



KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

Interim Report for the Period Ended 30 September 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 Sep 2017 RM'000	31 Dec 2016 RM'000	30 Sep 2017 RM'000	31 Dec 2016 RM'000
ASSETS					
Cash and short-term funds		900,548	2,341,840	900,548	2,341,840
Deposits and placements with banks and other financial institutions	A3	244,169	171,073	273,814	199,165
Investment accounts due from designated financial institutions	A11	10,509	8,563	10,509	8,563
Hedging financial instruments	A7	2,435	5,956	2,435	5,956
Securities available-for-sale	A4	2,038,929	1,092,402	2,004,591	1,059,538
Securities held-to-maturity	A4	5,017	61,251	5,017	61,251
Financing, advances and other receivables	A5	6,281,030	6,494,270	6,281,030	6,494,270
Other assets	A6	173,758	190,369	173,633	189,975
Statutory deposits with Bank Negara Malaysia		221,000	201,000	221,000	201,000
Musarakah capital investment	A8	5,898	5,898	5,898	5,898
Investment in subsidiaries		-	-	13,788	15,069
Property and equipment		19,803	13,633	19,416	13,276
Intangible assets		8,944	10,719	8,784	10,363
Deferred tax assets		186,011	198,329	186,011	198,329
		10,098,051	10,795,303	10,106,474	10,804,492
LIABILITIES					
Deposits from customers	A9	4,721,640	4,329,342	4,640,292	4,295,095
Investment accounts of customers	A11	10,509	8,563	10,509	8,563
Deposits and placements of banks and other financial institutions	A10	3,106,644	4,261,411	3,228,764	4,336,014
Hedging financial instruments	A7	8,349	1,163	8,349	1,163
Subordinated Murabahah Tawarruq	A13	427,379	451,070	427,379	451,070
Other liabilities	A12	129,409	96,976	128,993	96,141
		8,403,930	9,148,525	8,444,286	9,188,046
SHAREHOLDER'S EQUITY					
Share capital	A14	1,425,272	1,425,272	1,425,272	1,425,272
Reserves		268,849	221,506	236,916	191,175
		1,694,121	1,646,778	1,662,188	1,616,447
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY					
		10,098,051	10,795,303	10,106,474	10,804,493
COMMITMENTS AND CONTINGENCIES					
	A20	1,040,517	895,885	1,040,517	895,885
CAPITAL ADEQUACY					
Common Equity Tier I/ Tier I Capital Ratio	A21	21.102%	20.275%	20.362%	19.505%
Total Capital Ratio	A21	28.402%	27.722%	27.690%	26.979%
NET ASSETS PER SHARE (RM)					
		1.19	1.16	1.17	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	3rd Quarter ended 30-Sep		Nine-months ended 30-Sep	
		2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Continuing operations					
Operating revenue		117,817	121,052	363,045	373,073
Income derived from investment of depositors' funds and others	A15	98,497	95,726	293,560	303,844
Income derived from investment of investment account funds	A19	77	70	229	191
Income derived from investment of shareholder's equity	A16	19,243	25,256	69,256	69,037
Total gross income		117,817	121,052	363,045	373,072
Impairment write-back on others		-	-	-	45
Impairment write-back/(loss) on securities		-	-	(9,365)	-
Impairment (charge)/write-back on financing	A17	15,087	(61,143)	44,087	(37,092)
Total distributable income		132,904	59,909	397,767	336,025
Income attributable to the depositors	A18	(65,370)	(59,870)	(191,348)	(202,159)
Profit distributed to investment account holders	A19	(46)	(42)	(136)	(114)
Total net income		67,489	(3)	206,282	133,752
Personnel expenses		(22,870)	(19,810)	(65,332)	(60,845)
Other overheads and expenditures		(20,212)	(20,757)	(62,858)	(62,781)
Finance cost		(8,980)	(2,602)	(24,945)	(8,803)
Profit before zakat and taxation		15,426	(43,172)	53,147	1,323
Taxation		(1,610)	14,768	(12,034)	(15)
Net profit for the period		13,817	(28,404)	41,113	1,308
Attributable to:					
Equity holders of the Bank		13,817	(28,404)	41,113	1,308
Earnings per share attributable to equity holders of the Bank					
- Basic/Diluted (sen)		0.97	(1.99)	2.88	0.09

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

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INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Group	3rd Quarter ended 30-Sep		Nine-months ended 30-Sep	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Net profit for the period	13,817	(28,404)	41,113	1,308
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	869	5,673	6,968	31,185
- Net realised (loss)/gain on securities available-for-sale reclassified to the income statement	2,343	(195)	2,339	(197)
Exchange differences on translation of foreign operations:				
Net income/(loss) taken to equity	(1,967)	1,112	(2,543)	(1,325)
Income tax relating to components of other comprehensive (loss)/income	(216)	(1,370)	(533)	(7,747)
Other comprehensive income/(loss) for the period, net of tax	1,030	5,220	6,231	21,916
Total comprehensive income for the period	14,847	(23,184)	47,344	23,224
Total comprehensive income for the period attributable to equity holders of the Bank	14,847	(23,184)	47,344	23,224

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	3rd Quarter ended 30-Sep		Nine-months ended 30-Sep	
		2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Bank					
Continuing operations					
Operating revenue		117,675	118,340	358,218	365,567
Income derived from investment of depositors' funds and others	A15	98,583	95,849	293,815	303,618
Income derived from investment of investment account funds	A19	77	70	229	191
Income derived from investment of shareholder's equity	A16	19,016	22,421	64,174	61,758
Total gross income		117,676	118,340	358,218	365,567
Impairment write-back on others		(119)	-	(1,281)	45
Impairment write-back/(loss) on securities		-	-	(9,365)	-
Impairment write-back on financing	A17	15,087	(61,143)	44,087	(37,092)
Total distributable income		132,644	57,197	391,659	328,520
Income attributable to the depositors	A18	(65,688)	(60,086)	(192,092)	(202,738)
Profit distributed to investment account holders	A19	(46)	(42)	(136)	(114)
Total net income		66,909	(2,931)	199,431	125,668
Personnel expenses		(22,675)	(19,037)	(63,742)	(58,510)
Other overheads and expenditures		(19,932)	(20,208)	(61,589)	(60,929)
Finance cost		(8,980)	(2,602)	(24,945)	(8,803)
Profit before zakat and taxation		15,322	(44,778)	49,155	(2,574)
Taxation		(1,605)	14,771	(12,019)	-
Net profit for the period		13,718	(30,007)	37,136	(2,574)

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

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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

3rd Quarter ended 30-Sep		Nine-months ended 30-Sep	
2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
13,718	(30,007)	37,136	(2,574)
552	6,094	6,582	30,630
2,343	(520)	2,339	(520)
-	(1,394)	(317)	(7,527)
2,895	4,180	8,604	22,582
16,613	(25,827)	45,740	20,009

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		Retained Earnings RM'000
Group						
At 1 Jan 2017	1,425,272	158,385	7,090	(9,254)	65,285	1,646,778
Total comprehensive (loss)/income	-	-	(2,544)	8,774	41,113	47,343
At 30 Sep 2017	1,425,272	158,385	4,546	(480)	106,398	1,694,121
At 1 Jan 2016						
At 1 Jan 2016	1,425,272	158,385	4,702	(14,450)	93,562	1,667,471
Total comprehensive (loss)/income	-	-	(1,325)	23,241	1,308	46,408
At 30 Sep 2016	1,425,272	158,385	3,377	8,791	94,870	1,713,879
Bank						
At 1 Jan 2017	1,425,272	158,385	-	(9,000)	41,790	1,616,447
Total comprehensive income	-	-	-	8,604	37,136	45,740
At 30 Sep 2017	1,425,272	158,385	-	(396)	78,926	1,662,187
At 1 Jan 2016						
At 1 Jan 2016	1,425,272	158,385	-	(13,918)	71,500	1,641,239
Total comprehensive (loss)/income	-	-	-	22,583	(2,574)	45,835
At 30 Sep 2016	1,425,272	158,385	-	8,665	68,926	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.

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INTERIM CONDENSED STATEMENTS OF CASH FLOWS

	Group		Bank	
	30-Sep 2017 RM'000	30-Sep 2016 RM'000	30-Sep 2017 RM'000	30-Sep 2016 RM'000
Profit before zakat and taxation	53,147	44,493	49,155	42,204
Adjustments for non-cash items	231	(6,317)	1,396	(6,475)
Operating profit before changes in working capital	53,378	38,176	50,550	35,728
<u>Changes in the working capital</u>				
Net changes in operating assets	187,208	138,315	185,382	139,300
Net changes in operating liabilities	(782,368)	(221,134)	(774,474)	(192,721)
Zakat and taxation refund/(paid)	(20)	(20)	-	-
Net cash generated from operating activities	(595,180)	(82,839)	(589,092)	(53,421)
Net purchases of assets	(904,036)	(106,791)	(902,750)	(131,496)
Net cash used in investing activities	(904,036)	(106,791)	(902,750)	(131,496)
Net change in cash and cash equivalents	(1,445,838)	(151,454)	(1,441,292)	(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	4,546	2,266	-	-
Cash and cash equivalents at end of the period	900,548	1,408,834	900,548	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.

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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 RM53.1 million and the Bank recorded profit before zakat and taxation of RM49.2 million for the period ended 30 September 2017.

A2 OUTLOOK FOR 2017

The Malaysian economy is expected to expand above 4.8% in 2017 (2016: 4.2%), underpinned by domestic demand. Gross domestic product (GDP) grew 5.8% in the Q2, faster than the 5.6% expansion seen in the Q1 2017 which indicated a strong growth momentum as it grows at the fastest pace in more than two years. 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 expected to range between 3.0% to 4.0% in 2017.

A3 Deposits and Placements with Banks and Other Financial Institutions

	Group		Bank	
	30 Sep 2017 RM'000	31 Dec 2016 RM'000	30 Sep 2017 RM'000	31 Dec 2016 RM'000
Other financial institutions	244,169	171,073	273,814	199,165
	244,169	171,073	273,814	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

	Group		Bank	
	30 Sep 2017 RM'000	31 Dec 2016 RM'000	30 Sep 2017 RM'000	31 Dec 2016 RM'000
<u>At fair value</u>				
Unquoted securities				
- Islamic private debt securities/sukuks	387,359	444,691	374,698	431,467
- Government guaranteed sukuk	1,583,796	573,686	1,583,796	573,686
	1,971,155	1,018,377	1,958,494	1,005,153
<u>At cost</u>				
Unquoted shares in Malaysia	36,100	36,100	36,100	36,100
Property funds	21,676	19,640	-	-
Collective Investment Scheme	9,998	18,285	9,997	18,285
	67,774	74,025	46,097	54,385
	2,038,929	1,092,402	2,004,591	1,059,538

ii) Securities Held-To-Maturity

	Group		Bank	
	30 Sep 2017 RM'000	31 Dec 2016 RM'000	30 Sep 2017 RM'000	31 Dec 2016 RM'000
<u>At amortised cost</u>				
Unquoted Islamic private debt securities/sukuk	5,017	61,251	5,017	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 (cont'd.)

(iv) By residual contractual maturity

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

Group and Bank	
30 Sep 2017 RM'000	31 Dec 2016 RM'000
2,947,467	3,879,579
274,654	225,908
318,193	139,689
3,070,271	2,618,202
6,610,585	6,863,378

(v) By geographical distribution

Malaysia
Middle East
Other countries

Group and Bank	
30 Sep 2017 RM'000	31 Dec 2016 RM'000
6,593,092	6,846,625
4,877	5,170
12,616	11,583
6,610,585	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 Sep 2017 RM'000	31 Dec 2016 RM'000
7,825	7,550
640,960	541,130
294,248	331,139
1,605,473	1,593,095
873,408	760,197
3,188,671	3,630,267
6,610,585	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 Sep 2017 RM'000	31 Dec 2016 RM'000
185,731	219,242
644,713	544,890
903,167	798,690
911,739	949,149
59,177	86,632
1,647,819	1,852,617
430,947	467,263
1,194,476	1,230,718
632,816	714,177
6,610,585	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 Sep 2017 RM'000	31 Dec 2016 RM'000
664,090	616,724
136,802	157,686
208,923	321,489
2,720,130	2,533,727
695,487	794,955
313,436	336,615
1,225,156	1,317,458
198,950	238,021
391,196	477,180
56,416	69,523
6,610,585	6,863,378

(ix) Financing by types and Shariah contract

	Group and Bank						
	Ijarah Muntahia Bittamlik/ Al-Ijarah Thumma Al-Bai'/ (lease ended with ownership)	Murabahah (cost- plus)	Mudharabah (profit sharing)	Musyarakah (profit and loss sharing)	Qard (benevolent financing)	Istisna'	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
30 Sep 2017							
House financing	848,587	89	-	26,041	-	1,286	876,003
Personal financing	-	1,170,761	-	-	524	-	1,171,285
Leasing financing	-	8,450	20,107	-	-	-	28,557
Syndicated financing	59,952	234,296	-	-	-	-	294,248
Cashline financing	-	11,049	-	-	-	-	11,049
Hire purchase receivables	640,960	-	-	0	-	-	640,960
Other term financing	672,388	2,661,973	43,705	196,951	-	-	3,575,017
Staff financing	10,563	1,976	-	201	725	-	13,465
Total	2,232,450	4,088,595	63,812	223,193	1,249	1,286	6,610,585

	Group and Bank						
	Ijarah Muntahia Bittamlik/ Al-Ijarah Thumma Al-Bai'/ (lease ended with ownership)	Murabahah (cost- plus)	Mudharabah (profit sharing)	Musyarakah (profit and loss sharing)	Qard (benevolent financing)	Istisna'	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
31 Dec 2016							
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

	Group and Bank	
	30 Sep 2017 RM'000	31 Dec 2016 RM'000
As at 1 January	1,043	1,147
Source of Qard fund:	1,301	1,104
- Depositors' Fund	1,084	915
- Shareholders' Fund	217	189
Uses of Qard fund:	(1,095)	(1,208)
- Financing for asset purchase	(913)	(1,001)
- Staff Benevolent	(183)	(207)
Closing balance	1,249	1,043

xi) Movements in impaired financing, advances and other receivables

	Group and Bank	
	30 Sep 2017 RM'000	31 Dec 2016 RM'000
At 1 Jan	478,060	550,898
Impaired during the period/year	28,969	(72,838)
- Impaired during the period/year	122,813	223,973
- Reclassified to performing during the year	(3,289)	(7,316)
- Amount recovered	(85,820)	(149,115)
- Amount written off	(4,735)	(140,380)
Closing balance	507,029	478,060
Ratio of net impaired financing, advances and other receivables to gross financing, advances and other receivables less individual impairment	5.00%	3.74%

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

	Group and Bank	
	30 Sep 2017 RM'000	31 Dec 2016 RM'000
Collective impairment		
At 1 Jan	139,421	92,212
Allowance charged during the year	4,200	47,208
Closing balance	143,621	139,421
As % of total gross financing, advances and other receivables less individual impairment	2.24%	2.10%

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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.)

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

	Group and Bank	
	30 Sep 2017 RM'000	31 Dec 2016 RM'000
Individual impairment		
At 1 Jan	229,687	320,664
Allowance reversed during the year	(39,018)	49,403
- Allowance made	26,173	151,157
- Allowance written-back	(65,191)	(101,754)
Amount written off	(4,735)	(140,380)
Closing balance	185,934	229,687

xiii) Impaired financing by sector

	Group and Bank	
	30 Sep 2017 RM'000	31 Dec 2016 RM'000
Electricity, gas and water	79	79
Finance, insurance and business services	167	9,337
Household	61,043	46,392
Manufacturing	159,621	191,926
Real Estate	281,444	217,688
Transport, storage and communication	-	7,209
Wholesale & retail trade and restaurants & hotels	4,676	5,429
	507,029	478,060

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

A6 Other Assets

	Group		Bank	
	30 Sep 2017 RM'000	31 Dec 2016 RM'000	30 Sep 2017 RM'000	31 Dec 2016 RM'000
Deposits and prepayments	9,489	8,222	9,373	7,991
Amount due from subsidiaries	(0)	-	4	4
Amount due from other related parties	53,936	51,561	53,936	51,561
Fee receivable	371	742	371	742
Sundry debtors	2,563	2,895	2,550	2,728
Commodity assets	-	-	-	-
Tax recoverable	-	-	-	-
Gold depository	107,399	126,949	107,399	126,949
	173,758	190,369	173,633	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
Group and Bank			
At 30 Sep 2017			
Forward foreign exchange related contracts	454,852	124	8,310
Ijarah rental swap related contracts	144,688	2,311	39
Total	599,540	2,435	8,349
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 Sep 2017 RM'000	31 Dec 2016 RM'000	30 Sep 2017 RM'000	31 Dec 2016 RM'000
Non Mudharabah				
- Demand deposits	490,867	686,580	409,991	652,831
- Gold deposits	106,805	127,209	106,805	127,210
- Wakalah deposits	471	498	-	-
- Savings deposits	81,590	52,844	81,590	52,844
Murabahah	4,041,907	3,462,211	4,041,907	3,462,210
	4,721,640	4,329,342	4,640,292	4,295,095

(ii) By type of customer

	Group		Bank	
	30 Sep 2017 RM'000	31 Dec 2016 RM'000	30 Sep 2017 RM'000	31 Dec 2016 RM'000
Business enterprises	1,597,574	1,760,948	1,455,314	1,602,031
Individuals	316,014	385,418	316,014	385,418
Subsidiaries	-	-	60,913	124,670
Government and statutory bodies	2,249,627	1,249,020	2,249,627	1,249,020
Other enterprises	558,424	933,956	558,424	933,956
	4,721,640	4,329,342	4,640,292	4,295,095

(iii) By contractual maturity

	Group		Bank	
	30 Sep 2017 RM'000	31 Dec 2016 RM'000	30 Sep 2017 RM'000	31 Dec 2016 RM'000
Due within six months	3,555,292	4,014,438	3,473,944	3,980,191
More than six months to one year	1,051,619	312,324	1,051,619	312,324
More than one year to three years	114,729	2,580	114,729	2,580
	4,721,640	4,329,342	4,640,292	4,295,095

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A10 Deposits and Placements of Banks and Other Financial Institutions

	Group		Bank	
	30 Sep 2017 RM'000	31 Dec 2016 RM'000	30 Sep 2017 RM'000	31 Dec 2016 RM'000
<u>Murabahah</u>				
Licensed Islamic banks	300,000	452,014	300,000	452,014
Licensed investment banks	50,000	-	50,000	-
Other financial institutions	2,756,644	3,809,397	2,878,764	3,884,000
	3,106,644	4,261,411	3,228,764	4,336,014

A11 INVESTMENT ACCOUNTS

	Group and Bank	
	30 Sep 2017 RM'000	31 Dec 2016 RM'000
As at 1 January	8,563	7,490
Net placement during the year	1,809	919
Income from investment	229	258
Profit distributed to mudarib	(92)	(104)
As at 30 June / 31 December	10,509	8,563
Investment asset: Wadiah placement with BNM	10,509	8,563

Profit Sharing Ratio, Rate of Return and Performance Incentive Fee

	Investment account holder	
	Average profit sharing ratio	Average rate of return
	(%)	(%)
Unrestricted investment accounts: Less than 3 months	60	1.79

	Group and Bank	
	30 Sep 2017 RM'000	31 Dec 2016 RM'000
Business enterprises	1,420	2,789
Individuals	8,459	4,529
Other enterprises	630	1,245
	10,509	8,563

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A12 Other Liabilities

	Group		Bank	
	30 Sep 2017 RM'000	31 Dec 2016 RM'000	30 Sep 2017 RM'000	31 Dec 2016 RM'000
Sundry creditors	95,868	53,041	95,765	53,006
Accrued restoration cost	5,820	5,857	5,713	5,750
Undistributed charity funds (ii)	3,731	7,377	3,731	7,377
Other provisions and accruals	23,990	30,701	23,784	30,008
	129,409	96,976	128,993	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 Sep 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	3,069	1,946
Total sources of funds during the year	10,446	7,533
Uses of charity funds:		
Compensation of late payment charges	(6,500)	-
Contribution to non profit organisations	(190)	(108)
Aid to needy family	(25)	(48)
Total uses of funds during the year	(6,715)	(156)
Closing balance	3,731	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 RM427,378,578 (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.

A14 Share Capital

	Number of ordinary shares at RM1.00 each		Amount	
	30 Sep 2017 Units'000	31 Dec 2016 Units'000	30 Sep 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

	3rd Quarter ended 30-Sep		Nine-months ended 30-Sep	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Group				
Finance income from financing, advances and other receivables	74,348	76,537	220,382	240,417
Finance income from impaired financing	261	345	604	458
Securities				
- Held-for-trading	-	-	21	3
- Available-for-sale	16,179	7,570	37,721	22,996
- Held-to-maturity	285	645	1,581	1,951
Money at call and deposits with financial institutions	6,043	6,111	25,198	28,448
	97,117	91,208	285,506	294,273
Amortisation of premium less accretion of discounts	(1,237)	(1,009)	(3,514)	(3,295)
Total finance income and hibah	95,880	90,200	281,992	290,979
Gain arising from sale of securities				
- Held-for-trading	79	93	232	1,107
- Available-for-sale	1,396	2,553	1,697	2,553
Foreign exchange gain				
- Realised	530	2,100	7,621	6,695
Gain/(loss) on Ijarah rental swap obligation	612	780	2,018	2,510
	98,497	95,726	293,560	303,844
Bank				
Finance income from financing, advances and other receivables	74,468	76,643	220,766	240,584
Finance income from impaired financing	262	346	605	459
Securities				
- Held-for-trading	-	0	21	3
- Available-for-sale	16,155	7,496	37,631	22,517
- Held-to-maturity	286	646	1,583	1,952
Money at call and deposits with financial institutions	6,085	6,155	25,348	28,580
	97,256	91,285	285,955	294,096
Amortisation of premium less accretion of discounts	(1,239)	(1,010)	(3,521)	(3,296)
Total finance income and hibah	96,018	90,275	282,434	290,800
Gain arising from sale of securities				
- Held-for-trading	79	94	233	1,108
Foreign exchange gain				
- Realised	474	2,090	7,427	6,590
Gain/(loss) on Ijarah rental swap obligation	613	781	2,021	2,511
	98,583	95,849	293,815	303,618

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A16 Income derived from Investment of Shareholder's Equity

<u>Group</u>	3rd Quarter ended 30-Sep		Nine-months ended 30-Sep	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Finance income from financing, advances and other receivables	14,706	16,931	43,402	48,550
Finance income from impaired financing	52	77	119	97
Securities				
- Held-for-trading	-	-	4	1
- Available-for-sale	3,202	1,675	7,462	4,658
- Held-to-maturity	56	143	311	395
Money at call and deposits with financial institutions	1,194	1,346	4,910	5,554
	19,210	20,171	56,207	59,255
Amortisation of premium less accretion of discounts	(245)	(223)	(692)	(664)
Total finance income and hibah	18,966	19,948	55,515	58,591
Fee income				
- Commission	767	620	2,007	1,531
- Fund management fee	(3)	1,286	493	3,481
- Other fee income	1,816	2,727	4,898	4,632
- Compensation of late payment charges	1,500		6,500	-
Gain arising from sale of securities				
- Held-for-trading	15	21	47	223
- Available-for-sale	278	547	338	547
Unrealised (loss)/gain on revaluation of securities held-for-trading and Ijarah rental swap (net)	(848)	(953)	(2,698)	(3,718)
Foreign exchange gain/(loss)				
- Realised	(5,775)	405	(4,221)	1,498
- Unrealised	2,317	(1,232)	1,777	(2,501)
Gain/(loss) on Ijarah rental swap obligation	121	173	397	506
Other income	89	1,577	4,150	3,995
Management fee	-	136	49	252
	19,243	25,256	69,256	69,037

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

	3rd Quarter ended 30-Sep		Nine-months ended 30-Sep	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Bank				
Finance income from financing, advances and other receivables	14,586	16,825	43,018	48,383
Finance income from impaired financing	51	77	118	96
Securities				
- Held-for-trading	-	-	4	1
- Available-for-sale	3,166	1,646	7,367	4,546
- Held-to-maturity	56	142	308	394
Money at call and deposits with financial institutions	1,191	1,345	4,884	5,555
	19,049	20,034	55,699	58,974
Amortisation of premium less accretion of discounts	(243)	(222)	(686)	(662)
Total finance income and hibah	18,807	19,812	55,012	58,313
Fee income				
- Commission	767	703	2,022	1,800
- Other fee income	3,316	2,726	11,397	4,628
Gain arising from sale of securities				
- Held-for-trading	15	20	47	222
Unrealised (loss)/gain on revaluation of securities held-for-trading and Ijarah rental swap (net)	(848)	(953)	(2,698)	(3,718)
Foreign exchange gain/(loss)				
- Realised	(5,787)	401	(4,275)	1,471
- Unrealised	2,320	(1,234)	1,756	(2,520)
Gain/(loss) on Ijarah rental swap obligation	120	172	393	504
Management fee	30	220	183	504
	19,016	22,421	64,174	61,758

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A17 Impairment and Allowance on Financing, Advances and Other Receivables

	3rd Quarter ended 30-Sep		Nine-months ended 30-Sep	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Group				
Impairment and allowance on financing				
- Collective impairment (net)	-	-	4,200	908
- Individual write-back (net)	(12,895)	62,214	(39,018)	43,383
<i>Allowance charge during the period</i>	14,015	84,248	26,173	114,726
<i>Allowance written-back during the period</i>	(26,910)	(22,034)	(65,191)	(71,343)
- Bad debt recovered on financing	(2,193)	(1,071)	(9,269)	(7,199)
	(15,087)	61,143	(44,087)	37,092
Bank				
Impairment and allowance on financing				
- Collective impairment (net)	-	-	4,200	908
- Individual write-back (net)	(12,895)	62,214	(39,018)	43,383
<i>Allowance charge during the period</i>	14,015	84,248	26,173	114,726
<i>Allowance written-back during the period</i>	(26,910)	(22,034)	(65,191)	(71,343)
- Bad debt recovered on financing	(2,193)	(1,071)	(9,269)	(7,199)
	(15,087)	61,143	(44,087)	37,092

A18 Income Attributable to the Depositors

	3rd Quarter ended 30-Sep		Nine-months ended 30-Sep	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Group				
Deposits from customers				
- Murabahah	36,919	34,433	97,851	100,079
- Wakalah	1	189	3	195
Deposits and placements of banks and other financial institutions				
- Murabahah and Wakalah	27,767	24,486	91,323	99,657
Others	683	762	2,171	2,228
	65,370	59,870	191,348	202,159
Bank				
Deposits from customers				
- Murabahah	36,920	34,396	97,851	100,038
Deposits and placements of banks and other financial institutions				
- Murabahah and Wakalah	28,087	24,890	92,069	100,430
Others	683	762	2,171	2,228
	65,688	60,086	192,092	202,738

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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

3rd Quarter ended 30-Sep		Nine-months ended 30-Sep	
2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
77	70	229	191
31	28	92	77
46	42	136	114

A20 Commitments and Contingencies

(a)

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

	As at 30 Sep 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	1,087	1,087	1,087	6,987	6,987	6,887
Transaction related contingencies	101,659	50,829	42,068	117,263	58,632	50,555
Trade related contingencies	26,598	5,320	5,320	9,374	1,875	1,875
Irrevocable commitments to extend credit						
- maturity less than one year	183,741	36,748	35,215	299,227	59,845	65,442
- maturity more than one year	127,996	65,345	51,815	178,657	89,329	76,982
Foreign exchange related contracts *						
- less than one year	454,852	6,651	1,427	85,225	2,048	1,558
Profit rate related contracts (Ijarah rental swap obligation) *						
- five years and above	144,585	2,576	2,319	199,152	6,823	5,775
	1,040,517	168,556	139,251	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 Capital Adequacy

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

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

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

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

	Group		Bank	
	30 Sep 2017	31 Dec 2016	30 Sep 2017	31 Dec 2016
Common Equity Tier I/ Tier I Capital Ratio				
Credit risk	22.565%	21.724%	21.737%	20.863%
Credit, market, operational and large exposure risks	21.102%	20.275%	20.362%	19.505%
Total Capital Ratio				
Credit risk	30.370%	29.702%	29.559%	28.857%
Credit, market, operational and large exposure risks	28.402%	27.722%	27.690%	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 Sep 2017 RM'000	31 Dec 2016 RM'000	30 Sep 2017 RM'000	31 Dec 2016 RM'000
CET I / Tier I capital				
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	67,150	63,121	40,471	32,790
	1,650,807	1,646,778	1,624,128	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	1,452,478	1,448,449	1,395,599	1,387,918
Tier II capital				
Subordinated Murabahah Tawarruq	421,950	448,625	421,950	448,625
Collective impairment on financing	80,461	83,345	80,256	83,157
Total Tier II capital	502,411	531,970	502,206	531,782
Total capital	1,954,889	1,980,419	1,897,805	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 Sep 2017 RM'000	31 Dec 2016 RM'000	30 Sep 2017 RM'000	31 Dec 2016 RM'000
Computation of Total Risk-Weighted Assets (RWA)				
Total Credit RWA	6,436,873	6,667,598	6,420,461	6,652,557
Total Market RWA	15,099	16,750	15,099	16,750
Total Operational RWA	411,025	439,447	398,236	426,170
Large Exposure Risk RWA for Equity Holdings	20,048	20,048	20,048	20,048
Total Risk-Weighted Assets	6,883,045	7,143,843	6,853,844	7,115,525
Computation of Capital Ratios				
Core Capital	1,452,478	1,448,449	1,395,599	1,387,918
Capital Base	1,954,889	1,980,419	1,897,805	1,919,700
CET I / Tier I Capital Ratio	21.102%	20.275%	20.362%	19.505%
Total Capital Ratio	28.402%	27.722%	27.690%	26.979%

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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.

	Level 2	Level 3	Total
	RM'000	RM'000	RM'000
Group			
30 Sep 2017			
Financial assets			
Securities available-for-sale	1,971,155	-	1,971,155
Securities held-to-maturity	4,954	-	4,954
Financing, advances and other receivables	1,413,644	4,770,546	6,184,190
Hedging financial instruments	2,435	-	2,435
Total	3,392,188	4,770,546	8,162,734
Financial liability			
Deposits from customers	4,491,685	-	4,491,685
Hedging financial instruments	8,349	-	8,349
Subordinated Murabahah Tawarruq	-	422,009	422,009
	4,500,034	422,009	4,922,043
31 Dec 2016			
Financial assets			
Securities available-for-sale	1,018,377	-	1,018,377
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	2,311,214	5,265,769	7,576,983
Financial liability			
Deposits from customers	4,329,342	-	4,329,342
Hedging financial instruments	1,163	-	1,163
Subordinated Murabahah Tawarruq	-	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 Sep 2017			
Financial assets			
Securities available-for-sale	1,958,494	-	1,958,494
Securities held-to-maturity	4,954	-	4,954
Financing, advances and other receivables	1,413,644	4,770,546	6,184,190
Hedging financial instruments	2,435	-	2,435
Total	3,379,526	4,770,546	8,150,072
Financial liability			
Deposits from customers	4,632,292	-	4,632,292
Hedging financial instruments	8,349	-	8,349
Subordinated Murabahah Tawarruq	-	422,009	422,009
	4,640,641	422,009	5,062,650
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 5.4% - 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 Sep 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	5,017	4,954	61,251	60,334
Financing, advances and other receivables	6,281,030	6,184,190	6,494,270	6,492,316
	6,286,047	6,189,144	6,555,521	6,552,650
Financial Liabilities				
Deposits from customers	4,721,640	4,491,685	4,329,342	4,329,342
Subordinated Murabahah Tawarruq	427,379	422,009	451,070	448,509
	5,149,019	4,913,694	4,780,412	4,777,851

	Bank			
	30 Sep 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	5,017	4,954	61,251	60,334
Financing, advances and other receivables	6,281,030	6,184,190	6,494,270	6,492,316
	6,286,047	6,189,144	6,555,521	6,552,650
Financial Liabilities				
Deposits from customers	4,640,292	4,632,292	4,295,095	4,295,095
Subordinated Murabahah Tawarruq	427,379	422,009	451,070	448,509
	5,067,671	5,054,301	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

(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 30 Sep 2017	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	%
ASSETS									
Cash and short-term funds	792,437	-	-	-	-	108,111	-	900,548	2.96
Deposits and placements with banks and other financial institutions	-	31,406	181,678	31,086	-	-	-	244,169	1.34
Securities available-for-sale	-	51,513	19,295	934,095	945,091	88,934	-	2,038,929	3.89
Securities held-to-maturity	-	-	-	5,017	-	-	-	5,017	3.75
Financing, advances and receivables	1,552,349	2,610,013	4,441	748,156	1,366,071	-	-	6,281,030	4.22
Musarakah capital investment	-	-	-	-	-	5,898	-	5,898	
Other assets	-	-	-	-	-	622,460	-	622,460	
TOTAL ASSETS	2,344,786	2,692,932	205,414	1,718,355	2,311,162	825,403	-	10,098,051	
LIABILITIES AND SHAREHOLDER'S EQUITY									
Deposits from customers	1,396,355	944,227	1,694,400	88,987	-	597,672	-	4,721,640	3.14
Deposits and placements of banks and other financial institutions	1,140,599	1,268,589	694,456	3,001	-	-	-	3,106,644	3.47
Subordinated Murabahah Tawarruq	-	427,379	-	-	-	-	-	427,379	8.25
Other liabilities	-	-	-	-	-	148,267	-	148,267	
Total Liabilities	2,536,954	2,640,194	2,388,856	91,988	-	745,939	-	8,403,930	
Shareholder's equity	-	-	-	-	-	1,694,121	-	1,694,121	
Total Liabilities and Shareholder's Equity	2,536,954	2,640,194	2,388,856	91,988	-	2,440,060	-	10,098,051	
On-balance sheet profit sensitivity gap	(192,163)	52,738	(2,183,442)	1,626,367	2,311,162	(1,614,661)	-	-	
Off-balance sheet profit sensitivity gap	-	-	-	-	-	-	-	-	
Total profit sensitivity gap	(192,163)	52,738	(2,183,442)	1,626,367	2,311,162	(1,614,661)	-	-	

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A23 FINANCIAL RISK MANAGEMENT (Cont'd.)

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

Group	Non-trading book						Trading book	Total	Effective profit rate
	Up to 1 month	>1 - 3 months	>3 - 12 months	>1 - 5 years	Over 5 years	Non-profit sensitive			
31 Dec 2016	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
Musarakah 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.)

	Non-trading book						Trading book	Total	Effective profit rate
	Up to 1 month	>1 - 3 months	>3 - 12 months	>1 - 5 years	Over 5 years	Non-profit sensitive			
Bank 30 Sep 2017	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	%
ASSETS									
Cash and short-term funds	792,437	-	-	-	-	108,111	-	900,548	2.96
Deposits and placements with banks and other financial institutions	-	61,051	181,677	31,086	-	-	-	273,814	1.25
Securities available-for-sale	-	51,513	19,295	921,428	945,091	67,264	-	2,004,591	3.95
Securities held-to-maturity	-	-	-	5,017	-	-	-	5,017	3.75
Financing, advances and receivables	1,552,353	2,610,013	4,441	748,156	1,366,067	-	-	6,281,030	4.22
Musyarakah capital investment	-	-	-	-	-	5,898	-	5,898	
Other assets	-	-	-	-	-	635,576	-	635,576	
TOTAL ASSETS	2,344,790	2,722,577	205,413	1,705,687	2,311,158	816,849	-	10,106,474	
LIABILITIES AND SHAREHOLDER'S EQUITY									
Deposits from customers	1,395,883	944,227	1,694,400	88,987	-	516,795	-	4,640,292	3.19
Deposits and placements of banks and other financial institutions	1,244,934	1,286,373	694,456	3,001	-	-	-	3,228,764	3.33
Subordinated Murabahah Tawarruq	-	427,379	-	-	-	-	-	427,379	8.25
Other liabilities	-	-	-	-	-	147,851	-	147,851	
Total Liabilities	2,640,818	2,657,978	2,388,856	91,988	-	664,647	-	8,444,286	
Shareholder's equity	-	-	-	-	-	1,662,188	-	1,662,188	
Total Liabilities and Shareholder's Equity	2,640,818	2,657,978	2,388,856	91,988	-	2,326,834	-	10,106,473	
On-balance sheet profit sensitivity gap	(296,027)	64,599	(2,183,442)	1,613,699	2,311,157	(1,509,987)	-	-	
Off-balance sheet profit sensitivity gap	-	-	-	-	-	-	-	-	
Total profit sensitivity gap	(296,027)	64,599	(2,183,442)	1,613,699	2,311,157	(1,509,987)	-	-	

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A23 FINANCIAL RISK MANAGEMENT (Cont'd.)

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

	Non-trading book						Trading book	Total	Effective profit rate
	Up to 1 month	>1 - 3 months	>3 - 12 months	>1 - 5 years	Over 5 years	Non-profit sensitive			
Bank 31 Dec 2016	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
Musyarakah 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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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 September 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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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 Sep 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 Sep 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 Sep 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 Sep 2017.

B8 Dividends Paid

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

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

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

Group	Treasury & Capital Markets	Corporate & Investment Banking	Commercial Banking	Others	Elimination	Total
30 Sep 2017	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
External revenue	84,146	112,091	39,604	127,205		363,046
Revenue from other segments	161,141	671	3,698	46,123	(211,634)	-
Total Revenue	245,287	112,762	43,302	173,328	(211,634)	363,046
Segment results	1,243	18,833	68,710	29,176		117,963
Unallocated expenses						(64,816)
Profit from operations						53,147
Taxation						(12,034)
Net profit for the year						41,113
Other information						
Segment assets	3,288,928	2,937,321	770,640	2,841,630	(226,470)	9,612,050
Unallocated corporate assets						486,001
Total assets						10,098,051
Segment liabilities	5,651,147	4,422,844	1,010,834	8,746,288	(212,714)	19,618,399
Unallocated corporate liabilities						(11,214,469)
Total liabilities						8,403,930
Other segment items						
Purchase of property and equipment				481		481
Purchase of intangible assets				643		643
Depreciation of property and equipment				-		-
Amortisation of intangible assets				-		-
Other non-cash expense other than depreciation	(9,365)	5,261	53,018	(14,193)	-	34,722

(ii) **By Geographical Locations**

Group	Operating Revenue RM'000	Profit Before Zakat and Taxation RM'000	Total Assets RM'000
30 Sep 2017			
Malaysia	363,046	53,147	10,098,051
Outside Malaysia	-	-	-
	363,046	53,147	10,098,051

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

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

Group	Treasury & Capital Markets	Corporate & Investment Banking	Commercial Banking	Others	Elimination	Total
30 Sep 2016	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
External revenue	78,986	133,991	49,933	110,161		373,072
Revenue from other segments	160,082	1,066	4,799	45,992	(211,938)	-
Total Revenue	239,068	135,057	54,732	156,153	(211,938)	373,072
Segment results	3,964	2,233	19,339	37,337		62,872
Unallocated expenses						(61,550)
Profit from operations						1,323
Zakat						(15)
Taxation						(15)
Net profit for the year						1,308
Other information						
Segment assets	2,681,718	3,232,830	785,547	2,661,683	(278,726)	9,083,052
Unallocated corporate assets						529,284
Total assets						9,612,336
Segment liabilities	5,615,427	88,824	140,332	1,870,686	(260,079)	7,455,190
Unallocated corporate liabilities						466,451
Total liabilities						7,921,641
Other segment items						
Purchase of property and equipment				6,502		6,502
Purchase of intangible assets				510		510
Depreciation of property and equipment				6,994		6,994
Amortisation of intangible assets				2,002		2,002
Other non-cash expense other than depreciation	-	(26,168)	(205)	(10,674)	-	(37,047)

(ii) **By Geographical Locations**

Group	Operating Revenue RM'000	Profit Before Zakat and Taxation RM'000	Total Assets RM'000
30 Sep 2016			
Malaysia	373,073	1,323	9,612,336
Outside Malaysia	-	-	-
	373,073	1,323	9,612,336

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B10 Valuation of Property and Equipment

There was no change in the valuation of property and equipment that were brought forward from the previous audited financial statements for the year ended 31 December 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 Sep 2017 are as follows:

Capital expenditure

Authorised and contracted for:

- renovation
- purchase of IT hardware & software

Authorised and not contracted for:

- purchase of IT hardware & software

Group	Bank
RM'000	RM'000
1,443	1,443
16,951	16,951
18,393	18,393
1,058	1,058
1,058	1,058

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

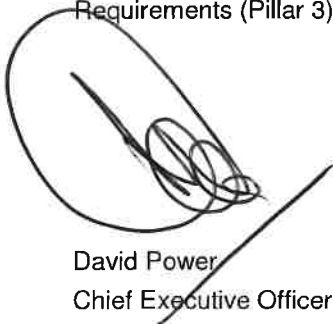
Certification of Financial Statements

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