equity	-	-	-	-	-	1,648,677	-	1,648,677	
Total Liabilities and Shareholder's Equity	3,544,104	3,056,466	1,476,165	154	-	2,303,665	-	10,380,554	
On-balance sheet profit sensitivity gap	(1,040,604)	(101,176)	(1,220,987)	1,717,122	2,162,271	(1,516,627)	-	-	
Off-balance sheet profit sensitivity gap	-	-	-	-	-	-	-	-	
Total profit sensitivity gap	(1,040,604)	(101,176)	(1,220,987)	1,717,122	2,162,271	(1,516,627)	-	-	

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A23 FINANCIAL RISK MANAGEMENT (Cont'd.)

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

Bank 31 Dec 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	RM'000	RM'000	
ASSETS									
Cash and short-term funds	2,214,388	-	-	-	-	127,452	-	2,341,840	2.96
Deposits and placements with banks and other financial institutions	-	28,092	171,073	-	-	-	-	199,165	1.36
Securities available-for-sale	-	-	84,990	549,931	373,844	50,773	-	1,059,538	3.76
Securities held-to-maturity	-	-	56,186	5,065	-	-	-	61,251	5.21
Financing, advances and receivables	2,110,752	2,461,144	7,400	604,487	1,310,487	-	-	6,494,270	5.21
Musarakah capital investment	-	-	-	-	-	5,898	-	5,898	
Other assets	-	-	-	-	-	642,531	-	642,531	
TOTAL ASSETS	4,325,140	2,489,236	319,649	1,159,483	1,684,331	826,654	-	10,804,493	
LIABILITIES AND SHAREHOLDER'S EQUITY									
Deposits from customers	2,258,584	450,664	805,801	5	-	780,041	-	4,295,095	2.90
Deposits and placements of banks and other financial institutions	3,182,682	800,853	352,479	-	-	8,563	-	4,344,577	3.46
Subordinated Murabahah Tawarruq	-	451,070	-	-	-	-	-	451,070	3.63
Other liabilities	-	-	-	-	-	97,304	-	97,304	
Total Liabilities	5,441,266	1,702,587	1,158,280	5	-	885,908	-	9,188,046	
Shareholder's equity	-	-	-	-	-	1,616,447	-	1,616,447	-
Total Liabilities and Shareholder's Equity	5,441,266	1,702,587	1,158,280	5	-	2,502,355	-	10,804,493	
On-balance sheet profit sensitivity gap	(1,107,563)	786,649	(838,632)	1,159,478	1,684,331	(1,684,263)	-	-	-
Off-balance sheet profit sensitivity gap	-	-	-	-	-	-	-	-	-
Total profit sensitivity gap	(1,107,563)	786,649	(838,632)	1,159,478	1,684,331	(1,684,263)	-	-	

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A23 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 2017

ASSETS

Cash and short-term funds
Deposits and placements with banks and
other financial institutions
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
876,638	-	-	-	-	-	876,638
-	-	-	-	-	-	-
-	276,504	98,956	-	-	-	375,460
1,556,083	-	487,736	-	-	-	2,043,819
61,227	-	-	-	-	-	61,227
6,214,061	-	177,914	-	-	-	6,391,975
5,898	-	-	-	-	-	5,898
617,201	-	-	-	-	-	617,201
9,331,109	276,504	764,605	-	-	-	10,372,219

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A23 FINANCIAL RISK MANAGEMENT (Cont'd.)

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

Group
30 Jun 2017 (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
4,100,532	278,491	106,583	-	-	6,092	4,491,699
3,120,624	-	513,455	29,381	-	-	3,663,460
-	-	434,615	-	-	-	434,615
101,195	-	-	-	-	-	101,195
7,322,351	278,491	1,054,653	29,381	-	6,092	8,690,969
1,681,250	-	-	-	-	-	1,681,250
9,003,601	278,491	1,054,653	29,381	-	6,092	10,372,219
327,508	(1,987)	(290,048)	(29,381)	-	(6,092)	-
-	-	-	-	-	-	-
327,508	(1,987)	(290,048)	(29,381)	-	(6,092)	-

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A23 FINANCIAL RISK MANAGEMENT (Cont'd.)

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

Group 31 Dec 2016	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	2,278,988	62,852	-	-	-	-	2,341,840
Deposits and placements with banks and other financial institutions	-	171,073	-	-	-	-	171,073
Securities available-for-sale	569,114	-	523,289	-	-	-	1,092,403
Securities held-to-maturity	61,251	-	-	-	-	-	61,251
Financing, advances and receivables	6,277,439	-	216,831	-	-	-	6,494,270
Musyarakah capital investment	5,898	-	-	-	-	-	5,898
Other assets	628,568	-	-	-	-	-	628,568
Total Assets	9,821,258	233,925	740,120	-	-	-	10,795,303
LIABILITIES AND SHAREHOLDER'S EQUITY							
Deposits from customers	3,919,990	235,462	167,891	-	-	5,999	4,329,342
Deposits and placements with banks and other financial institutions	4,077,469	-	164,180	28,325	-	-	4,269,974
Subordinated Murabahah Tawarruq	-	-	451,070	-	-	-	451,070
Other liabilities	98,139	-	-	-	-	-	98,139
Total Liabilities	8,095,598	235,462	783,141	28,325	-	5,999	9,148,525
Shareholder's equity	1,646,778	-	-	-	-	-	1,646,778
Total Liabilities and Shareholder's equity	9,742,376	235,462	783,141	28,325	-	5,999	10,795,303
On-balance sheet open position	78,881	(1,537)	(43,021)	(28,325)	-	(5,999)	-
Off-balance sheet open position	-	-	-	-	-	-	-
Net open position	78,881	(1,537)	(43,021)	(28,325)	-	(5,999)	-

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A23 FINANCIAL RISK MANAGEMENT (Cont'd.)

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

Bank 30 Jun 2017	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	876,638	-	-	-	-	-	876,638
Deposits and placements with banks and other financial institutions	-	276,504	98,956	29,140	-	-	404,599
Securities available-for-sale	1,534,952	-	474,989	-	-	-	2,009,941
Securities held-to-maturity	61,227	-	-	-	-	-	61,227
Financing, advances and receivables	6,214,061	-	177,914	-	-	-	6,391,975
Musyarakah capital investment	5,898	-	-	-	-	-	5,898
Other assets	630,276	-	-	-	-	-	630,276
Total Assets	9,323,052	276,504	751,858	29,140	-	-	10,380,554
LIABILITIES AND SHAREHOLDER'S EQUITY							
Deposits from customers	4,037,088	278,491	106,583	-	-	6,092	4,428,255
Deposits and placements with banks and other financial institutions	-	-	-	-	-	-	-
Subordinated Murabahah Tawarruq	3,124,438	-	614,419	29,381	-	-	3,768,239
Other liabilities	-	-	434,615	-	-	-	434,615
Other liabilities	100,768	-	-	-	-	-	100,768
Total Liabilities	7,262,294	278,491	1,155,618	29,381	-	6,092	8,731,877
Shareholder's equity	1,648,677	-	-	-	-	-	1,648,677
Total Liabilities and Shareholder's equity	8,910,971	278,491	1,155,618	29,381	-	6,092	10,380,554
On-balance sheet open position	412,081	(1,987)	(403,759)	(242)	-	(6,092)	1
Off-balance sheet open position	-	-	-	-	-	-	-
Net open position	412,081	(1,987)	(403,759)	(242)	-	(6,092)	1

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A23 FINANCIAL RISK MANAGEMENT (Cont'd.)

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

Bank	MYR	SGD	USD	EUR	KWD	Others	Total
31 Dec 2016	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
ASSETS							
Cash and short-term funds	2,278,988	62,852	-	-	-	-	2,341,840
Deposits and placements with banks and other financial institutions	-	171,073	-	28,092	-	-	199,164
Securities available-for-sale	536,249	-	523,289	-	-	-	1,059,538
Securities held-to-maturity	61,251	-	0	-	-	-	61,251
Financing, advances and receivables	6,277,439	-	216,831	-	-	-	6,494,270
Musyarakah capital investment	5,898	-	-	-	-	-	5,898
Other assets	642,532	-	-	-	-	-	642,532
Total Assets	9,802,358	233,924	740,119	28,092	-	-	10,804,493
LIABILITIES AND SHAREHOLDER'S EQUITY							
Deposits from customers	3,885,743	235,462	167,891	-	-	5,999	4,295,095
Deposits and placements with banks and other financial institutions	4,082,518	-	233,734	28,325	-	-	4,344,577
Subordinated Murabahah Tawarruq	-	-	451,070	-	-	-	451,070
Other liabilities	97,304	-	-	-	-	-	97,304
Total Liabilities	8,065,565	235,462	852,695	28,325	-	5,999	9,188,046
Shareholder's equity	1,616,447	-	-	-	-	-	1,616,447
Total Liabilities and Shareholder's equity	9,682,012	235,462	852,695	28,325	-	5,999	10,804,493
On-balance sheet open position	120,344	(1,537)	(112,575)	(234)	-	(5,999)	-
Off-balance sheet open position	-	-	-	-	-	-	-
Net open position	120,344	(1,537)	(112,575)	(234)	-	(5,999)	-

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A23 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 2017. 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 2017
Group

<i>RM million</i>	1-3 months	4-6 months	7-12 months	Over 12 months	Non-sensitive	Total
Rate sensitive assets	5,429	93	162	4,191	498	10,372
Rate sensitive liabilities	6,498	1,050	425	0	718	8,691
Monthly mismatch	(1,069)	(957)	(263)	4,191	(220)	
Cumulative mismatch	(3,258)	(5,088)	(12,938)	1,901	1,681	
Bank						
Rate sensitive assets	5,458	93	162	4,178	490	10,381
Rate sensitive liabilities	6,602	1,050	425	0	655	8,732
Monthly mismatch	(1,144)	(957)	(263)	4,178	(165)	
Cumulative mismatch	(3,525)	(5,314)	(13,389)	1,813	1,649	

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

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A23 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 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

31 Dec 2016

Group

<i>RM million</i>	1-3 months	4-6 months	7-12 months	Over 12 months	Non-sensitive	Total
Rate sensitive assets	6,822	47	272	3,161	493	10,795
Rate sensitive liabilities	7,230	783	373	0	762	9,148
Monthly mismatch	(408)	(736)	(101)	3,161	(269)	
Cumulative mismatch	(2,770)	(2,628)	(7,437)	1,915	1,647	
Bank						
Rate sensitive assets	6,822	47	272	3,161	502	10,804
Rate sensitive liabilities	7,146	783	373	-	886	9,188
Monthly mismatch	(323)	(736)	(101)	3,161	(384)	
Cumulative mismatch	(2,517)	(2,374)	(6,929)	2,000	1,616	

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 2017

Group

	Movement in market profit rate (%)					
	(2.00)	(1.00)	(0.50)	0.50	1.00	2.00
Change in Net Revenue	19.91	9.96	4.98	(5.10)	(10.20)	(20.39)
Change in Economic Value of Equity	37.80	17.94	8.75	(8.33)	(16.26)	(31.02)
Bank						
Change in Net Revenue	20.10	10.06	5.03	(5.15)	(10.29)	(20.59)
Change in Economic Value of Equity	37.75	17.92	8.73	(8.31)	(16.23)	(30.98)

31 Dec 2016

Group

	Movement in market profit rate (%)					
	(2.00)	(1.00)	(0.50)	0.50	1.00	2.00
Change in Net Revenue	48.50	24.26	12.13	(4.99)	(9.97)	(19.94)
Change in Economic Value of Equity	30.70	14.51	7.06	(6.69)	(13.05)	(24.81)
Bank						
Change in Net Revenue	49.71	24.87	12.43	(4.28)	(8.56)	(17.12)
Change in Economic Value of Equity	30.70	14.51	7.06	(6.69)	(13.05)	(24.81)

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A23 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 2017

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		-	180,228	200,263	17,822	3,988,439
		-	180,228	200,263	17,822	3,988,439
Bank						
Corporates		-	180,228	200,263	17,822	3,996,514
		-	180,228	200,263	17,822	3,996,514

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A23 FINANCIAL RISK MANAGEMENT (Cont'd.)

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

30 Jun 2017

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		12,747	1,914,198	-	-	-	226,171
Bank Sovereigns/Central Banks		-	1,914,198	-	-	-	226,171

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
On and Off-Balance Sheet Exposures	MARC	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	C+ to D	Unrated
	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	9,542	350,177	51,921	38	-	294,240
	Bank Banks, MDBs and FDIs	38,681	350,177	51,921	38	-	294,240

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A23 FINANCIAL RISK MANAGEMENT (Cont'd.)

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

31 Dec 2016

Exposure class	Rating of Corporates by approved ECAls					
	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		144,623	204,998	203,637	30,372	3,987,312
		144,623	204,998	203,637	30,372	3,987,312
Bank Corporates		144,623	204,998	203,637	30,371	3,995,749
		144,623	204,998	203,637	30,372	3,995,749

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

31 Dec 2016

Exposure class	Rating of Sovereigns and Central Banks by approved ECAls						
	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		13,225	2,543,605	-	-	-	209,028
Bank Sovereigns/Central Banks		-	2,543,605	-	-	-	209,029

Exposure class	Rating of Banking Institutions by approved ECAls						
	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
	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 Banks, MDBs and FDIs		16,704	323,421	51,768	55	-	43,282
Bank Banks, MDBs and FDIs		44,796	323,421	51,768	55	-	43,281

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A23 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 2017

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	2,153,116	386,246	-
Banks, Development Financial Institutions & MDBs	700,160	39,337	-
Corporates	4,053,753	192,632	139,178
Regulatory Retail	1,936,677	-	4,749
Residential Mortgages	643,138	-	4,190
Higher Risk Assets ¹	278,594	-	-
Other Assets	291,046	-	-
Defaulted Exposures ²	268,795	-	1,691
Total On Balance Sheet Exposures	10,325,279	618,215	149,808
(b) Off-Balance Sheet Exposures			
OTC Derivatives ³	9,345	-	-
Off-balance sheet exposures other than OTC derivatives ²	162,581	-	-
Total Off-Balance Sheet Exposures	171,926	-	-
Total On and Off-Balance Sheet Exposures	10,497,205	618,215	149,808

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A23 FINANCIAL RISK MANAGEMENT (Cont'd.)

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

31 Dec 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	2,765,858	139,130	-
Banks, Development Financial Institutions & MDBs	433,307	39,749	-
Corporates	4,127,921	150,332	139,596
Regulatory Retail	1,893,397	-	6,250
Residential Mortgages	578,131	-	4,303
Higher Risk Assets ¹	259,408	-	-
Other Assets	303,827	-	-
Defaulted Exposures ²	368,590	-	3,360
Total On Balance Sheet Exposures	10,730,439	329,211	153,509
(b) Off-Balance Sheet Exposures			
OTC Derivatives ³	8,871	-	-
Off-balance sheet exposures other than OTC derivatives ²	216,668	-	-
Total Off-Balance Sheet Exposures	225,539	-	-
Total On and Off-Balance Sheet Exposures	10,955,978	329,211	153,509

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A23 FINANCIAL RISK MANAGEMENT (Cont'd.)

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

30 Jun 2017

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	2,140,369	386,246	-
Banks, Development Financial Institutions & MDBs	729,299	39,337	-
Corporates	4,061,828	192,632	139,178
Regulatory Retail	1,936,677	-	4,749
Residential Mortgages	643,138	-	4,190
Higher Risk Assets ¹	278,594	-	-
Other Assets	261,006	-	-
Defaulted Exposures ²	268,795	-	1,691
Total On-Balance Sheet Exposures	10,319,706	618,215	149,808
(b) Off-Balance Sheet Exposures			
OTC Derivatives ³	9,345	-	-
Off-balance sheet exposures other than OTC derivatives ²	162,581	-	-
Total Off Balance Sheet Exposures	171,926	-	-
Total On and Off-Balance Sheet Exposures	10,491,633	618,215	149,808

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A23 FINANCIAL RISK MANAGEMENT (Cont'd.)

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

31 Dec 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	2,752,633	139,130	-
Banks, Development Financial Institutions & MDBs	461,398	39,749	-
Corporates	4,136,357	150,332	139,596
Regulatory Retail	1,893,397	-	6,250
Residential Mortgages	578,131	-	4,303
Higher Risk Assets ¹	259,408	-	-
Other Assets	274,644	-	-
Defaulted Exposures ²	368,590	-	3,360
Total On Balance Sheet Exposures	10,724,558	329,211	153,509
(b) Off-Balance Sheet Exposures			
OTC Derivatives ³	8,871	-	-
Off-balance sheet exposures other than OTC derivatives ²	216,668	-	-
Total Off-Balance Sheet Exposures	225,539	-	-
Total On and Off-Balance Sheet Exposures	10,950,097	329,211	153,509

* 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.

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A23 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 2017, are as follows:

Group and Bank

30 Jun 2017

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
5,437		5,437	5,437
101,375		50,688	42,009
17,624		3,525	3,525
312,376	60	4,745	1,028
161,860	3,072	4,601	3,712
144,988		73,674	60,036
145,508		29,258	28,134
889,169	3,132	171,926	143,881

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A23 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 2016, are as follows:

Group and Bank

31 Dec 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
6,987		6,987	6,887
117,263		58,632	50,555
9,374		1,875	1,875
85,225	994	2,048	1,558
199,152	5,956	6,823	5,775
178,657		89,329	76,982
299,227		59,845	65,442
895,885	5,825	225,539	209,074

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A23 FINANCIAL RISK MANAGEMENT (Cont'd.)

(j) Equities (Disclosure for banking book positions)

30 Jun 2017

Group and Bank

Equity

Privately Held

(a) Subsidiaries

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

(b) Investment

Intrared Sdn Bhd
Al Faiz Fund 1

(c) Musyarakah Capital Investment

Amount	Unrealised Loss	Risk-Weighted Assets
RM'000	RM'000	RM'000
30,200	(16,292)	
10,200		Capital Deduction
20,000	(16,292)	Capital Deduction
58,257	(11,018)	70,859
36,100	-	54,150
22,157	(11,018)	16,709
	-	

31 Dec 2016

Group and Bank

Equity

Privately Held

(a) Subsidiaries

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

(b) Investment

Intrared Sdn Bhd
Al Faiz Fund 1

(c) Musyarakah Capital Investment

Amount	Unrealised Loss	Risk-Weighted Assets
RM'000	RM'000	RM'000
30,200	(15,131)	
10,200		Capital Deduction
20,000	(15,131)	Capital Deduction
64,885	(10,500)	81,578
36,100	-	54,150
28,785	(10,500)	27,428
5,898	-	8,847

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

B1 Basis of Preparation of the Financial Statements

The unaudited condensed interim financial statements for the three months ended 30 June 2017 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 2016. 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 2016.

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 2016, and modified for the adoption of the following accounting standards applicable for financial periods beginning on or after 1 January 2017 (whichever relevant):

MFRS 107 Disclosures Initiatives (Amendments to MFRS 107)
MFRS 112 Recognition of Deferred Tax for Unrealised Losses (Amendments to MFRS 112)
MFRS 12 Annual Improvements to MFRS Standards 2014–2016 Cycle (Amendments to MFRS 12)

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

FRSs, Amendments to FRSs and Interpretations	Effective for financial period beginning on or after
MFRS 2 Classification and Measurement of Share-based Payment Transactions (Amendments to MFRS 2)	1 January 2018
MFRS 15 Revenue from Contracts with Customers	1 January 2018
MFRS 15 Classification to MFRS 15: Revenue from Contracts with Customers	1 January 2018
MFRS 9 Financial Instruments	1 January 2018
MFRS 1 Annual Improvements to MFRS Standards 2014–2016 Cycle (Amendments to MFRS 1)	1 January 2018
MFRS 140 Transfers of Investment Property (Amendments to MFRS 140)	1 January 2018
MFRS 128 Annual Improvements to MFRS Standards 2014–2016 Cycle (Amendments to MFRS 128)	1 January 2018
MFRS 16 Leases	1 January 2019
Amendments to MFRS 10: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred

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

B3 Auditors' Report on Preceding Annual Financial Statements

The auditors' report on the audited financial statements for the financial year ended 31 December 2016 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 2017.

B5 Unusual Items Due to their Nature, Size or Incidence

There were no items of unusual nature, size or incidence affecting the assets, liabilities, equity, net income or cash flows of the Group and the Bank during the three months ended 30 June 2017.

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 2017.

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 2017.

B8 Dividends Paid

There were no dividends paid during the six-months ended 30 June 2017.

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

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

(i) Primary Segment - By Business Segment

Group	Treasury & Capital Markets	Corporate & Investment Banking	Commercial Banking	Others	Elimination	Total
30 Jun 2017	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
External revenue	61,445	74,625	26,494	82,663		245,228
Revenue from other segments	109,360	486	2,579	28,448	(140,873)	-
Total Revenue	170,805	75,111	29,073	111,111	(140,873)	245,228
Segment results	4,230	20,782	40,508	14,799		80,320
Unallocated expenses						(42,600)
Profit from operations						37,720
Taxation						(10,424)
Net profit for the year						27,296
Other information						
Segment assets	3,439,513	3,145,587	767,878	2,771,223	(229,564)	9,894,637
Unallocated corporate assets						477,581
Total assets						10,372,219
Segment liabilities	6,179,309	4,795,312	1,079,003	8,736,686	(215,689)	20,574,621
Unallocated corporate liabilities						(11,883,652)
Total liabilities						8,690,969
Other segment items						
Purchase of property and equipment				363		363
Purchase of intangible assets				546		546
Depreciation of property and equipment				3,863		3,863
Amortisation of intangible assets				1,540		1,540
Other non-cash expense other than depreciation	(9,365)	11,574	29,679	(12,254)	-	19,634

(ii) By Geographical Locations

Group	Operating Revenue RM'000	Profit Before Zakat and Taxation RM'000	Total Assets RM'000
30 Jun 2017			
Malaysia	245,228	37,720	10,372,219
Outside Malaysia	-	-	-
	245,228	37,720	10,372,219

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

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

(i) Primary Segment - By Business Segment

Group	Treasury & Capital Markets	Corporate & Investment Banking	Commercial Banking	Others	Elimination	Total
30 June 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
Zakat						
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)	-	24,095

(ii) By Geographical Locations

Group
30 June 2016
Malaysia
Outside Malaysia

Operating Revenue RM'000	Profit Before Zakat and Taxation RM'000	Total Assets RM'000
252,019	44,493	10,507,271
-	-	-
252,019	44,493	10,507,271

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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 2016.

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 2016.

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 2016 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 2017 are as follows:

Capital expenditure

Authorised and contracted for:

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

Authorised and not contracted for:

- purchase of IT hardware & software
- purchase of equipment

Group	Bank
RM'000	RM'000
2,023	2,023
6,997	6,997
-	-
9,020	9,020
1,058	1,058
-	-
1,058	1,058

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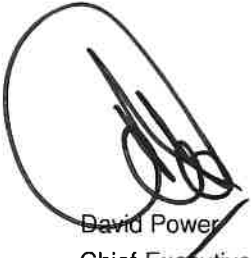
Certification of Financial Statements

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



David Power
Chief Executive Officer