

KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

Interim Report for the Period Ended 30 Jun 2019

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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 2019 RM'000	31 Dec 2018 RM'000	30 Jun 2019 RM'000	31 Dec 2018 RM'000
ASSETS					
Cash and short-term funds	A3	173,198	135,339	173,198	135,339
Deposits and placements with banks and other financial institutions	A4	5,254	5,755	5,254	5,755
Gold depository		96,462	96,409	96,462	96,409
Financial assets at FVTPL	A5	415	1,059	415	1,059
Equity instruments at FVOCI	A7	18	18	18	18
Debt instruments at FVOCI	A6	3,289,852	2,889,238	3,277,467	2,876,991
Financing, advances and other receivables	A8	5,250,792	5,592,272	5,250,792	5,592,272
Other assets	A9	136,208	133,425	135,997	133,302
Hedging financial instruments	A10	3,230	3,780	3,230	3,780
Statutory deposits with Bank Negara Malaysia		220,337	211,800	220,337	211,800
Investment in subsidiaries		-	-	10,200	10,200
Right of use of assets		87,548	-	87,548	-
Property and equipment		23,949	21,580	23,936	21,554
Intangible assets		20,817	22,318	20,504	21,926
Deferred tax assets		156,872	181,806	156,872	181,806
		9,464,952	9,294,799	9,462,231	9,292,211
LIABILITIES					
Deposits from customers	A11	4,955,494	4,578,999	4,690,971	4,475,640
Investment accounts of customers	A13	5,254	5,755	5,254	5,755
Deposits and placements of banks and other financial institutions	A12	2,530,782	2,906,741	2,823,097	3,036,586
Hedging financial instruments	A10	3,850	4,506	3,850	4,506
Lease Liabilities		88,285	-	88,285	-
Other liabilities	A14	93,237	101,247	92,865	101,046
		7,676,902	7,597,248	7,704,323	7,623,533
SHAREHOLDER'S EQUITY					
Share capital	A15	1,425,272	1,425,272	1,425,272	1,425,272
Reserves		362,778	272,279	332,636	243,406
		1,788,050	1,697,551	1,757,908	1,668,678
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY					
		9,464,952	9,294,799	9,462,231	9,292,211
COMMITMENTS AND CONTINGENCIES					
	A21	1,968,602	2,159,680	1,968,602	2,159,680
CAPITAL ADEQUACY					
Common Equity Tier I/ Tier I Capital Ratio	A22	27.660%	25.419%	26.995%	24.794%
Total Capital Ratio	A22	28.817%	26.582%	28.153%	25.960%
NET ASSETS PER SHARE (RM)					
		1.25	1.19	1.23	1.17

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

<u>Group</u>	Note	2nd Quarter ended 30-Jun		Half-year ended 30-Jun	
		2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Operating revenue		119,485	116,314	239,300	226,357
Income derived from investment of depositors' funds and others	A16	93,715	90,794	190,216	177,152
Income derived from investment of investment account funds	A20	42	52	86	118
Income derived from investment of shareholder's equity	A17	25,728	25,468	48,998	49,087
Total gross income		119,485	116,314	239,300	226,357
Credit loss (charge)/writeback on financial assets	A18	(327)	34,647	665	36,978
Total distributable income		119,158	150,961	239,965	263,335
Income attributable to the depositors	A19	(65,245)	(56,255)	(129,771)	(110,120)
Profit distributed to investment account holders	A20	(25)	(31)	(52)	(70)
Total net income		53,888	94,675	110,143	153,145
Personnel expenses		(21,843)	(27,853)	(45,989)	(54,995)
Other overheads and expenditures		(20,193)	(20,280)	(40,635)	(39,017)
Finance cost		-	(8,265)	-	(16,277)
Profit before zakat and taxation		11,852	38,277	23,518	42,854
Taxation		(2,738)	(8,868)	(5,392)	(9,884)
Net profit for the period		9,114	29,409	18,126	32,971
Attributable to:					
Equity holders of the Bank		9,114	29,409	18,126	32,971
Earnings per share attributable to equity holders of the Bank - Basic/Diluted (sen)		0.64	2.06	1.27	2.31

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**

<u>Group</u>	2nd Quarter ended 30-Jun		Half-year ended 30-Jun	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Net profit for the period	9,114	29,409	18,126	32,971
Other comprehensive income/(loss):				
Items that may be reclassified subsequently to profit or loss:				
Securities held at FVOCI:				
- Net unrealised gain on securities held at FVOCI	46,165	(9,211)	90,458	(15,655)
- Net realised gain on securities held at FVOCI reclassified to the income statement	(1,707)	(66)	(888)	(190)
- Changes in allowance for expected credit losses	-	-	2,400	-
Exchange differences on translation of foreign operations:				
Net gain/(loss) taken to equity	480	1,501	(24)	(62)
Income tax relating to components of other comprehensive income	(9,833)	3,091	(19,572)	1,987
Other comprehensive income for the period, net of tax	35,104	(4,685)	72,375	(13,919)
Total comprehensive income for the period	44,218	24,723	90,500	19,051
Total comprehensive income for the period attributable to equity holders of the Bank	44,218	24,723	90,500	19,051

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	
		2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Bank					
Operating revenue		119,186	115,811	238,767	225,627
Income derived from investment of depositors' funds and others	A16	93,631	90,621	190,062	176,899
Income derived from investment of investment account funds	A20	41	52	86	118
Income derived from investment of shareholder's equity	A17	25,514	25,138	48,619	48,611
Total gross income		119,186	115,811	238,767	225,627
Credit loss (charge)/writeback on financial assets	A18	(327)	34,498	665	36,838
Total distributable income		118,859	150,309	239,433	262,465
Income attributable to the depositors	A19	(65,890)	(56,845)	(131,119)	(111,153)
Profit distributed to investment account holders	A20	(25)	(31)	(52)	(70)
Total net income		52,944	93,432	108,262	151,242
Personnel expenses		(21,720)	(27,682)	(45,744)	(54,661)
Other overheads and expenditures		(19,882)	(20,087)	(40,175)	(38,693)
Finance cost		-	(8,265)	-	(16,277)
Profit before zakat and taxation		11,342	37,400	22,342	41,610
Taxation		(2,722)	(8,863)	(5,362)	(9,874)
Net profit for the period		8,620	28,536	16,980	31,737

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

	2nd Quarter ended 30-Jun		Half-year ended 30-Jun	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Bank				
Net profit for the period	8,620	28,536	16,980	31,737
Other comprehensive income/(loss):				
Securities held at FVOCI:				
- Net unrealised gain on securities held at FVOCI	46,088	(16,000)	90,309	(15,573)
- Net realised gain on securities held at FVOCI reclassified to the income statement	(1,707)	(66)	(888)	(190)
- Changes in allowance for expected credit losses	-	-	2,400	-
Income tax relating to components of other comprehensive income	(9,833)	3,091	(19,572)	1,987
Other comprehensive income for the period, net of tax	34,548	(12,975)	72,249	(13,776)
Total comprehensive income for the period	43,168	15,561	89,229	17,961

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

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INTERIM CONDENSED STATEMENTS OF CHANGES IN EQUITY

	Non-distributable				Distributable	Total Equity RM'000	
	Share Capital RM'000	Statutory Reserve RM'000	Exchange Fluctuation Reserve RM'000	Available- For-Sale Reserve RM'000	FVOCI Reserve RM'000		Retained Earnings RM'000
Group							
At 1 Jan 2019	1,425,272	170,648	3,990	-	18,527	79,114	1,697,550
Total comprehensive income	-	-	(24)	-	72,399	18,126	90,500
At 30 June 2019	1,425,272	170,648	3,966	-	90,926	97,240	1,788,050
At 1 January 2018							
- As previously stated	1,425,272	162,216	3,178	(6,825)		66,650	1,650,491
- Effect of MFRS 9 adoption	-	-	-	6,825	(3,383)	(12)	3,430
As at 1 Jan 2018, as restated	1,425,272	162,216	3,178	-	(3,383)	66,638	1,653,921
Total comprehensive income	-	-	812	-	21,910	20,908	43,630
Transfer to statutory reserve	-	8,432	-	-	-	(8,432)	-
At 31 December 2018	1,425,272	170,648	3,990	-	18,527	79,114	1,697,551
Bank							
At 1 Jan 2019	1,425,272	170,648	-	-	18,707	54,051	1,668,678
Total comprehensive income	-	-	-	-	72,249	16,980	89,229
Transfer to statutory reserve	-	-	-	-	-	-	-
At 30 June 2019	1,425,272	170,648	-	-	90,957	71,031	1,757,908
At 1 January 2018							
- Effect of MFRS 9 adoption	1,425,272	162,216	-	(6,648)	-	45,620	1,626,460
- Effect of MFRS 9 adoption	-	-	-	6,648	(3,570)	-	3,078
As at 1 Jan 2018, as restated	1,425,272	162,216	-	-	(3,570)	45,620	1,629,538
Total comprehensive income	-	-	-	-	22,277	16,863	39,140
Transfer to statutory reserve	-	8,432	-	-	-	(8,432)	-
At 31 December 2018	1,425,272	170,648	-	-	18,707	54,051	1,668,678

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 2019 RM'000	30-Jun 2018 RM'000	30-Jun 2019 RM'000	30-Jun 2018 RM'000
Profit before zakat and taxation	23,518	42,854	22,342	41,610
Adjustments for non-cash items	4,582	(42,185)	7,479	(44,062)
Operating profit before changes in working capital	28,100	669	29,822	(2,451)
<u>Changes in the working capital</u>				
Net changes in operating assets	353,140	121,826	353,228	127,408
Net changes in operating liabilities	58,012	107,055	60,156	94,011
Zakat and taxation refund/(paid)	(20)	-	-	-
Net cash generated from operating activities	411,132	228,880	413,384	221,419
Net purchases of assets	(405,339)	(455,605)	(405,347)	(470,734)
Net cash used in investing activities	(405,339)	(455,605)	(405,347)	(470,734)
Net change in cash and cash equivalents	33,893	(226,055)	37,859	(251,766)
Cash and cash equivalents at beginning of the period	135,339	429,575	135,339	458,403
Exchange differences on translation of opening balances	3,966	3,117	-	-
Cash and cash equivalents at end of the period	173,198	206,636	173,198	206,636

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

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

A1 Performance Review

The Group and the Bank recorded a profit before tax of RM23.5 million and RM22.3 million respectively for the period ended 30 June 2019.

A2 OUTLOOK FOR 2019

The Malaysian economy is expected to grow between 4.3% to 4.8% in 2019, from 4.7% seen in 2018, due to the slowdown in external trade and global growth. Private consumption and investment will remain the main drivers of economic growth in 2019. The outlook for the economy remains resilient in the near term despite considerable external and domestic headwinds.

Nevertheless, the monetary policy is expected to remain supportive of economic growth whilst ensuring price stability in 2019. As the inflation outlook remains benign, it is anticipated that BNM will maintain its current and accommodative monetary stance going into 2019.

The ongoing trade tension is expected to disrupt global trade growth which will affect the Malaysian economy. Despite a challenging external environment, the Malaysian economy is likely to remain positive in 2019, spurred by robust private sector activity and moderate inflation.

A3 Cash and short term funds

	Group		Bank	
	30 Jun 2019 RM'000	31 Dec 2018 RM'000	30 Jun 2019 RM'000	31 Dec 2018 RM'000
Cash and balance with banks and other financial institutions	116,894	120,155	116,894	120,155
Money at call and interbank placement with remaining maturity less than one month	60,890	15,996	60,890	15,996
	177,784	136,151	177,784	136,151
Less : ECL allowance	(4,587)	(812)	(4,587)	(812)
	173,198	135,339	173,198	135,339

A3.1 Impairment allowance for cash and short term funds

The table below shows the credit quality and the maximum exposure to credit risk based on the Bank's internal credit rating system and year-end stage classification. The amounts presented are gross of impairment allowances.

<u>Group</u>	2019				2018	
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000	Total RM'000	
Internal rating grade :						
Performing	177,784	-	-	177,784	136,151	
Past due but not impaired	-	-	-	-	-	
Individually impaired	-	-	-	-	-	
Total	177,784	-	-	177,784	136,151	

<u>Bank</u>	2019				2018	
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000	Total RM'000	
Internal rating grade :						
Performing	177,784	-	-	177,784	136,151	
Past due but not impaired	-	-	-	-	-	
Individually impaired	-	-	-	-	-	
Total	177,784	-	-	177,784	136,151	

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

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

An analysis of changes in the gross carrying amount and the corresponding ECL allowances is, as follows:

2019 Group	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Gross carrying amount as at 1 January 2019	136,151	-	-	136,151
Net remeasurement of outstanding balance	(223,098)	-	-	(223,098)
New financial assets originated or purchased	566,747	-	-	566,747
Financial assets that have matured	(302,016)	-	-	(302,016)
Gross carrying amount as at 30 June 2019	177,784	-	-	177,784

2019 Group	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
ECL allowance as at 1 January 2019	812	-	-	812
Allowance made during the year	3,775	-	-	3,775
ECL allowance as at 30 June 2019	4,587	-	-	4,587
Net carrying amount (after ECL)	173,198	-	-	173,198

2019 Bank	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Gross carrying amount as at 1 January 2019	136,151	-	-	136,151
Net remeasurement of outstanding balance	(223,098)	-	-	(223,098)
New financial assets originated or purchased	566,747	-	-	566,747
Financial assets that have matured	(302,016)	-	-	(302,016)
Gross carrying amount as at 30 June 2019	177,784	-	-	177,784

2019 Bank	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
ECL allowance as at 1 January 2019	812	-	-	812
Allowance made during the year	3,775	-	-	3,775
ECL allowance as at 30 June 2019	4,587	-	-	4,587
Net carrying amount (after ECL)	173,198	-	-	173,198

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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 Deposits and Placements with Banks and Other Financial Institutions

	Group		Bank	
	30 Jun 2019 RM'000	31 Dec 2018 RM'000	30 Jun 2019 RM'000	31 Dec 2017 RM'000
Bank Negara Malaysia ^	5,254	5,755	5,254	5,755
Other financial institutions	-	-	-	-
	5,254	5,755	5,254	5,755
Less : ECL Allowance	-	-	-	-
	5,254	5,755	5,254	5,755

^ The placement with Bank Negara Malaysia are funded by investment accounts of customers as disclosed in Note A13.

A4.1 Impairment allowance for due from banks

The table below shows the credit quality and the maximum exposure to credit risk based on the Bank's internal credit rating system and year-end stage classification. The amounts presented are gross of impairment allowances.

<u>Group</u>	2019				2018
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000	Total RM'000
Internal rating grade :					
Performing	5,254	-	-	5,254	5,755
Past due but not impaired	-	-	-	-	-
Individually impaired	-	-	-	-	-
Total	5,254	-	-	5,254	5,755

<u>Bank</u>	2019				2018
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000	Total RM'000
Internal rating grade :					
Performing	5,254	-	-	5,254	5,755
Past due but not impaired	-	-	-	-	-
Individually impaired	-	-	-	-	-
Total	5,254	-	-	5,254	5,755

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

A4.1 Impairment allowance for due from banks (Cont'd.)

An analysis of changes in the gross carrying amount and the corresponding ECL allowances is, as follows:

2019 Group	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Gross carrying amount as at 1 January 2019	-	-	-	-
Net remeasurement of outstanding balance	(5,755)	-	-	(5,755)
New financial assets originated or purchased	56,107	-	-	56,107
Financial assets that have matured	(50,353)	-	-	(50,353)
Gross carrying amount as at 30 June 2019	-	-	-	-

2019 Group	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
ECL allowance as at 1 January 2019	-	-	-	-
New financial assets originated or purchased	4,434	-	-	4,434
Financial assets that have matured	(4,434)	-	-	(4,434)
ECL allowance as at 30 June 2019	-	-	-	-

Net carrying amount (after ECL) -

2019 Bank	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Gross carrying amount as at 1 January 2019	-	-	-	-
Net remeasurement of outstanding balance	(5,755)	-	-	(5,755)
New financial assets originated or purchased	56,107	-	-	56,107
Financial assets that have matured	(50,353)	-	-	(50,353)
Gross carrying amount as at 30 June 2019	-	-	-	-

2019 Bank	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
ECL allowance as at 1 January 2019	-	-	-	-
New financial assets originated or purchased	4,434	-	-	4,434
Financial assets that have matured	(4,434)	-	-	(4,434)
ECL allowance as at 30 June 2019	-	-	-	-

Net carrying amount (after ECL) -

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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 Financial assets at FVTPL

At fair value

Collective Investment Scheme

Group and Bank	
30 Jun 2019 RM'000	31 Dec 2018 RM'000
415	1,059
415	1,059

A6 Debt instruments measured at FVOCI

The table below shows the fair value of the Bank's debt instruments measured at FVOCI by credit risk, based on the Bank's internal credit rating system and year-end stage classification.

<u>Group</u>	2019				2018
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000	Total RM'000
Internal rating grade :					
Performing	3,289,852	-	-	3,289,852	2,889,238
Past due but not impaired	-	-	-	-	-
Individually impaired	-	-	-	-	-
Total	3,289,852	-	-	3,289,852	2,889,238

<u>Bank</u>	2019				2018
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000	Total RM'000
Internal rating grade :					
Performing	3,277,467	-	-	3,277,467	2,876,991
Past due but not impaired	-	-	-	-	-
Individually impaired	-	-	-	-	-
Total	3,277,467	-	-	3,277,467	2,876,991

An analysis of changes in the fair value and the corresponding ECLs is, as follows:

<u>Group</u>	2019			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Fair value amount as at 30 Jun 2019	3,289,852	-	-	3,289,852

<u>Group</u>	2019			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
ECL allowance as at 1 January	19,505	-	-	19,505
Allowance made during the year	2,400	-	-	2,400
ECL allowance as at 30 Jun 2019	21,905	-	-	21,905

Net carrying amount (after ECL)	3,267,946	-	-	3,267,946
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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 Debt instruments measured at FVOCI (Cont'd.)

An analysis of changes in the fair value and the corresponding ECLs is, as follows:

	2019			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Bank				
Fair value amount as at 30 Jun 2019	3,277,467	-	-	3,277,467

	2019			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Bank				
ECL allowance as at 1 January	19,500	-	-	19,500
Net remeasurement of loss allowance	2,400	-	-	2,400
ECL allowance as at 30 Jun 2019	21,900	-	-	21,900
Net carrying amount (after ECL)	3,255,567	-	-	3,255,567

A7 Equity instruments measured at FVOCI

The table below shows the fair value of the Bank's equity instruments measured at FVOCI by credit risk, based on the Bank's internal credit rating system and year-end stage classification.

	Group and Bank	
	30 Jun 2019 RM'000	31 Dec 2018 RM'000
Musarakah Capital Investment	18	18
	18	18

The Bank grants Musarakah 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 Musarakah capital investment which is carried at fair value. The Bank's participation in the entities involved is limited to safeguarding its interest under the Musarakah financing.

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A8 Financing, Advances and Other Receivables

i) At amortised cost

	Group and Bank	
	30 Jun 2019 RM'000	31 Dec 2018 RM'000
Term financing		
- House financing	1,131,607	1,107,677
- Personal financing	1,162,988	1,168,414
- Syndicated financing	15,629	9,702
- Cashline financing	220,260	241,462
- Hire purchase receivables	763,022	775,243
- Other term financing	2,157,851	2,501,276
Credit card	88	266
Staff financing	26,633	22,751
	5,478,078	5,826,791
Less: Impairment allowances		
- Stage 1 Financing	(75,420)	(70,970)
- Stage 2 Financing	(14,131)	(15,681)
- Stage 3 Financing	(134,372)	(145,125)
Net financing and advances to customers	5,254,154	5,595,015
Less: Impairment allowances		
- Stage 1 Undrawn	(1,315)	(765)
- Stage 1 Trade facilities	(2,048)	(1,838)
- Stage 2 Trade facilities	-	(140)
Net financing, advances and other receivables	5,250,792	5,592,272

ii) By contract

	Group and Bank	
	30 Jun 2019 RM'000	31 Dec 2018 RM'000
Ijarah Muntahia Bittamlik (lease ended with ownership)	2,247,695	2,290,390
Murabahah (cost-plus)	3,152,153	3,448,334
Mudharabah (profit sharing)	43,705	43,705
Qard (benevolent financing)	1,856	1,375
Musyarakah (profit and loss sharing)	31,575	41,686
Istisna'	1,006	1,035
Ujrah (Credit card)	88	266
	5,478,078	5,826,791

iii) By type of customer

	Group and Bank	
	30 Jun 2019 RM'000	31 Dec 2018 RM'000
Domestic business enterprises		
- Small medium enterprises	401,079	474,457
- Others	1,975,922	2,252,739
Individuals	3,101,078	3,096,703
Domestic non-bank financial institutions	-	2,892
	5,478,078	5,826,791

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A8 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 2019 RM'000	31 Dec 2018 RM'000
2,033,146	2,313,351
89,353	107,006
378,152	378,512
2,977,427	3,027,922
5,478,078	5,826,791

(v) By geographical distribution

Malaysia
Middle East
Other countries

Group and Bank	
30 Jun 2019 RM'000	31 Dec 2018 RM'000
5,472,796	5,820,106
3,736	3,884
1,546	2,801
5,478,078	5,826,791

(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 2019 RM'000	31 Dec 2018 RM'000
3,069	3,977
763,022	775,243
220,260	241,462
986,025	1,004,567
1,129,162	1,104,027
2,376,539	2,697,515
5,478,078	5,826,791

(vii) By economic purpose

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

Group and Bank	
30 Jun 2019 RM'000	31 Dec 2018 RM'000
768,259	779,041
1,160,262	1,140,608
334,781	373,659
7,155	18,572
1,538,640	1,767,087
164,419	168,964
1,184,360	1,193,098
320,205	385,762
5,478,078	5,826,791

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A8 Financing, Advances and Other Receivables (cont'd.)

viii) By sector

	Group and Bank	
	30 Jun 2019 RM'000	31 Dec 2018 RM'000
Construction	416,633	606,867
Electricity, gas and water	105,890	111,710
Finance, insurance and business services	106,689	116,038
Household	3,101,078	3,095,326
Manufacturing	338,207	376,298
Mining and quarrying	350	104
Agriculture, hunting, forestry & fishing	290,606	310,657
Real Estate	478,864	528,265
Transports, storage and communication	128,057	149,340
Wholesale & retail trade and restaurants & hotels	485,856	497,634
Others	25,849	34,552
Total	5,478,078	5,826,791

(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'	Ujarah	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
30 Jun 2019								
House financing	1,115,752	82	-	14,768	-	1,006	-	1,131,607
Personal financing	-	1,161,799	-	-	1,189	-	-	1,162,988
Syndicated financing	40,325	179,935	-	-	-	-	-	220,260
Cashline financing	-	15,629	-	-	-	-	-	15,629
Hire purchase receivables	763,022	-	-	-	-	-	-	763,022
Other term financing	308,301	1,789,218	43,705	16,627	-	-	-	2,157,851
Staff financing	20,295	5,491	-	180	667	-	-	26,633
Credit card	-	-	-	-	-	-	88	88
Total	2,247,695	3,152,153	43,705	31,575	1,856	1,006	88	5,478,078

	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'	Ujarah	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
31 Dec 2018								
House financing	1,090,568	74	-	16,000	-	1,035	-	1,107,677
Personal financing	-	1,167,721	-	-	1,014	-	-	1,168,414
Syndicated financing	45,711	195,751	-	-	-	-	-	241,462
Cashline financing	-	9,702	-	-	-	-	-	9,702
Hire purchase receivables	775,243	-	-	-	-	-	-	775,243
Other term financing	361,876	2,069,874	43,705	25,500	-	-	-	2,501,276
Staff financing	16,992	5,212	-	186	362	-	-	22,751
Credit card	-	-	-	-	-	-	266	266
Total	2,290,390	3,448,334	43,705	41,686	1,375	1,035	266	5,826,791

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A8 Financing, Advances and Other Receivables (cont'd.)

x) Purpose and Source of Qard financing

As at 1 January	1,375	931
Source of Qard fund:	913	1,464
- Depositors' Fund	740	1,193
- Shareholders' Fund	173	271
Uses of Qard fund:	(433)	(1,020)
- Financing for asset purchase	(351)	(831)
- Staff Benevolent	(82)	(189)
Closing balance	1,856	1,375

Group and Bank	
30 Jun 2019 RM'000	31 Dec 2018 RM'000
1,375	931
913	1,464
740	1,193
173	271
(433)	(1,020)
(351)	(831)
(82)	(189)
1,856	1,375

xi) Movements in impaired financing, advances and other receivables

At 1 Jan	267,288	418,478
Impaired during the period/year	7,886	(151,190)
- Impaired during the period/year	57,939	67,393
- Reclassified to performing during the year	(2,595)	(13,451)
- Amount recovered	(40,424)	(123,358)
- Amount written off	(7,034)	(81,774)
Closing balance	275,174	267,288

Group and Bank	
30 Jun 2019 RM'000	31 Dec 2018 RM'000
267,288	418,478
7,886	(151,190)
57,939	67,393
(2,595)	(13,451)
(40,424)	(123,358)
(7,034)	(81,774)
275,174	267,288
2.63%	2.15%

Ratio of net impaired financing,
advances and other
receivables to gross financing,
advances and other receivables
less individual impairment (stage 3)

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

Stage 1 and 2 impairment

Collective allowance as at 1 January 2018, as previously stated	-	122,221
Effect on MFRS 9 adoption	-	(42,672)
As at 1 Jan	89,394	79,549
Allowance made during the year	3,520	9,845
Closing balance	92,914	89,394

Group and Bank	
30 Jun 2019 RM'000	31 Dec 2018 RM'000
-	122,221
-	(42,672)
89,394	79,549
3,520	9,845
92,914	89,394
1.74%	1.57%

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

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A8 Financing, Advances and Other Receivables (cont'd.)

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

	Group and Bank	
	30 Jun 2019 RM'000	31 Dec 2018 RM'000
Stage 3 impairment		
At 1 Jan	145,125	263,872
Allowance reversed during the year	(3,719)	(36,973)
- Allowance made	18,087	57,842
- Allowance written-back	(21,806)	(94,815)
Amount written off	(7,034)	(81,774)
Closing balance	134,372	145,125

xiii) Impaired financing by sector

	Group and Bank	
	30 Jun 2019 RM'000	31 Dec 2018 RM'000
Finance, insurance and business services	7,541	8,954
Household	29,293	20,743
Manufacturing	90,192	113,524
Real Estate	137,394	111,832
Wholesale & retail trade and restaurants & hotels	10,754	12,234
	275,174	267,288

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A8 Financing, Advances and Other Receivables (cont'd.)

xiii) Impairment allowance for financing and advances to customers

The table below shows the credit quality and the maximum exposure to credit risk based on the Bank's internal credit rating system and year-end stage classification. The amounts presented are gross of impairment allowances.

<u>Group and Bank</u>	2019				2018
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000	Total RM'000
Internal rating grade :					
Performing	5,037,289	-	-	5,037,289	5,423,140
Past due but not impaired	-	165,616	-	165,616	136,363
Individually impaired	-	-	275,174	275,174	267,288
Total	5,037,289	165,616	275,174	5,478,078	5,826,791

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

<u>Group and Bank</u>	2019			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Gross carrying amount as at 1 January 2019	5,423,140	136,363	267,288	5,826,791
Transfer to 12-month ECL	25,830	(24,399)	(1,431)	-
Transfer to lifetime ECL not credit impaired	(54,341)	54,912	(571)	-
Transfer to lifetime ECL credit impaired	(5,719)	(8,214)	13,933	-
Net remeasurement of outstanding balance	(101,673)	(2,690)	(293)	(104,655)
New financial assets originated or purchased	2,369,117	54,189	244,769	2,668,075
Financial assets that have matured	(2,619,065)	(44,545)	(248,522)	(2,912,132)
Gross carrying amount as at 30 June 2019	5,037,289	165,616	275,174	5,478,078

<u>Group and Bank</u>	2019			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
ECL allowance as at 1 January 2019	73,573	15,821	145,125	234,518
Transfer to 12-month ECL	1,635	(1,222)	(413)	-
Transfer to lifetime ECL not credit impaired	(514)	557	(42)	-
Transfer to lifetime ECL credit impaired	(88)	(343)	431	-
Allowance made during the year	4,178	(682)	(3,694)	(197)
Write-offs	-	-	(7,034)	(7,034)
ECL allowance as at 30 June 2019	78,784	14,131	134,372	227,287
Net carrying amount (after ECL)	4,958,505	151,484	140,802	5,250,791

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A9 Other Assets

	Group		Bank	
	30 Jun 2019 RM'000	31 Dec 2018 RM'000	30 Jun 2019 RM'000	31 Dec 2018 RM'000
Deposits and prepayments	11,336	8,555	11,121	8,425
Amount due from subsidiaries	-	-	4	4
Amount due from other related parties	120,752	120,752	120,752	120,752
Fee receivable	6	1	6	1
Sundry debtors	4,113	4,117	4,113	4,120
	136,208	133,425	135,997	133,302

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

A10 Hedging Financial Instruments

Group and Bank

At 30 June 2019

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

Notional Amount RM'000	Fair Value	
	Assets RM'000	Liabilities RM'000
1,142,604	3,230	3,850
572,380	1,026	1,651
570,224	2,204	2,199
1,142,604	3,230	3,850

Group and Bank

At 31 Dec 2018

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

Notional Amount RM'000	Fair Value	
	Assets RM'000	Liabilities RM'000
979,817	3,780	4,506
409,780	1,253	1,976
570,037	2,527	2,530
979,817	3,780	4,506

The Bank's derivatives designated for fair value hedges consists of forward foreign exchange related contracts that are used to protect against exposures to variability in foreign currency exchange rates. This hedging strategy is applied towards interbank borrowings and corporate customer deposits. The changes in the fair value of the forward foreign exchange contract and interbank borrowings or corporate customer deposits are recognised in the income statements. The measurement of the hedged item results in a net loss of RM406,664 recorded in unrealised gain/loss on revaluation of foreign exchange in 2019 (2018: RM723,792).

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A11 Deposits from Customers

(i) By type of deposit

	Group		Bank	
	30 Jun 2019 RM'000	31 Dec 2018 RM'000	30 Jun 2019 RM'000	31 Dec 2018 RM'000
Qard				
- Demand deposits	431,322	517,845	364,367	426,712
- Gold deposits	96,249	96,341	96,249	96,341
Wakalah	160,098	12,226	-	-
Murabahah				
- Term placement	4,158,142	3,845,469	4,120,672	3,845,469
- Savings deposits	109,682	107,117	109,683	107,118
	4,955,494	4,578,999	4,690,971	4,475,640

(ii) By type of customer

	Group		Bank	
	30 Jun 2019 RM'000	31 Dec 2018 RM'000	30 Jun 2019 RM'000	31 Dec 2018 RM'000
Business enterprises	1,913,124	1,907,774	1,561,615	1,726,484
Individuals	345,102	371,946	345,102	371,946
Subsidiaries	-	-	86,987	77,930
Government and statutory bodies	2,121,665	1,659,101	2,121,665	1,659,101
Other enterprises	575,603	640,178	575,603	640,179
	4,955,494	4,578,999	4,690,971	4,475,640

(iii) By contractual maturity

	Group		Bank	
	30 Jun 2019 RM'000	31 Dec 2018 RM'000	30 Jun 2019 RM'000	31 Dec 2018 RM'000
Due within six months	4,473,769	3,719,085	4,209,246	3,615,726
More than six months to one year	275,512	634,221	275,512	634,221
More than one year to three years	206,213	225,693	206,213	225,694
	4,955,494	4,578,999	4,690,971	4,475,640

A12 Deposits and Placements of Banks and Other Financial Institutions

	Group		Bank	
	30 Jun 2019 RM'000	31 Dec 2018 RM'000	30 Jun 2019 RM'000	31 Dec 2018 RM'000
Murabahah				
Licensed Islamic banks	35,139	255,850	35,139	255,850
Other financial institutions	2,395,643	2,650,891	2,687,958	2,780,736
	2,530,782	2,906,741	2,823,097	3,036,586

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A13 INVESTMENT ACCOUNTS

	Group and Bank	
	30 Jun 2019 RM'000	31 Dec 2018 RM'000
As at 1 January	5,755	8,218
Net placement during the year	(552)	(2,597)
Income from investment	86	225
Profit distributed to mudarib	(35)	(91)
As at 31 December	5,254	5,755
Investment asset: Wadiah placement with BNM	5,254	5,755

Profit Sharing Ratio, Rate of Return and Performance Incentive Fee

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

	Group and Bank	
	30 Jun 2019 RM'000	31 Dec 2018 RM'000
Business enterprises	2,642	1,197
Individuals	2,351	2,846
Other enterprises	261	1,712
	5,254	5,755

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A14 Other Liabilities

	Group		Bank	
	30 Jun 2019 RM'000	31 Dec 2018 RM'000	30 Jun 2019 RM'000	31 Dec 2018 RM'000
Sundry creditors	61,309	59,903	61,024	59,817
Accrued restoration cost	5,598	5,600	5,598	5,600
Undistributed charity funds (i)	2,940	3,192	2,940	3,192
Other provisions and accruals	23,389	32,552	23,302	32,436
	93,237	101,247	92,865	101,046

(i) Sources and uses of charity funds:

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

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

Closing balance

Group and Bank	
30 Jun 2019 RM'000	31 Dec 2018 RM'000
3,192	2,760
1,613	664
4,805	3,424
(1,836)	-
(20)	(85)
(9)	(147)
(1,865)	(232)
2,940	3,192

A15 Share Capital

	Number of ordinary shares at RM1.00 each		Amount	
	30 Jun 2019 Units'000	31 Dec 2018 Units'000	30 Jun 2019 RM'000	31 Dec 2018 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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A17 Income derived from Investment of Shareholder's Equity

Group	2nd Quarter ended 30-Jun		Half-year ended 30-Jun	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Finance income from financing, advances and other receivables	15,972	15,041	30,976	29,980
Finance income from impaired financing	243	(30)	403	46
Income from securities:				
- Financial assets at FVTPL	-	-	-	2
- Financial assets at FVOCI	6,891	5,138	12,677	9,516
Money at call and deposits with financial institutions	350	398	483	856
	23,457	20,547	44,539	40,400
Amortisation of premium less accretion of discounts	(310)	(257)	(583)	(516)
Total finance income and hibah	23,148	20,291	43,955	39,883
Fee income				
- Commission	737	887	1,290	3,174
- Fund management fee	-	-	-	-
- Other fee income	2,428	923	3,496	3,044
Gain/(loss) arising from sale of securities				
- Financial assets at FVTPL	-	62	-	64
- Financial assets at FVOCI	82	438	646	420
Unrealised loss on revaluation of securities held-for-trading and Ijarah rental swap (net)	-	(458)	-	(1,061)
Foreign exchange (loss)/gain				
- Realised	4,561	12,650	672	(22,817)
- Unrealised	(5,525)	(9,535)	(1,675)	25,970
Gain on Ijarah rental swap obligation	-	90	-	190
Gain on disposal of property, plant and equipment	150	-	333	-
Other income	147	121	281	220
	25,728	25,468	48,998	49,087

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A17 Income derived from Investment of Shareholder's Equity (cont'd.)

	2nd Quarter ended 30-Jun		Half-year ended 30-Jun	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Bank				
Finance income from financing, advances and other receivables	15,972	15,009	30,976	29,915
Finance income from impaired financing	243	(30)	403	46
Income from securities:				
- Financial assets at FVTPL	-	-	-	2
- Financial assets at FVOCI	6,844	5,117	12,592	9,474
Money at call and deposits with financial institutions	349	399	481	859
	23,409	20,495	44,450	40,295
Amortisation of premium less accretion of discounts	(308)	(256)	(581)	(515)
Total finance income and hibah	23,101	20,239	43,870	39,780
Fee income				
- Commission	736	887	1,290	3,180
- Other fee income	2,429	923	3,496	3,038
Gain/(loss) arising from sale of securities				
- Financial assets at FVTPL	-	61	-	64
- Financial assets at FVOCI	82	437	646	419
Unrealised loss on revaluation of securities held-for-trading and Ijarah rental swap (net)	-	(458)	-	(1,061)
Foreign exchange (loss)/gain				
- Realised	4,540	12,610	639	(22,878)
- Unrealised	(5,554)	(9,681)	(1,716)	25,819
Gain on Ijarah rental swap obligation	-	90	-	189
Gain on disposal of property, plant and equipment	150	-	333	-
Management fee	30	30	60	60
	25,514	25,138	48,619	48,611

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A18 Credit Loss Expenses

The table below shows the ECL (charges)/writeback (net bad debt recovered) on financial instruments for the year recorded in the income statement:

	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
2019				
Group				
Cash and short-term funds	(3,775)	-	-	(3,775)
Financing and advances to customers	(5,211)	1,690	4,271	750
Bad debt recovered	-	-	6,090	6,090
Debt instruments measured at FVOCI	(2,400)	-	-	(2,400)
Debt instruments measured at amortised cost	-	-	-	-
Total Impairment loss charges /(writeback)	(11,386)	1,690	10,361	665

	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
2018				
Group				
Due from banks	(997)	-	-	(997)
Financing and advances to customers	(2,518)	(6,030)	49,146	40,598
Debt instruments measured at FVOCI	(2,865)	-	-	(2,865)
Financing commitments	242	-	-	242
Total Impairment loss charges /(writeback)	(6,138)	(6,030)	49,146	36,978

	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
2019				
Bank				
Cash and short-term funds	(3,775)	-	-	(3,775)
Financing and advances to customers	(5,211)	1,690	4,271	750
Bad debt recovered	-	-	6,090	6,090
Debt instruments measured at FVOCI	(2,400)	-	-	(2,400)
Total Impairment loss charges /(writeback)	(11,386)	1,690	10,361	665

	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
2018				
Bank				
Due from banks	(783)	-	-	(783)
Financing and advances to customers	(2,518)	(6,030)	49,146	40,598
Debt instruments measured at FVOCI	(3,219)	-	-	(3,219)
Financing commitments	280	(38)	-	242
Total Impairment loss charges /(writeback)	(6,240)	(6,068)	49,146	36,838

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A19 Income Attributable to the Depositors

	2nd Quarter ended 30-Jun		Half-year ended 30-Jun	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Group				
Deposits from customers				
- Murabahah	39,468	34,525	77,840	66,912
- Wakalah	931	81	1,490	589
Deposits and placements of banks and other financial institutions				
- Murabahah and Wakalah	24,714	21,363	50,135	41,888
Others	132	286	306	730
	65,245	56,255	129,771	110,120
Bank				
Deposits from customers				
- Murabahah	39,198	34,294	77,300	66,680
Deposits and placements of banks and other financial institutions				
- Murabahah and Wakalah	26,561	22,266	53,513	43,743
Others	132	286	306	730
	65,890	56,845	131,119	111,153

A20 Profit Distributed to Investment Account Holders

	2nd Quarter ended 30-Jun		Half-year ended 30-Jun	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Group & Bank				
Income derived from investment of investment account funds	42	52	86	118
Profit distributed to mudarib	(17)	(21)	(35)	(47)
	25	31	52	70

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A21 Commitments and Contingencies

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

	As at 30 Jun 2019			As at 31 Dec 2018		
	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	52,280	52,280	51,269	53,458	53,145	52,548
Transaction related contingencies	113,956	56,978	42,755	165,383	80,959	67,517
Trade related contingencies	29,590	5,918	3,747	59,250	11,847	8,895
Irrevocable commitments to extend credit						
- maturity less than one year	384,179	76,836	61,223	374,270	67,460	66,250
- maturity more than one year	246,409	123,204	113,097	194,106	93,666	66,857
Foreign exchange related contracts *						
- less than one year	-	-	-	-	-	-
- one year to five years	243,899	3,059	1,162	84,054	629	315
- five years and above	898,290	19,526	4,406	1,229,158	16,758	5,863
Profit rate related contracts (Ijarah rental swap obligation) *						
- five years and above	-	-	-	-	-	-
	1,968,602	337,801	277,660	2,159,680	324,464	268,245

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

A21.1 Contingent liabilities, commitments

To meet the financial needs of customers, the Bank enters into various irrevocable commitments and contingent liabilities. These consist of financial guarantees, letters of credit and other commitments to lend. Even though these obligations may not be recognised on the statement of financial position, they contain credit risk and, therefore, form part of the overall risk of the Bank.

Letters of credit and guarantees (including standby letters of credit) commit the Bank to make payments on behalf of customers in the event of a specific act, generally related to the import or export of goods. Guarantees and standby letters of credit carry a similar credit risk to financing. The nominal values of such commitments are listed below:

	Group and Bank	
	Mar 2019 RM'000	Dec 2018 RM'000
Financial guarantees	52,280	53,458
Letters of credit	143,546	224,633
Other undrawn commitments	630,588	568,376
Total commitment	826,414	846,467
Less : ECL (charge)/writeback	(3,363)	(2,742)
	823,051	843,725

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A21.1 Impairment losses on guarantees and other commitments

An analysis of changes in the gross carrying amount and the corresponding allowance for impairment losses in relation to guarantees and other commitments is, as follows:

Financial guarantees

The table below shows the credit quality and the maximum exposure to credit risk based on the Bank's internal credit rating system and year-end stage classification.

<u>Group and Bank</u>	2019				2018
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000	Total RM'000
Internal rating grade :					
Performing	52,280	-	-	52,280	53,458
Past due but not impaired	-	-	-	-	-
Individually impaired	-	-	-	-	-
Total	52,280	-	-	52,280	53,458

An analysis of changes in the outstanding exposures and the corresponding ECLs are, as follows:

<u>Group and Bank</u>	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Gross carrying amount as at 1 January 2019	53,058	400	-	53,458
Net remeasurement of outstanding balance	19	-	-	19
New financial assets originated or purchased	1,493	-	-	1,493
Financial assets that have matured	(2,290)	(400)	-	(2,690)
Gross carrying amount as at 30 June 2019	52,280	-	-	52,280

<u>Group and Bank</u>	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
ECL allowance as at 1 January 2019	1,834	140	-	1,974
Net remeasurement of loss allowance	1,135	-	-	1,135
Financial assets that have matured	(922)	(140)	-	(1,061)
ECL allowance as at 30 June 2019	2,048	-	-	2,048
Net carrying amount (after ECL)	50,232	-	-	50,232

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A21.1 Impairment losses on guarantees and other commitments (Cont'd.)

Letters of credit

The table below shows the credit quality and the maximum exposure to credit risk based on the Bank's internal credit rating system and year-end stage classification.

<u>Group and Bank</u>	2019				2018
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000	Total RM'000
Internal rating grade :					
Performing	143,546	-	-	143,546	224,633
Past due but not impaired	-	-	-	-	-
Total	143,546	-	-	143,546	224,633

An analysis of changes in the outstanding exposures and the corresponding ECLs are, as follows:

<u>Group and Bank</u>	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Gross carrying amount as at 1 January 2019	224,633	-	-	224,633
New financial assets originated or purchased	29,590	-	-	29,590
Financial assets that have matured	(110,677)	-	-	(110,677)
Gross carrying amount as at 30 June 2019	143,546	-	-	143,546

<u>Group and Bank</u>	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
ECL allowance as at 1 January 2019	3	-	-	3
New financial assets originated or purchased	1	-	-	1
Financial assets that have matured	(3)	-	-	(3)
ECL allowance as at 30 June 2019	-	-	-	-
Net carrying amount (after ECL)	143,546	-	-	143,546

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A21.1 Impairment losses on guarantees and other commitments (Cont'd.)

Other undrawn commitments

The table below shows the credit quality and the maximum exposure for credit risk based on the Bank's internal credit rating system and year-end stage classification.

<u>Group and Bank</u>	2019				2018
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000	Total RM'000
Internal rating grade :					
Performing	629,250	1,338	-	630,588	568,376
Past due but not impaired	-	-	-	-	-
Individually impaired	-	-	-	-	-
Total	629,250	1,338	-	630,588	568,376

An analysis of changes in the gross carrying amount and the corresponding ECLs in relation to other undrawn commitments is, as follows:

<u>Group and Bank</u>	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Gross carrying amount as at 1 January 2019	545,006	23,370	-	568,376
Transfer to 12-month ECL	488	(488)	-	-
Transfer to lifetime ECL not credit impaired	(407)	407	-	-
Net remeasurement of outstanding balance	(12,325)	-	-	(12,325)
New financial assets originated or purchased	588,751	441	-	589,192
Financial assets that have matured	(492,264)	(22,392)	-	(514,656)
Gross carrying amount as at 30 June 2019	629,250	1,338	-	630,588

<u>Group and Bank</u>	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
ECL allowance as at 1 January 2019	765	-	-	765
New financial assets originated or purchased	1,315	-	-	1,315
Financial assets that have matured	(765)	-	-	(765)
ECL allowance as at 30 June 2019	1,315	-	-	1,315
Net carrying amount (after ECL)	627,935	1,338	-	629,273

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A21 Credit transactions and exposures with connected parties

As at 30 Jun 2019			
Total outstanding value RM'000	Total number of accounts	Total exposure * RM'000	Total non- performing credit exposure RM'000
Bank			
Financing, credit facility and leasing (except guarantee)	1	120,791	-
Equities and Islamic Private Debt Securities held	0	0	-
Off-balance sheet exposures	1	600	-
	2	121,391	-
Total exposure to connected parties as % capital base		7.7%	0.0%
Total exposure to connected parties as % of total outstanding credit exposures		1.4%	0.0%

As at 31 Dec 2018			
Total outstanding value RM'000	Total number of accounts	Total exposure * RM'000	Total non- performing credit exposure RM'000
Bank			
Financing, credit facility and leasing (except guarantee)	3	121,241	-
Off-balance sheet exposures	1	600	-
	4	121,841	-
Total exposure to connected parties as % capital base		8.0%	0.0%
Total exposure to connected parties as % of total outstanding credit exposures		1.4%	0.0%

* Included total outstanding and unutilised limit

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A22 Capital Adequacy

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

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

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

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

	Group		Bank	
	30 Jun 2019	31 Dec 2018	30 Jun 2019	31 Dec 2018
Common Equity Tier I / Tier I Capital Ratio				
Credit risk	29.880%	27.293%	29.128%	26.583%
Credit, market, operational and large exposure risks	27.660%	25.419%	26.995%	24.794%
Total Capital Ratio				
Credit risk	31.130%	28.542%	30.378%	27.833%
Credit, market, operational and large exposure risks	28.817%	26.582%	28.153%	25.960%

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A22 Capital Adequacy (Cont' d.)

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

	Group		Bank	
	30 Jun 2019 RM'000	31 Dec 2018 RM'000	30 Jun 2019 RM'000	31 Dec 2018 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	170,648	170,648	170,648	170,648
Other reserves	136,026	82,126	107,028	53,258
	1,731,946	1,678,046	1,702,948	1,649,178
Less: Deferred tax assets (net)	(181,806)	(181,806)	(181,806)	(181,806)
Less: Investment in subsidiaries	-	-	(10,200)	(10,200)
Total CET I / Tier I capital	1,550,140	1,496,240	1,510,942	1,457,172
<u>Tier II capital</u>				
Collective impairment on financing	64,848	68,461	64,841	68,520
Total Tier II capital	64,848	68,461	64,841	68,520
Total capital	1,614,988	1,564,701	1,575,783	1,525,692

(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 2019 RM'000	31 Dec 2018 RM'000	30 Jun 2019 RM'000	31 Dec 2018 RM'000
Computation of Total Risk-Weighted Assets (RWA)				
Total Credit RWA	5,187,833	5,482,161	5,187,297	5,481,618
Total Market RWA	13,398	3,407	13,398	3,407
Total Operational RWA	403,036	400,645	396,506	392,040
Large Exposure Risk RWA for Equity Holdings	8	8	8	8
Total Risk-Weighted Assets	5,604,275	5,886,221	5,597,209	5,877,073
Computation of Capital Ratios				
Core Capital	1,550,140	1,496,240	1,510,942	1,457,172
Capital Base	1,614,988	1,564,701	1,575,783	1,525,692
CET I / Tier I Capital Ratio	27.660%	25.419%	26.995%	24.794%
Total Capital Ratio	28.817%	26.582%	28.153%	25.960%

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A22 Capital Adequacy (Cont'd)

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

Group			Risk Weighted Assets	Total Risk Weighted Assets After Effects of PSIA	Capital Requirement
	Gross Exposures	Net Exposures **			
As at 30 Jun 2019	RM'000	RM'000	RM'000	RM'000	RM'000
(i) Credit Risk					
(a) On-Balance Sheet Exposures					
Sovereigns/Central Banks	1,001,050	1,001,050	44,105	44,105	3,528
Banks, Development Financial Institutions & MDBs	149,641	149,641	44,571	44,571	3,566
Corporates	4,618,127	4,618,127	2,236,967	2,236,967	178,957
Regulatory Retail	1,973,241	1,973,241	1,478,180	1,478,180	118,254
Residential Mortgages	1,058,964	1,058,964	568,496	568,496	45,480
Higher Risk Assets ¹	433	433	650	650	52
Other Assets	375,414	375,414	268,522	268,522	21,482
Defaulted Exposures ²	220,894	220,894	268,682	268,682	21,495
	9,397,765	9,397,765	4,910,174	4,910,174	392,814
(b) Off-Balance Sheet Exposures*					
OTC Hedging Financial Instruments ³	22,585	22,585	5,568	5,568	445
Off balance sheet exposures other than OTC hedging financial instruments	300,207	300,207	272,091	272,091	21,767
	322,792	322,792	277,660	277,660	22,213
Total On and Off-Balance Sheet Exposures	9,720,557	9,720,557	5,187,833	5,187,833	415,027
(ii) Large Exposures Risk Requirement	8	8	8	8	1
	Long Position	Short Position			
(iii) Market Risk					
Benchmark Rate Risk			-	-	-
Foreign Currency Risk ⁴	13,184	4,564	8,620	13,398	1,072
			8,620	13,398	1,072
(iv) Operational Risk			403,036	403,036	32,243
(v) Total RWA and Capital Requirements		9,729,185	5,604,275	5,604,275	448,342

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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A22 Capital Adequacy (Cont'd)

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

Group	Gross Exposures	Net Exposures **	Risk Weighted Assets	Total Risk Weighted Assets After Effects of PSIA	Capital Requirement
	RM'000	RM'000	RM'000	RM'000	RM'000
As at 31 Dec 2018					
(i) Credit Risk					
(a) On-Balance Sheet Exposures					
Sovereigns/Central Banks	1,203,707	1,203,707	43,443	43,443	3,475
Banks, Development Financial Institutions & MDBs	140,906	140,906	42,039	42,039	3,363
Corporates	4,342,305	4,342,305	2,669,765	2,669,765	213,581
Regulatory Retail	2,013,133	2,013,133	1,507,468	1,507,468	120,597
Residential Mortgages	1,018,422	1,018,422	573,282	573,282	45,863
Higher Risk Assets ¹	1,077	1,077	1,615	1,615	129
Other Assets	287,321	287,321	177,325	177,325	14,186
Defaulted Exposures ²	172,232	172,232	198,979	198,979	15,918
	9,179,103	9,179,103	5,213,916	5,213,916	417,113
(b) Off-Balance Sheet Exposures*					
OTC Hedging Financial Instruments ³	17,387	17,387	6,177	6,177	494
Off balance sheet exposures other than OTC hedging financial instruments	307,077	307,077	262,067	262,067	20,965
	324,464	324,464	268,245	268,245	21,460
Total On and Off-Balance Sheet Exposures	9,503,567	9,503,567	5,482,161	5,482,161	438,573
(ii) Large Exposures Risk Requirement	18	18	8	8	1
	Long Position	Short Position			
(iii) Market Risk					
Benchmark Rate Risk	-	-	-	-	-
Foreign Currency Risk ⁴	2,262	3,339	(1,077)	3,407	273
		(1,077)	3,407	3,407	273
(iv) Operational Risk			400,645	400,645	32,052
(v) Total RWA and Capital Requirements			5,886,221	5,886,221	470,898

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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A22 Capital adequacy (Cont'd.)

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

Bank	Gross Exposures	Net Exposures **	Risk Weighted Assets	Total Risk Weighted Assets After Effects of PSIA	Capital Requirement
As at 30 Jun 2019	RM'000	RM'000	RM'000	RM'000	RM'000
(i) Credit Risk					
(a) On-Balance Sheet Exposures					
Sovereigns/Central Banks	988,665	988,665	44,105	44,105	3,528
Banks, Development Financial Institutions & MDBs	149,641	149,641	44,571	44,571	3,566
Corporates	4,618,127	4,618,127	2,236,967	2,236,967	178,957
Regulatory Retail	1,973,241	1,973,241	1,478,180	1,478,180	118,254
Residential Mortgages	1,058,964	1,058,964	568,496	568,496	45,480
Higher Risk Assets ¹	433	433	650	650	52
Other Assets	374,877	374,877	267,986	267,986	21,439
Defaulted Exposures ²	220,894	220,894	268,682	268,682	21,495
	9,384,843	9,384,843	4,909,637	4,909,637	392,771
(b) Off-Balance Sheet Exposures*					
OTC Hedging Financial Instruments ³	22,585	22,585	5,568	5,568	445.46
Off balance sheet exposures other than OTC hedging financial instruments	300,207	300,207	272,091	272,091	21,767.32
	322,792	322,792	277,660	277,660	22,213
Total On and Off-Balance Sheet Exposures	9,707,635	9,707,635	5,187,297	5,187,297	414,984
(ii) Large Exposures Risk Requirement	8	8	8	8	1
	Long Position	Short Position			
(iii) Market Risk					
Benchmark Rate Risk			-	-	-
Foreign Currency Risk ⁴	13,184	4,564	8,620	13,398	1,072
			8,620	13,398	1,072
(iv) Operational Risk			396,506	396,506	31,720
(v) Total RWA and Capital Requirements		9,716,264	5,597,209	5,597,209	447,777

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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A22 Capital adequacy (Cont'd.)

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

Bank	Gross Exposures	Net Exposures **	Risk Weighted Assets	Total Risk Weighted Assets After Effects of PSIA	Capital Requirement
As at 31 Dec 2018	RM'000	RM'000	RM'000	RM'000	RM'000
(i) Credit Risk					
(a) On-Balance Sheet Exposures					
Sovereigns/Central Banks	1,191,466	1,191,466	43,443	43,443	3,475
Banks, Development Financial Institutions & MDBs	140,906	140,906	42,039	42,039	3,363
Corporates	4,342,305	4,342,305	2,669,765	2,669,765	213,581
Regulatory Retail	2,013,934	2,013,934	1,507,468	1,508,069	120,646
Residential Mortgages	1,023,270	1,023,270	573,282	575,573	46,046
Higher Risk Assets ¹	1,077	1,077	1,615	1,615	129
Other Assets	286,778	286,778	176,782	176,782	14,143
Defaulted Exposures ²	166,583	166,583	198,979	190,784	15,263
	9,166,319	9,166,318	5,213,373	5,208,071	416,646
(b) Off-Balance Sheet Exposures*					
OTC Hedging Financial Instruments ³	17,387	17,387	6,177	6,177	494
Off balance sheet exposures other than OTC hedging financial instruments	307,077	307,077	262,068	262,067	20,965
	324,464	324,464	268,245	268,245	21,460
Total On and Off-Balance Sheet Exposures	9,490,783	9,490,782	5,481,618	5,476,316	438,105
(ii) Large Exposures Risk Requirement					
	18	18	8	8	1
	Long Position	Short Position			
(iii) Market Risk					
Benchmark Rate Risk	-	-	-	-	-
Foreign Currency Risk ⁴	2,262	3,339	(1,077)	3,407	273
		(1,077)	3,407	3,407	273
(iv) Operational Risk					
			392,040	392,040	31,363
(v) Total RWA and Capital Requirements					
			5,877,073	5,871,771	470,166

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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A22 Capital adequacy (Cont'd.)

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

		Exposures after Netting and Credit Risk Mitigation							
Group	Sovereigns & Central Banks	Banks, MDBs and DFIs	Corporate	Regulatory Retail	Residential Mortgages	Higher Risk Assets	Other Assets	Total Exposures after Netting and Credit Risk Mitigation	Total Risk Weighted Assets
As at 30 Jun 2019	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Risk-Weights									
0%	780,525	40,639	1,892,452	3,299	1,024	-	106,892	2,824,831	-
20%	220,525	52,240	539,033	-	-	-	-	811,798	162,360
35%	-	-	-	-	536,196	-	-	536,196	187,669
50%	-	79,313	207,765	-	289,311	-	-	576,388	288,194
75%	-	-	-	1,985,572	-	-	-	1,985,572	1,489,179
100%	-	35	2,323,201	14	244,681	-	268,522	2,836,452	2,836,452
150%	-	0	97,829	4,196	-	47,295	-	149,320	223,980
	1,001,050	172,227	5,060,279	1,993,080	1,071,213	47,295	375,414	9,720,557	5,187,833
As at 31 Dec 2018									
Risk-Weights									
0%	986,490	39,974	1,345,725	3,348	1,209	-	109,996	2,486,741	-
20%	217,217	36,542	357,754	-	-	-	-	611,513	122,303
35%	-	-	-	-	488,456	-	-	485,899	170,065
50%	-	81,738	209,864	985	265,962	-	-	553,526	276,763
75%	-	-	-	2,031,062	-	-	-	2,030,261	1,522,696
100%	-	39	2,761,999	78	280,244	-	177,325	3,226,212	3,226,212
150%	-	-	52,460	1,290	-	53,811	-	109,415	164,124
	1,203,707	158,293	4,727,801	2,036,763	1,035,870	53,811	287,321	9,503,567	5,482,161

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A22 Capital adequacy (Cont'd.)

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

		Exposures after Netting and Credit Risk Mitigation						Total Exposures after Netting and Credit Risk Mitigation	Total Risk Weighted Assets
		Sovereigns & Central Banks	Banks, MDBs and DFIs	Corporate	Regulatory Retail	Residential Mortgages	Higher Risk Assets		
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Bank									
As at 30 Jun 2019									
Risk-Weights									
0%	768,140	40,639	1,892,452	3,299	1,024	-	106,892	2,812,446	-
20%	220,525	52,240	539,033	-	-	-	-	811,798	162,360
35%	-	-	-	-	536,196	-	-	536,196	187,669
50%	-	79,313	207,765	-	289,311	-	-	576,388	288,194
75%	-	-	-	1,985,572	-	-	-	1,985,572	1,489,179
100%	-	35	2,323,201	14	244,681	-	267,986	2,835,916	2,835,916
150%	-	0	97,829	4,196	-	47,295	-	149,320	223,980
	988,665	172,227	5,060,279	1,993,080	1,071,213	47,295	374,877	9,707,636	5,187,297
As at 31 Dec 2018									
Risk-Weights									
0%	974,249	39,974	1,345,725	3,348	1,209	-	109,996	2,474,500	-
20%	217,217	36,542	357,754	-	-	-	-	611,513	122,303
35%	-	-	-	-	488,456	-	-	485,899	170,065
50%	-	81,738	209,864	985	265,962	-	-	553,526	276,763
75%	-	-	-	2,031,062	-	-	-	2,030,261	1,522,696
100%	-	39	2,761,999	78	280,244	-	176,782	3,225,668	3,225,668
150%	-	-	52,460	1,290	-	53,811	-	109,416	164,124
	1,191,466	158,293	4,727,801	2,036,763	1,035,870	53,811	286,778	9,490,783	5,481,618

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A22 CAPITAL ADEQUACY (Cont'd.)

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

	Group		Bank	
	Principal RM'000	Risk-weighted RM'000	Principal RM'000	Risk-weighted RM'000
As at 30 Jun 2019				
0%	2,824,831	-	2,812,446	-
20%	811,798	162,360	811,798	162,360
35%	536,196	187,669	536,196	187,669
50%	576,388	288,194	576,388	288,194
75%	1,985,572	1,489,179	1,985,572	1,489,179
100%	2,836,452	2,836,452	2,835,916	2,835,916
150%	149,320	223,980	149,320	223,980
Risk-weighted assets for credit risk	9,720,557	5,187,834	9,707,635	5,187,297
Risk-weighted assets for market risk		13,398		13,398
Risk-weighted assets for operational risk		403,036		396,506
Large exposure risk-weighted assets for equity holdings		8		8
Total risk-weighted assets		5,604,275		5,597,209
As at 31 Dec 2018				
0%	2,486,741	-	2,474,500	-
20%	611,513	122,303	611,513	122,303
35%	485,899	170,065	485,899	170,065
50%	553,526	276,763	553,526	276,763
75%	2,030,261	1,522,696	2,030,261	1,522,696
100%	3,226,212	3,226,212	3,225,668	3,225,668
150%	109,415	164,123	109,416	164,124
Risk-weighted assets for credit risk	9,503,567	5,482,160	9,490,783	5,481,618
Risk-weighted assets for market risk		3,407		3,407
Risk-weighted assets for operational risk		400,645		392,040
Large exposure risk-weighted assets for equity holdings		8		8
Total risk-weighted assets		5,886,220		5,877,073

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

	As at 30 Jun 2019		As at 31 Dec 2018	
	Risk-Weighted Assets Equivalent RM'000	Capital Required RM'000	Risk-Weighted Assets Equivalent RM'000	Capital Required RM'000
Group and Bank				
Benchmark Rate Risk	-	-	-	-
Foreign Exchange Risk	13,398	1,072	3,407	273
Total	13,398	1,072	3,407	273

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A23 FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

Determination of fair value and fair value hierarchy

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

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

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

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

Group	Level 2	Level 3	Total
	RM'000	RM'000	RM'000
30 Jun 2019			
Financial assets			
Securities held at FVTPL	415	-	415
Debt instruments measured at FVOCI	3,289,852	-	3,289,852
Equity instruments at FVOCI	18	-	18
Financing, advances and other receivables	1,806,364	3,442,859	5,249,223
Hedging financial instruments	3,230	-	3,230
Total	5,099,879	3,442,859	8,542,738
Financial liability			
Deposits from customers	4,938,598	-	4,938,598
Hedging financial instruments	3,850	-	3,850
	4,942,448	-	4,942,448
31 Dec 2018			
Financial assets			
Securities held at FVTPL	1,059	-	1,059
Debt instruments measured at FVOCI	2,889,238	-	2,889,238
Equity instruments at FVOCI	18	-	18
Financing, advances and other receivables	1,774,175	3,816,701	5,590,876
Hedging financial instruments	3,780	-	3,780
Total	4,668,270	3,816,701	8,484,971
Financial liability			
Deposits from customers	4,561,603	-	4,561,603
Hedging financial instruments	4,506	-	4,506
	4,566,109	-	4,566,109

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

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

	Level 2	Level 3	Total
	RM'000	RM'000	RM'000
Bank			
30 Jun 2019			
Financial assets			
Financial assets at FVTPL	415	-	415
Debt instruments measured at FVOCI	3,277,467	-	3,277,467
Equity instruments at FVOCI	18	-	18
Financing, advances and other receivables	1,806,364	3,442,859	5,249,223
Hedging financial instruments	3,230	-	3,230
Total	5,087,494	3,442,859	8,530,353
Financial liability			
Deposits from customers	4,673,724	-	4,673,724
Hedging financial instruments	3,850	-	3,850
	4,677,574	-	4,677,574
31 Dec 2018			
Financial assets			
Securities held at FVTPL	1,059	-	1,059
Debt instruments measured at FVOCI	2,876,991	-	2,876,991
Equity instruments at FVOCI	18	-	18
Financing, advances and other receivables	1,774,175	3,816,701	5,590,876
Hedging financial instruments	3,780	-	3,780
Total	4,656,023	3,816,701	8,472,724
Financial liability			
Deposits from customers	4,457,895	-	4,457,895
Hedging financial instruments	4,506	-	4,506
	4,462,401	-	4,462,401

Description of significant unobservable inputs to valuation:

Valuation technique	Significant Unobservable inputs	Range (weighted average)
Financing, advances and other receivables	DCF method	Profit rate 5.7% - 6.0%

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

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

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

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

		Group			
		30 Jun 2019		31 Dec 2018	
		Carrying Value	Fair Value	Carrying Value	Fair Value
		RM'000	RM'000	RM'000	RM'000
Financial Assets					
Financing, advances and other receivables		5,250,792	5,249,223	5,592,272	5,590,876
		5,250,792	5,249,223	5,592,272	5,590,876
Financial Liabilities					
Deposits from customers		4,955,494	4,938,598	4,578,999	4,561,603
		4,955,494	4,938,598	4,578,999	4,561,603

		Bank			
		30 Jun 2019		31 Dec 2018	
		Carrying Value	Fair Value	Carrying Value	Fair Value
		RM'000	RM'000	RM'000	RM'000
Financial Assets					
Financing, advances and other receivables		5,250,792	5,249,223	5,592,272	5,590,876
		5,250,792	5,249,223	5,592,272	5,590,876
Financial Liabilities					
Deposits from customers		4,690,971	4,673,724	4,475,640	4,457,895
		4,690,971	4,673,724	4,475,640	4,457,895

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

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

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

(a) Cash and Short-Term Funds

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

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

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

(c) Financial Instruments Carried at FVOCI, FLTPL and Hedging Financial Instruments

The Group measures financial instruments such as security carried at FVOCI, FVTPL and hedging financial instruments at fair value at each reporting date.

Financial instruments such as those categorized as securities and financing, advances and other receivables are measured at amortised cost.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

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

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

(d) Financing, Advances and Other Receivables

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

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

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

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A24 FINANCIAL RISK MANAGEMENT

MFRS 9 introduced and modified several disclosure requirements in MFRS 7 in relation to credit risk and impairment of financial instruments. These new disclosures are not required to be provided for the comparative period if a bank chooses not to restate the prior period in accordance with the exemption provided in MFRS 9 paragraph 7.2.15. Consequently, all disclosures required by the previous version of MFRS 7 are provided in respect of the comparative period.

The following section discusses the Bank's risk management policies. The measurement of Expected Credit Loss ("ECL") under MFRS 9 uses the information and approaches that the Bank uses to manage credit risk, though certain adjustments are made in order to comply with the requirements of MFRS 9.

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.

(a) Credit Risk

Credit risk is the risk of suffering financial loss, should any of the Bank's customers, clients or market counterparties fail to fulfil their contractual obligations to the Bank. Credit risk arises mainly from interbank, commercial and consumer financing and advances, and commitments arising from such financing activities, but can also arise from credit enhancement provided, such as financial guarantees and letters of credit.

The Bank is also exposed to other credit risks arising from investments in securities and other exposures arising from its trading activities ('trading exposures') including non-equity trading portfolio assets and derivatives as well as settlement balances with market counterparties.

Credit risk is the single largest risk for the Bank's business; management therefore carefully manages its exposure to credit risk. The credit risk management and control are centralised in a credit risk management team which reports regularly to the Board of Directors and head of each business unit.

Expected credit loss ("ECL") measurement

MFRS 9 outlines a three-stage model for impairment based on changes in credit quality since initial recognition as summarised below:

- A financial instrument that is not credit-impaired on initial recognition is classified in Stage 1 and has its credit risk continuously monitored by the Bank.
- If a significant increase in credit risk ("SICR") since initial recognition is identified, the financial instrument is moved to Stage 2 but is not yet deemed to be credit-impaired.
- If the financial instrument is credit-impaired, the financial instrument is then moved to Stage 3.

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A24 FINANCIAL RISK MANAGEMENT (Cont'd.)

(a) Credit Risk (Cont'd.)

Expected credit loss ("ECL") measurement (Cont'd.)

- Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months. Instruments in Stages 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis.

- A pervasive concept in measuring ECL in accordance with MFRS 9 is that it should consider forward-looking information.

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A24 FINANCIAL RISK MANAGEMENT (Cont'd.)

(a) CREDIT RISK (Cont'd.)

(ii) 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 2019		31-Dec-18	
	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	173,198	173,198	135,339	135,339
Deposits and placements with banks and other financial institutions	5,254	5,254	5,755	5,755
Securities FVOCI	3,289,852	3,277,467	2,889,238	2,876,991
Financing, advances and other receivables	5,250,792	5,250,792	5,592,272	5,592,272
Other assets	136,208	135,997	133,425	133,302
Statutory deposits with Bank Negara Malaysia ("BNM")	220,337	220,337	211,800	211,800
Hedging financial instruments	3,230	3,230	3,780	3,780
Total On-Balance Sheet	9,078,871	9,066,275	8,971,609	8,959,239
Financial guarantees	52,280	52,280	53,458	53,458
Contingent liabilities	143,546	143,546	224,633	224,633
Commitments	630,588	630,588	568,376	568,376
Total Off-Balance Sheet	826,414	826,414	846,467	846,467
Total On and Off-Balance Sheet	9,905,285	9,892,689	9,818,076	9,805,706

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A24 FINANCIAL RISK MANAGEMENT (Cont'd.)

(a) CREDIT RISK (Cont'd.)

(ii) 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	Stage 1 & 2 Impairment	
30 Jun 2019	RM'000	RM'000	RM'000	RM'000	RM'000
Group					
Cash and short-term funds	77,492	7,298	92,995	(4,587)	173,198
Deposits and placements with banks and other financial institutions	5,254	-	-	-	5,254
Securities FVOCI					
- Unquoted	3,169,425	108,041	12,385	-	3,289,852
Financing, advances and other receivables	5,338,438	3,736	1,532	(92,914)	5,250,792
Other assets	136,208	-	-	-	136,208
Statutory deposits with BNM	220,337	-	-	-	220,337
Hedging financial instruments	3,230	-	-	-	3,230
Total On-Balance Sheet	8,950,384	119,076	106,912	(97,501)	9,078,871
Financial guarantees	-	-	52,280	-	52,280
Contingent liabilities	-	-	143,546	-	143,546
Commitments	630,514	-	74	-	630,588
Total Off-Balance Sheet	630,514	-	195,900	-	826,414
Total On and Off-Balance Sheet	9,580,898	119,076	302,812	(97,501)	9,905,285

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A24 FINANCIAL RISK MANAGEMENT (Cont'd.)

(a) CREDIT RISK (Cont'd.)

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

By geographical segment (Cont'd.)

	Geographic region				Total gross maximum exposure RM'000
	Malaysia RM'000	Middle east RM'000	Others RM'000	Stage 1 & 2 Impairment RM'000	
31 Dec 2018					
Group					
Cash and short-term funds	34,970	1,254	99,927	(812)	135,339
Deposits and placements with banks and other financial institutions	5,755	-	-	-	5,755
Securities FVOCI	2,771,768	105,224	12,246	-	2,889,238
Financing, advances and other receivables	5,676,021	3,885	1,759	(89,394)	5,592,272
Other assets	36,810	96,615	-	-	133,425
Statutory deposits with BNM	211,800	-	-	-	211,800
Hedging financial instruments	3,780	-	-	-	3,780
Total On-Balance Sheet	8,740,904	206,978	113,932	(90,206)	8,971,609
Financial guarantees	53,458	-	-	-	53,458
Contingent liabilities	224,633	-	-	-	224,633
Commitments	568,360	2	14	-	568,376
Total Off-Balance Sheet	846,451	2	14	-	846,467
Total On and Off-Balance Sheet	9,587,355	206,980	113,946	(90,206)	9,818,076

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A24 FINANCIAL RISK MANAGEMENT (Cont'd.)

(a) CREDIT RISK (Cont'd.)

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

By geographical segment (Cont'd.)

	Geographic region				Total gross maximum exposure
	Malaysia	Middle east	Others	Stage 1 & 2 Impairment	
	RM'000	RM'000	RM'000	RM'000	RM'000
30 Jun 2019					
Bank					
Cash and short-term funds	77,492	7,298	92,995	(4,587)	173,198
Deposits and placements with banks and other financial institutions	5,254	-	-	-	5,254
Securities FVOCI					
- Unquoted	3,169,425	108,041	-	-	3,277,467
Financing, advances and other receivables	5,338,438	3,736	1,532	(92,914)	5,250,792
Other assets	135,997	-	-	-	135,997
Statutory deposits with BNM	220,337	-	-	-	220,337
Hedging financial instruments	3,230	-	-	-	3,230
Total On-Balance Sheet	8,950,173	119,076	94,527	(97,501)	9,066,275
Financial guarantees	-	-	52,280	-	52,280
Contingent liabilities	-	-	143,546	-	143,546
Commitments	630,514	-	74	-	630,588
Total Off-Balance Sheet	630,514	-	195,900	-	826,414
Total On and Off-Balance Sheet	9,580,687	119,076	290,427	(97,501)	9,892,689

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A24 FINANCIAL RISK MANAGEMENT (Cont'd.)

(a) CREDIT RISK (Cont'd.)

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

By geographical segment (Cont'd.)

	Geographic region				Total gross maximum exposure
	Malaysia	Middle east	Others	Stage 1 & 2 Impairment	
	RM'000	RM'000	RM'000	RM'000	RM'000
31 Dec 2018					
Bank					
Cash and short-term funds	34,970	1,254	99,927	(812)	135,339
Deposits and placements with banks and other financial institutions	5,755	-	-	-	5,755
Securities FVOCI	2,771,767	105,224	-	-	2,876,991
Financing, advances and other receivables	5,676,021	3,885	1,759	(89,394)	5,592,272
Other assets	36,687	96,615	-	-	133,302
Statutory deposits with BNM	211,800	-	-	-	211,800
Hedging financial instruments	3,780	-	-	-	3,780
Total On-Balance Sheet	8,740,781	206,977	101,686	(90,206)	8,959,239
Financial guarantees	53,458	-	-	-	53,458
Contingent liabilities	224,633	-	-	-	224,633
Commitments	568,360	2	14	-	568,376
Total Off-Balance Sheet	846,451	2	14	-	846,467
Total On and Off-Balance Sheet	9,587,232	206,979	101,700	(90,206)	9,805,706

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A24 FINANCIAL RISK MANAGEMENT (Cont'd.)

(a) CREDIT RISK (Cont'd.)

(ii) 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		Stage 1 & 2 Impairment
30 Jun 2019 Group	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
Cash and short-term funds	-	177,784	-	-	-	-	(4,587)	173,198
Deposits and placements with banks and other financial institutions	-	5,254	-	-	-	-	-	5,254
Securities FVOCI	-	627,526	781,743	481,957	763,717	634,909	-	3,289,852
Financing, advances and other receivables	764,208	106,689	836,461	128,057	-	3,508,292	(92,914)	5,250,792
Other assets	-	-	-	-	-	136,208	-	136,208
Statutory deposits with BNM	-	220,337	-	-	-	-	-	220,337
Hedging financial instruments	-	-	-	3,230	-	-	-	3,230
Total On-Balance Sheet	764,208	1,137,590	1,618,204	613,244	763,717	4,279,408	(97,501)	9,078,871
Financial guarantees	51,560	-	600	-	-	120	-	52,280
Contingent liabilities	19,317	-	34,016	2,830	-	87,382	-	143,546
Commitments	91,526	-	364,313	42,168	-	132,581	-	630,588
Total Off-Balance Sheet	162,403	-	398,930	44,998	-	220,083	-	826,414
Total On and Off-Balance Sheet	926,610	1,137,590	2,017,134	658,242	763,717	4,499,491	(97,501)	9,905,285

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A24 FINANCIAL RISK MANAGEMENT (Cont'd.)

(a) CREDIT RISK (Cont'd.)

(ii) 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		Stage 1 & 2 Impairment
31 Dec 2018 Group	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
Cash and short-term funds	-	136,151	-	-	-	-	(812)	135,339
Deposits and placements with banks and other financial institutions	-	5,755	-	-	-	-	-	5,755
Securities FVOCI	-	288,654	780,835	460,769	1,031,366	327,614	-	2,889,238
Financing, advances and other receivables	719,162	-	1,076,034	149,340	-	3,737,129	(89,394)	5,592,272
Other assets	-	-	-	-	-	133,425	-	133,425
Statutory deposits with BNM	-	211,800	-	-	-	-	-	211,800
Hedging financial instruments	-	-	-	3,780	-	-	-	3,780
Total On-Balance Sheet	719,162	642,360	1,856,869	613,889	1,031,366	4,198,168	(90,206)	8,971,609
Financial guarantees	-	-	-	-	-	53,458	-	53,458
Contingent liabilities	982	-	72,574	7,830	-	143,247	-	224,633
Commitments	179,384	-	209,547	11,104	-	168,341	-	568,376
Total Off-Balance Sheet	180,366	-	282,121	18,934	-	365,046	-	846,467
Total On and Off-Balance Sheet	899,529	642,360	2,138,990	632,823	1,031,366	4,563,214	(90,206)	9,818,076

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A24 FINANCIAL RISK MANAGEMENT (Cont'd.)

(a) CREDIT RISK (Cont'd.)

(ii) 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		Stage 1 & 2 Impairment
30 Jun 2019	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
Bank								
Cash and short-term funds	-	177,784	-	-	-	-	(4,587)	173,198
Deposits and placements with banks and other financial institutions	-	5,254	-	-	-	-	-	5,254
Securities FVOCI	-	627,526	781,743	481,957	751,332	634,909	-	3,277,467
Financing, advances and other receivables	764,208	106,689	836,461	128,057	-	3,508,292	(92,914)	5,250,792
Other assets	-	-	-	-	-	135,997	-	135,997
Statutory deposits with BNM	-	220,337	-	-	-	-	-	220,337
Hedging financial instruments	-	-	-	3,230	-	-	-	3,230
Total On-Balance Sheet	764,208	1,137,590	1,618,204	613,244	751,332	4,279,198	(97,500)	9,066,275
Financial guarantees	51,560	-	600	-	-	120	-	52,280
Contingent liabilities	19,317	-	34,016	2,830	-	87,382	-	143,546
Commitments	91,526	-	364,313	42,168	-	132,581	-	630,588
Total Off-Balance Sheet	162,403	-	398,930	44,998	-	220,083	-	826,414
Total On and Off-Balance Sheet	926,610	1,137,590	2,017,134	658,242	751,332	4,499,281	(97,500)	9,892,689

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A24 FINANCIAL RISK MANAGEMENT (Cont'd.)

(a) CREDIT RISK (Cont'd.)

(ii) 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 2018							
Bank							
Cash and short-term funds	-	136,151	-	-	-	-	(812)
Deposits and placements with banks and other financial institutions	-	5,755	-	-	-	-	5,755
Securities FVOCI	-	288,654	780,835	460,769	1,019,115	327,618	-
Financing, advances and other receivables	719,163	-	1,076,034	149,340	-	3,737,128	(89,394)
Other assets	-	-	-	-	-	133,302	-
Statutory deposits with BNM	-	211,800	-	-	-	-	-
Hedging financial instruments	-	3,780	-	-	-	-	-
Total On-Balance Sheet	719,163	646,140	1,856,869	610,109	1,019,115	4,198,048	(90,206)
Financial guarantees	-	-	-	-	-	53,458	-
Contingent liabilities	982	-	72,574	7,830	-	143,247	-
Commitments	179,384	-	209,547	11,104	-	168,341	-
Total Off-Balance Sheet	180,366	-	282,121	18,934	-	365,046	-
Total On and Off-Balance Sheet	899,529	646,140	2,138,990	629,043	1,019,115	4,563,094	(90,206)

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A24 FINANCIAL RISK MANAGEMENT (Cont'd.)

(a) CREDIT RISK (Cont'd.)

(ii) 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	Stage 1 & 2 Impairment	Total gross maximum exposure
	Less than 6 months	6 months to 1 year	1 year to 5 years	More than 5 years			
30 Jun 2019	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Group							
Cash and short-term funds	177,784	-	-	-	-	(4,587)	173,198
Deposits and placements with banks and other financial institutions	5,254	-	-	-	-	-	5,254
Securities FVOCI	35,409	74,919	1,334,848	1,844,676	-	-	3,289,852
Financing, advances and other receivables	1,934,068	12,516	425,493	2,971,629	-	(92,914)	5,250,792
Other assets	-	-	-	-	136,208	-	136,208
Statutory deposits with BNM	-	-	-	-	220,337	-	220,337
Hedging financial instruments	-	-	-	3,230	-	-	3,230
Total On-Balance Sheet	2,152,515	87,435	1,760,341	4,819,535	356,545	(97,500)	9,078,871
Financial guarantees	120	890	51,270	-	-	-	52,280
Contingent liabilities	81,385	24,583	20,163	17,415	-	-	143,546
Commitments	504,091	8,915	89,051	28,531	-	-	630,588
Total Off-Balance Sheet	585,595	34,388	160,484	45,946	-	-	826,414
Total On and Off-Balance Sheet	2,738,110	121,823	1,920,825	4,865,481	356,545	(97,500)	9,905,285

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A24 FINANCIAL RISK MANAGEMENT (Cont'd.)

(a) CREDIT RISK (Cont'd.)

(ii) 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	Stage 1 & 2 Impairment	Total gross maximum exposure
	Less than 6 months	6 months to 1 year	1 year to 5 years	More than 5 years			
31 Dec 2018 Group	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cash and short-term funds	136,151	-	-	-	-	(812)	135,339
Deposits and placements with banks and other financial institutions	5,755	-	-	-	-	-	5,755
Securities FVOCI	-	35,368	1,296,116	1,557,754	-	-	2,889,238
Financing, advances and other receivables	2,220,203	18,944	437,998	3,004,520	-	(89,394)	5,592,272
Other assets	-	-	-	-	133,425	-	133,425
Statutory deposits with BNM	-	-	-	-	211,800	-	211,800
Hedging financial instruments	-	-	3,780	-	-	-	3,780
Total On-Balance Sheet	2,362,109	54,312	1,737,894	4,562,274	345,225	(90,206)	8,971,609
Financial guarantees	900	20	600	51,338	600	-	53,458
Contingent liabilities	89,179	51,931	59,836	17,415	6,272	-	224,633
Commitments	348,451	101,333	29,728	57,344	31,520	-	568,376
Total Off-Balance Sheet	438,530	153,284	90,164	126,097	38,392	-	846,467
Total On and Off-Balance Sheet	2,800,639	207,596	1,828,058	4,688,371	383,617	(90,206)	9,818,076

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A24 FINANCIAL RISK MANAGEMENT (Cont'd.)

(a) CREDIT RISK (Cont'd.)

(ii) 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	Stage 1 & 2 Impairment	Total gross maximum exposure
	Less than 6 months	6 months to 1 year	1 year to 5 years	More than 5 years			
30 Jun 2019	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Bank							
Cash and short-term funds	177,784	-	-	-	-	(4,587)	173,198
Deposits and placements with banks and other financial institutions	5,254	-	-	-	-	-	5,254
Securities FVOCI	35,409	62,534	1,334,848	1,844,676	-	-	3,277,467
Financing, advances and other receivables	1,934,068	12,516	425,493	2,971,629	-	(92,914)	5,250,792
Other assets	-	-	-	-	135,997	-	135,997
Statutory deposits with BNM	-	-	-	-	220,337	-	220,337
Hedging financial instruments	-	-	-	3,230	-	-	3,230
Total On-Balance Sheet	2,152,515	75,050	1,760,341	4,819,535	356,334	(97,500)	9,066,275
Financial guarantees	120	890	51,270	-	-	-	52,280
Contingent liabilities	81,385	24,583	20,163	17,415	-	-	143,546
Commitments	504,091	8,915	89,051	28,531	-	-	630,588
Total Off-Balance Sheet	585,595	34,388	160,484	45,946	-	-	826,414
Total On and Off-Balance Sheet	2,738,110	109,438	1,920,825	4,865,481	356,334	(97,500)	9,892,689

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A24 FINANCIAL RISK MANAGEMENT (Cont'd.)

(a) CREDIT RISK (Cont'd.)

(ii) 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	Stage 1 & 2 Impairment	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 2018							
Bank							
Cash and short-term funds	136,151	-	-	-	-	(812)	135,339
Deposits and placements with banks and other financial institutions	5,755	-	-	-	-	-	5,755
Securities FVOCI	-	35,367	1,283,870	1,557,754	-	-	2,876,991
Financing, advances and other receivables	2,220,203	18,944	437,998	3,004,520	-	(89,394)	5,592,272
Other assets	-	-	-	-	133,302	-	133,302
Statutory deposits with BNM	-	-	-	-	211,800	-	211,800
Hedging financial instruments	-	-	3,780	-	-	-	3,780
Total On-Balance Sheet	2,362,109	54,311	1,725,648	4,562,274	345,102	(90,206)	8,959,239
Financial guarantees	900	20	600	51,338	600	-	53,458
Contingent liabilities	89,179	51,931	59,836	17,415	6,272	-	224,633
Commitments	348,451	101,333	29,728	57,344	31,520	-	568,376
Total Off-Balance Sheet	438,530	153,284	90,164	126,097	38,392	-	846,467
Total On and Off-Balance Sheet	2,800,639	207,595	1,815,812	4,688,371	383,494	(90,206)	9,805,706

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A24 FINANCIAL RISK MANAGEMENT (Cont'd.)

(a) CREDIT RISK (Cont'd.)

(iii) Credit quality analysis

The following table sets out information about the credit quality of financial assets measured at amortised cost and FVOCI debt investments. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts. For loan commitments and financial guarantee contracts, the amounts in the table represent the amounts committed or guaranteed, respectively.

Bank	30-Jun-19			31-Dec-18	
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
Cash & Bank Balances (Less 1 month)				177,784	136,151
High Grade	316,267	-	-	316,267	136,151
Standard Grade	(138,483)	-	-	(138,483)	-
Past due or impaired	-	-	-	-	-
Loss allowance	4,587	-	-	4,587	812
Carrying amount	173,198	-	-	173,198	135,339
Deposit and placement with banks (More 1 month)				5,254	5,755
High Grade	5,254	-	-	5,254	5,755
Standard Grade	-	-	-	-	-
Past due or impaired	-	-	-	-	-
Loss allowance	-	-	-	-	-
Carrying amount	5,254	-	-	5,254	5,755

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A24 FINANCIAL RISK MANAGEMENT (Cont'd.)

(a) CREDIT RISK (Cont'd.)

(iii) Credit quality analysis (Cont'd.)

Group	30-Jun-19			31-Dec-18	
	12-month ECL RM'000	Lifetime ECL not credit-impaired RM'000	Lifetime ECL credit-impaired RM'000	Total RM'000	Total RM'000
Cash & Central Bank Balances (Less 1 month)				177,784	136,151
High Grade	316,267	-	-	316,267	136,151
Standard Grade	(138,483)	-	-	(138,483)	-
Past due or impaired	-	-	-	-	-
Loss allowance	4,587	-	-	4,587	812
Carrying amount	173,198	-	-	173,198	135,339
Deposit and placement with banks (More 1 month)				5,254	5,755
High Grade	5,254	-	-	5,254	5,755
Standard Grade	-	-	-	-	-
Past due or impaired	-	-	-	-	-
Loss allowance	-	-	-	-	-
Carrying amount	5,254	-	-	5,254	5,755

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A24 FINANCIAL RISK MANAGEMENT (Cont'd.)

(a) CREDIT RISK (Cont'd.)

(iii) Credit quality analysis (Cont'd.)

Bank	30-Jun-19				31-Dec-18
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
Investment sukuks - FVOCI				3,277,467	2,876,991
High Grade	3,277,467	-	-	3,277,467	2,876,991
Standard Grade	-	-	-	-	-
Past due or impaired	-	-	-	-	-
Loss allowance	21,900	-	-	21,900	19,500
Carrying amount	3,255,567	-	-	3,255,567	2,857,491
Group	30-Jun-19				31-Dec-18
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
Investment sukuks - FVOCI				3,289,852	2,889,238
High Grade	3,289,852	-	-	3,289,852	2,889,238
Standard Grade	-	-	-	-	-
Past due or impaired	-	-	-	-	-
Loss allowance	21,905	-	-	21,905	19,505
Carrying amount	3,267,946	-	-	3,267,946	2,869,733

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A24 FINANCIAL RISK MANAGEMENT (Cont'd.)

(a) CREDIT RISK (Cont'd.)

(iii) Credit quality analysis (Cont'd.)

Bank & Group	30-Jun-19			31-Dec-18	
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
Corporate Financing				2,361,793	2,719,788
High Grade	939,325	-	-	939,325	1,259,464
Standard Grade	1,124,533	-	-	1,124,533	1,172,504
Past due or impaired	-	53,419	244,516	297,935	287,820
Loss allowance	50,253	6,063	118,892	175,208	198,869
Carrying amount	2,013,605	47,356	125,624	2,186,585	2,520,919
Retail Financing				3,116,285	3,107,003
High Grade	2,973,430	-	-	2,973,430	2,991,172
Standard Grade	-	-	-	-	-
Past due or impaired	-	112,197	30,658	142,855	115,831
Loss allowance	25,168	8,068	15,480	48,716	32,908
Carrying amount	2,948,263	104,129	15,178	3,067,569	3,074,095

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A24 FINANCIAL RISK MANAGEMENT (Cont'd.)

(a) CREDIT RISK (Cont'd.)

(iii) Credit quality analysis (Cont'd.)

Group & Bank	30-Jun-19			31-Dec-18	
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
Undrawn Commitments (Retail)				32,048	41,696
High Grade	31,151	-	-	31,151	40,702
Standard Grade	-	-	-	-	-
Past due or impaired	-	897	-	897	994
Loss allowance	-	-	-	-	-
Carrying amount	31,151	897	-	32,048	41,696
Undrawn Commitments (Corporate)				598,540	526,679
High Grade	403,112	-	-	403,112	222,576
Standard Grade	194,987	-	-	194,987	281,728
Past due or impaired	-	441	-	441	22,376
Loss allowance	1,315	-	-	1,315	765
Carrying amount	596,784	441	-	597,226	525,915
Trade Facilities (Financial Guarantee & Letter of Credit)				195,826	278,091
High Grade	193,803	-	-	193,803	202,501
Standard Grade	2,022	-	-	2,022	75,190
Past due or impaired	-	-	-	-	400
Loss allowance	2,048	-	-	2,048	1,977
Carrying amount	193,778	-	-	193,778	276,114

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A24 FINANCIAL RISK MANAGEMENT (Cont'd.)

(a) CREDIT RISK (Cont'd.)

(iii) Credit quality analysis (Cont'd.)

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 Rated	Performing unrated	Past due but not impaired	Restructured & rescheduled	Impaired	Total
30 Jun 2019 Group	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cash and short-term funds	177,784	-	-	-	-	177,784
Deposits and placements with banks and other financial institutions	5,254	-	-	-	-	5,254
Securities FVOCI	3,289,852	-	-	-	-	3,289,852
Financing, advances and other receivables	2,059,461	2,683,266	449,858	10,319	275,174	5,478,078
Other assets	136,208	-	-	-	-	136,208
Statutory deposits with BNM	220,337	-	-	-	-	220,337
Hedging financial instruments	3,230	-	-	-	-	3,230
Total On-Balance Sheet	5,892,126	2,683,266	449,858	10,319	275,174	9,310,743
Financial guarantees	52,280	-	-	-	-	52,280
Contingent liabilities	143,546	-	-	-	-	143,546
Commitments	630,588	-	-	-	-	630,588
Total Off-Balance Sheet	826,414	-	-	-	-	826,414
Total On and Off-Balance Sheet	6,718,540	2,683,266	449,858	10,319	275,174	10,137,157

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A24 FINANCIAL RISK MANAGEMENT (Cont'd.)

(a) CREDIT RISK (Cont'd.)

iii) Credit quality analysis (Cont'd.)

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 2018 Group	Performing Rated	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	136,151	-	-	-	-	136,151
Deposits and placements with banks and other financial institutions	5,755	-	-	-	-	5,755
Securities FVOCI	2,889,238	-	-	-	-	2,889,238
Financing, advances and other receivables	2,399,525	2,690,356	464,329	5,293	267,288	5,826,791
Other assets	133,425	-	-	-	-	133,425
Statutory deposits with BNM	211,800	-	-	-	-	211,800
Hedging financial instruments	3,780	-	-	-	-	3,780
Total On-Balance Sheet	5,779,674	2,690,356	464,329	5,293	267,288	9,206,940
Financial guarantees	53,458	-	-	-	-	53,458
Contingent liabilities	224,633	-	-	-	-	224,633
Commitments	568,376	-	-	-	-	568,376
Total Off-Balance Sheet	846,467	-	-	-	-	846,467
Total On and Off-Balance Sheet	6,626,141	2,690,356	464,329	5,293	267,288	10,053,407

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A24 FINANCIAL RISK MANAGEMENT (Cont'd.)

(a) CREDIT RISK (Cont'd.)

(iii) Credit quality analysis (Cont'd.)

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 Rated	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 2019						
Bank						
Cash and short-term funds	177,784	-	-	-	-	177,784
Deposits and placements with banks and other financial institutions	5,254	-	-	-	-	5,254
Securities FVOCI	3,277,467	-	-	-	-	3,277,467
Financing, advances and other receivables	2,059,461	2,683,266	449,858	10,319	275,174	5,478,078
Other assets	135,997	-	-	-	-	135,997
Statutory deposits with BNM	220,337	-	-	-	-	220,337
Hedging financial instruments	3,230	-	-	-	-	3,230
Total On-Balance Sheet	5,879,530	2,683,266	449,858	10,319	275,174	9,298,148
Financial guarantees	52,280	-	-	-	-	52,280
Contingent liabilities	143,546	-	-	-	-	143,546
Commitments	630,588	-	-	-	-	630,588
Total Off-Balance Sheet	826,414	-	-	-	-	826,414
Total On and Off-Balance Sheet	6,705,944	2,683,266	449,858	10,319	275,174	10,124,562

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A24 FINANCIAL RISK MANAGEMENT (Cont'd.)

(a) CREDIT RISK (Cont'd.)

(iii) Credit quality analysis (Cont'd.)

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 Rated	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 2018						
Bank						
Cash and short-term funds	136,151	-	-	-	-	136,151
Deposits and placements with banks and other financial institutions	5,755	-	-	-	-	5,755
Securities FVOCI	2,876,991	-	-	-	-	2,876,991
Financing, advances and other receivables	2,399,525	2,690,356	464,329	5,293	267,288	5,826,791
Other assets	133,302	-	-	-	-	133,302
Statutory deposits with BNM	211,800	-	-	-	-	211,800
Hedging financial instruments	3,780	-	-	-	-	3,780
Total On-Balance Sheet	5,767,304	2,690,356	464,329	5,293	267,288	9,194,570
Financial guarantees	53,458	-	-	-	-	53,458
Contingent liabilities	224,633	-	-	-	-	224,633
Commitments	568,376	-	-	-	-	568,376
Total Off-Balance Sheet	846,467	-	-	-	-	846,467
Total On and Off-Balance Sheet	6,613,771	2,690,356	464,329	5,293	267,288	10,041,037

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A24 FINANCIAL RISK MANAGEMENT (Cont'd.)

(a) CREDIT RISK (Cont'd.)

(iv) 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 2019 RM'000
Corporate & Commercial	
Excellent	-
Very Strong	-
Strong	454,943
Good	534,920
Satisfactory	583,883
Weak	299,851
Special Mention	237,117
Impaired	140,802
Unrated *	3,092,190
	5,343,706
Less: Collective assessment	(92,914)
Total Corporate, Commercial and Retail	5,250,793

Group and Bank	31 Dec 2018 RM'000
Corporate & Commercial	
Excellent	-
Very Strong	151
Strong	422,529
Good	958,797
Satisfactory	305,868
Weak	440,479
Special Mention	328,165
Impaired	122,154
Unrated *	3,103,522
	5,681,665
Less: Collective assessment	(89,394)
Total Corporate, Commercial and Retail	5,592,272

* Unrated segment includes retail credit exposures, which includes impaired retail credit exposures

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A24 FINANCIAL RISK MANAGEMENT (Cont'd.)

(a) CREDIT RISK (Cont'd.)

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

30 Jun 2019

Securities

Moodys	Aaa to Aa3	A1 to A3	Baa1 to Ba3	B+ to C			
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			
MARC	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated	Government - guaranteed	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Group Securities FVOCI	585,940	471,714	-	-	-	2,232,198	3,289,852
Bank Securities FVOCI	573,555	471,714	-	-	-	2,232,198	3,277,467

31 Dec 2018

Securities

Moodys	Aaa to Aa3	A1 to A3	Baa1 to Ba3	B+ to C			
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			
MARC	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated	Government - guaranteed	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Group Securities FVOCI	497,266	555,171	-	-	-	1,836,801	2,889,238
Bank Securities FVOCI	485,019	555,171	-	-	-	1,836,801	2,876,991

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A24 FINANCIAL RISK MANAGEMENT (Cont'd.)

(a) CREDIT RISK (Cont'd.)

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

	Less than 30 days	31 to 60 days	61 to 90 days	Total
	RM'000	RM'000	RM'000	RM'000
30 Jun 2019				
Group and Bank				
Financing and advances to customers				
Corporate financing	51,253	-	0	51,253
Retail & Consumer financing	291,577	77,097	29,932	398,605
	342,830	77,097	29,932	449,858

	Less than 30 days	31 to 60 days	61 to 90 days	Total
	RM'000	RM'000	RM'000	RM'000
31 Dec 2018				
Group and Bank				
Financing and advances to customers				
Corporate financing	56,407	-	50	56,457
Retail & Consumer financing	314,802	63,634	29,437	407,873
	371,208	63,634	29,487	464,329

Impaired and past due financing by geographical regions

	Impaired	Past due but not impaired	Stage 3 impairment	Stage 1 & 2 impairment	Write-off
	RM'000	RM'000	RM'000	RM'000	RM'000
30 Jun 2019					
Group and Bank					
Malaysia	275,035	447,058	134,358		7,034
Middle East	-	1,950	-		-
Others	140	850	14		-
Total	275,174	449,858	134,372	92,914	7,034

	Impaired	Past due but not impaired	Stage 3 impairment	Stage 1 & 2 impairment	Write-off
	RM'000	RM'000	RM'000	RM'000	RM'000
31 Dec 2018					
Group and Bank					
Malaysia	267,150	463,655	145,125	89,394	81,774
Others	138	674	-	-	-
Total	267,288	464,329	145,125	89,394	81,774

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A24 FINANCIAL RISK MANAGEMENT (Cont'd.)

(a) CREDIT RISK (Cont'd.)

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

Impaired and past due financing by industry sector

30 Jun 2019 Group and Bank	Impaired RM'000	Past due but not impaired RM'000	Stage 3 impairment RM'000	Stage 1 & 2 impairment RM'000	Write-off RM'000
Trading and manufacturing	100,946	-	59,855		4,313
Finance, insurance & business services	-	25,393	0		2,714
Construction and real estate	137,394	791	59,037		-
Transportation, storage and communication	-	-	0		-
Others	36,834	423,673	15,480		6
Total	275,174	449,858	134,372	92,914	7,034

31 Dec 2018 Group and Bank	Impaired RM'000	Past due but not impaired RM'000	Stage 3 impairment RM'000	Stage 1 & 2 impairment RM'000	Write-off RM'000
Trading and manufacturing	125,767	17,917	78,139		2,901
Finance, insurance & business services	2,892	-	2,892		-
Construction and real estate	111,832	39,170	59,098		8,800
Others	26,797	407,242	4,996		70,073
Total	267,288	464,329	145,125	89,394	81,774

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A24 FINANCIAL RISK MANAGEMENT (Cont'd.)

(a) CREDIT RISK (Cont'd.)

(vi) Amounts arising from ECL

The loss allowance recognised in the period is impacted by a variety of factors, as described below:

- Transfers between Stage 1 and Stages 2 or 3 due to financial instruments experiencing significant increases (or decreases) of credit risk or becoming credit-impaired in the period, and the consequent “step up” (or “step down”) between 12-month and Lifetime ECL;
- Additional allowances for new financial instruments recognised during the period, as well as releases for financial instruments de-recognised in the period;
- Impact on the measurement of ECL due to changes in PDs, EADs and LGDs in the period, arising from regular refreshing of inputs to models;
- Impacts on the measurement of ECL due to changes made to models and assumptions;
- Discount unwind within ECL due to the passage of time, as ECL is measured on a present value basis;
- Foreign exchange retranslations for assets denominated in foreign currencies and other movements; and
- Financial assets derecognised during the period and write-offs of allowances related to assets that were written off during the period.

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A24 FINANCIAL RISK MANAGEMENT (Cont'd.)

(a) CREDIT RISK (Cont'd.)

(vi) Amounts arising from ECL (Cont'd.)

The following tables explain the changes in the loss allowance between the beginning and the end of the reporting period due to these factors:

Non- Retail	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	
	RM'000	RM'000	RM'000	
Loss allowance as at 1 January 2019	72,505	9,294	140,129	221,928
New financial assets originated or purchased	60,983	6,063	118,892	185,938
Financial assets derecognised during the period	(53,675)	(9,294)	(133,106)	(196,076)
Changes in PDs/LGDs/EADs	294	-	(0)	294
Write-offs	-	-	(7,028)	(7,028)
Loss allowance as at 30 June 2019	80,106	6,063	118,888	205,056

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A24 FINANCIAL RISK MANAGEMENT (Cont'd.)

(a) CREDIT RISK (Cont'd.)

(vi) Amounts arising from ECL (Cont'd.)

The following tables explain the changes in the loss allowance between the beginning and the end of the annual period due to these factors: (Cont'd)

Retail	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	
	RM'000	RM'000	RM'000	
Loss allowance as at 1 January 2019	21,384	6,527	4,997	32,908
Movements with income statement impact				
Transfers:				
Transfer to Stage 1	1,635	(1,222)	(413)	-
Transfer to Stage 2	(514)	557	(42)	-
Transfer to Stage 3	(88)	(343)	431	-
New financial assets originated or purchased	3,598	39	-	3,637
Financial assets derecognised during the period	(623)	(158)	(37)	(817)
Changes in PDs/LGDs/EADs	(225)	2,668	10,551	12,994
Write-offs	-	-	(6)	(6)
Loss allowance as at 30 June 2019	25,168	8,068	15,479	48,716

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A24 FINANCIAL RISK MANAGEMENT (Cont'd.)

(a) CREDIT RISK (Cont'd.)

(vi) Amounts arising from ECL (Cont'd.)

The following table further explains changes in the gross carrying amount of the mortgage portfolio to help explain their significance to the changes in the loss allowance for the same portfolio as discussed above:

Non - retail	Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit-impaired	Stage 3 Lifetime ECL credit-impaired	Total
	RM000	RM000	RM000	RM000
Gross caring amount as at 1 January 2019	6,264,612	64,051	246,545	6,575,208
Transfers:				
New financial assets originated or purchased	3,588,750	53,860	244,516	3,887,127
Financial assets derecognised during the period other than write- offs	(3,191,617)	(64,050)	(239,518)	(3,495,185)
Changes in Carrying Amount	(311,567)	-	-	(311,567)
Write-offs	-	-	(7,028)	(7,028)
Gross carrying amount as at 30 June 2019	6,350,178	53,861	244,516	6,648,555

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A24 FINANCIAL RISK MANAGEMENT (Cont'd.)

(a) CREDIT RISK (Cont'd.)

(vi) Amounts arising from ECL (Cont'd.)

The following table further explains changes in the gross carrying amount of the mortgage portfolio to help explain their significance to the changes in the loss allowance for the same portfolio as discussed above: (Cont'd.)

Retail	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	
	RM000	RM000	RM000	RM000
Gross caring amount as at 1 January 2019	2,991,172	95,088	20,743	3,107,003
Transfers:				
Transfer to Stage 1	25,830	(24,399)	(1,431)	-
Transfer to Stage 2	(54,341)	54,912	(571)	0
Transfer to Stage 3	(5,719)	(8,214)	13,933	-
New financial assets originated or purchased	173,756	770	253	174,779
Financial assets derecognised during the period other than write- offs	(65,261)	(3,271)	(1,970)	(70,501)
Changes in Carrying Amount	(92,006)	(2,690)	(293)	(94,989)
Write-offs	-	-	(6)	(6)
Gross carrying amount as at 30 June 2019	2,973,431	112,197	30,659	3,116,286

Write-off policy

The Bank writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include (i) ceasing enforcement activity and (ii) where the Bank's recovery method is foreclosing on collateral and the value of the collateral is such that there is no reasonable expectation of recovering in full.

The Bank may write-off financial assets that are still subject to enforcement activity. The outstanding contractual amounts of such assets written off during the year ended 30 Jun 2019 was RM7,034,081 (Dec 2018 : RM81,774,296). The Bank still seeks to recover amounts it is legally owed in full, but which have been partially written off due to no reasonable expectation of full recovery.

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A24 FINANCIAL RISK MANAGEMENT (Cont'd.)

(a) CREDIT RISK (Cont'd.)

(vi) Amounts arising from ECL (Cont'd.)

Modified financial assets

There were no financial assets that were modified while they had a loss allowance measured at an amount equal to lifetime ECL on 2019 and 2018.

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

Collateral held and other credit enhancements

The Bank employs a range of policies and practices to mitigate credit risk. The most common of these is accepting collateral for funds advanced. The Bank has internal policies on the acceptability of specific classes of collateral or credit risk mitigation.

The Bank prepares a valuation of the collateral obtained as part of the loan origination process. This assessment is reviewed periodically. The principal collateral types for loans and advances are:

- Margin agreement for derivatives, for which the Bank has also entered into master netting agreements;
- Charges over business assets such as premises, inventory and accounts receivable; and
- Charges over financial instruments such as debt securities and equities.

Longer-term finance and lending to corporate entities are generally secured; revolving individual credit facilities are generally unsecured.

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A24 FINANCIAL RISK MANAGEMENT (Cont'd.)

(a) CREDIT RISK (Cont'd.)

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

Collateral held and other credit enhancements

Collateral held as security for financial assets other than loans and advances depends on the nature of the instrument. Debt securities, treasury and other eligible bills are generally unsecured, with the exception of asset-backed securities and similar instruments, which are secured by portfolios of financial instruments. Derivatives are also collateralised.

The Bank's policies regarding obtaining collateral have not significantly changed during the reporting period and there has been no significant change in the overall quality of the collateral held by the Bank since the prior period.

The Bank closely monitors collateral held for financial assets considered to be credit-impaired, as it becomes more likely that the Bank will take possession of collateral to mitigate potential credit losses. The Bank holds collateral and other credit risk enhancements against certain of its credit exposures. The following table sets out the principal types of collateral held against different types of financial assets.

Loans and advances/Islamic financing to customers <i>RM'000</i>	Percentage of exposure that is subject to collateral requirements		
	30-Jun-19	31-Dec-18	Principle type of collateral
Financing receivables	5,250,792	5,592,272	
Corporate	61.81%	62.89%	Real Estate, Securities, Cash & Sovereign Guarantees
Retail	36.81%	35.64%	Real Estate & Cash

The following table shows the distribution of Loan-to-Value("LTV") ratios for the Bank's mortgage credit-impaired portfolio:

Mortgage portfolio – LTV distribution	Credit-impaired (Gross carrying amount)	
	30-Jun-19	31-Dec-18
LTV ratio		
Less than 50%	-	-
51–70%	1,886,702	1,858,669
71–90%	7,774,776	6,821,158
91–100%	8,978,001	8,938,925
More than 100%	-	-
Total	18,639,478	17,618,752

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A24 FINANCIAL RISK MANAGEMENT (Cont'd.)

(a) CREDIT RISK (Cont'd.)

(vii) Carrying amount by class of financial assets whose terms have been renegotiated (Cont'd.)

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

The financial effect of collateral (quantification of the extent to which collateral and other enhancements mitigate credit risk) held for financing, advances and other receivables for the Bank is at 66.1% as at 30 June 2019 (31 Dec 2018: 65.3%). 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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A24 FINANCIAL RISK MANAGEMENT (Cont'd.)

(b) LIQUIDITY RISK

Liquidity risk is defined as the exposure to loss as a result of the inability to meet cash flow obligations in a timely and cost-effective manner. It arises when the Bank does not have sufficient maturing assets to cover maturing liabilities that are not rolled-over. The Bank has adopted the BNM's liquidity standard on Liquidity Coverage Ratio, to ensure maintenance of adequate stock of unencumbered high quality liquid assets to survive the liquidity needs for 30 calendar days under liquidity stress condition. The Bank continues to report Net Stable Funding as part of BNM requirements under Observation Period. Ratio under the Basel III observation reporting to BNM.

The Bank also uses a range of tools to monitor and control liquidity risk exposure such as liquidity gap, early warning signals, liquidity indicators and stress testing. The liquidity positions of the Group are monitored regularly against the established policies, procedures and limits.

Contractual maturity of total assets and liabilities

The tables below provide analysis of assets and liabilities into relevant maturity tenures based on remaining contractual maturities as at 30 June 2019 and 31 December 2018. The disclosure is made in accordance with the requirement of Financial Reporting for Islamic Banking Institutions.

Group	Up to	>6 - 12	>1 - 5	Over 5	Not on demand	Total
30 Jun 2019	6 months	months	years	years	& no maturity	date
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
ASSETS						
Cash and short-term funds	56,304	-	-	-	116,894	173,198
Deposits and placements with banks and other financial institutions	5,254	-	-	-	-	5,254
Securities - FVTPL	-	-	-	-	415	415
Securities - FVOCI	35,409	74,919	1,334,848	1,844,676	-	3,289,852
Financing, advances and receivables	1,886,511	7,024	671,020	2,686,238	-	5,250,792
Musarakah capital investment	-	-	-	-	18	18
Other assets	-	-	-	-	742,193	742,193
Hedging Financial Instrument Assets	2,775	455	-	-	-	3,230
Total Assets	1,986,253	82,397	2,005,868	4,530,914	859,520	9,464,952

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A24 FINANCIAL RISK MANAGEMENT (Cont'd.)

(b) LIQUIDITY RISK (Cont'd.)

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

Group	Up to 6 months	>6 - 12 months	>1 - 5 years	Over 5 years	Not on demand & no maturity date	Total
30 Jun 2019	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
LIABILITIES AND SHAREHOLDER'S EQUITY						
Deposits from customers	3,848,064	280,609	189,608	-	637,213	4,955,494
Deposits and placements of banks and other financial institutions	2,433,874	96,907	-	-	-	2,530,782
Hedging Financial Instrument Assets	3,758	92	-	-	-	3,850
Other liabilities	-	-	-	-	186,777	186,777
Total Liabilities	6,285,697	377,608	189,608	-	823,990	7,676,902
Shareholder's equity	-	-	-	-	1,788,050	1,788,050
Total Liabilities and Shareholder's equity	6,285,697	377,608	189,608	-	2,612,040	9,464,952
OFF-BALANCE SHEET LIABILITIES						
Commitments & contingencies	585,595	34,388	160,484	45,946	-	826,414
Net maturity mismatch	(4,885,039)	(329,599)	1,655,776	4,484,968	(1,752,520)	(826,414)

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A24 FINANCIAL RISK MANAGEMENT (Cont'd.)

(b) LIQUIDITY RISK (Cont'd.)

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

Group	Up to 6 months	>6 - 12 months	>1 - 5 years	Over 5 years	Not on demand & no maturity date	Total
31 Dec 2018	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
ASSETS						
Cash and short-term funds	15,184	-	-	-	120,155	135,339
Deposits and placements with banks and other financial institutions	5,755	-	-	-	-	5,755
Securities FVTPL	-	-	-	-	1,059	1,059
Securities FVOCI	-	35,367	1,296,117	1,557,754	-	2,889,238
Financing, advances and receivables	1,898,009	10,187	729,078	2,954,998	-	5,592,272
Musyarakah capital investment	-	-	-	-	18	18
Other assets	-	-	181,806	-	485,532	667,338
Hedging Financial Instrument Assets	3,655	125	-	-	-	3,780
Total Assets	1,922,603	45,679	2,207,001	4,512,752	606,764	9,294,799
LIABILITIES AND SHAREHOLDER'S EQUITY						
Deposits from customers	3,118,100	656,257	190,497	-	614,145	4,578,999
Deposits and placements of banks and other financial institutions	2,691,725	215,016	-	-	5,755	2,912,496
Hedging Financial Instrument Assets	4,201	305	-	-	-	4,506
Other liabilities	-	-	-	-	101,247	101,247
Total Liabilities	5,814,026	871,578	190,497	-	721,147	7,597,248
Shareholder's equity	-	-	-	-	1,697,551	1,697,551
Total Liabilities and Shareholder's equity	5,814,026	871,578	190,497	-	2,418,698	9,294,799
OFF-BALANCE SHEET LIABILITIES						
Commitments & contingencies	438,529	153,284	90,164	126,097	38,463	846,538
Net maturity mismatch	(4,329,952)	(979,183)	1,926,340	4,386,655	(1,850,397)	(846,538)

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A24 FINANCIAL RISK MANAGEMENT (Cont'd.)

(b) LIQUIDITY RISK (Cont'd.)

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

Bank 30 Jun 2019	Up to 6 months RM'000	>6 - 12 months RM'000	>1 - 5 years RM'000	Over 5 years RM'000	Not on demand & no maturity date RM'000	Total RM'000
ASSETS						
Cash and short-term funds	56,304	-	-	-	116,894	173,198
Deposits and placements with banks and other financial institutions	5,254	-	-	-	-	5,254
Securities - FVTPL	-	-	-	-	415	415
Securities - FVOCI	35,409	62,534	1,334,848	1,844,676	(0)	3,277,467
Financing, advances and receivables	1,886,511	7,024	671,020	2,686,238	-	5,250,792
Musarakah capital investment	-	-	-	-	18	18
Hedging Financial Instrument Assets	2,775	455	-	-	-	3,230
Other assets	-	-	-	-	751,857	751,857
Total Assets	1,986,253	70,012	2,005,868	4,530,914	869,184	9,462,231
LIABILITIES AND SHAREHOLDER'S EQUITY						
Deposits from customers	3,650,510	280,596	189,608	-	570,258	4,690,971
Deposits and placements of banks and other financial institutions	2,726,190	96,907	-	-	5,254	2,828,352
Hedging Financial Instrument Assets	3,758	92	-	-	-	3,850
Other liabilities	-	-	-	-	181,151	181,151
Total Liabilities	6,380,458	377,595	189,608	-	756,663	7,704,323
Shareholder's equity	-	-	-	-	1,757,908	1,757,908
Total Liabilities and Shareholder's equity	6,380,458	377,595	189,608	-	2,514,571	9,462,231
OFF-BALANCE SHEET LIABILITIES						
Commitments & contingencies	585,595	34,388	160,484	45,946	-	826,414
Net maturity mismatch	(4,979,801)	(341,971)	1,655,776	4,484,968	(1,645,387)	(826,414)

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A24 FINANCIAL RISK MANAGEMENT (Cont'd.)

(b) LIQUIDITY RISK (Cont'd.)

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

Bank 31 Dec 2018	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
ASSETS						
Cash and short-term funds	15,184	-	-	-	120,155	135,339
Deposits and placements with banks and other financial institutions	5,755	-	-	-	-	5,755
Securities FVTPL	-	-	-	-	1,059	1,059
Securities FVOCI	-	35,367	1,283,870	1,557,754	-	2,876,991
Financing, advances and receivables	1,898,261	10,187	728,826	2,954,998	-	5,592,272
Musarakah capital investment	-	-	-	-	18	18
Hedging Financial Instrument Assets	3,655	125	-	-	-	3,780
Other assets	-	-	181,806	-	495,191	676,997
Total Assets	1,922,855	45,679	2,194,502	4,512,752	616,423	9,292,211
LIABILITIES AND SHAREHOLDER'S EQUITY						
Deposits from customers	3,106,206	655,925	190,497	-	523,012	4,475,640
Deposits and placements of banks and other financial institutions	2,821,570	215,016	-	-	5,755	3,042,341
Hedging Financial Instrument Assets	4,201	305	-	-	-	4,506
Other liabilities	-	-	-	-	101,046	101,046
Total Liabilities	5,931,977	871,246	190,497	-	629,813	7,623,533
Shareholder's equity	-	-	-	-	1,668,678	1,668,678
Total Liabilities and Shareholder's equity	5,931,977	871,246	190,497	-	2,298,491	9,292,211
OFF-BALANCE SHEET LIABILITIES						
Commitments & contingencies	438,529	153,284	90,164	126,097	38,464	846,538
Net maturity mismatch	(4,447,651)	(978,851)	1,913,841	4,386,655	(1,720,532)	(846,538)

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A24 FINANCIAL RISK MANAGEMENT (Cont'd.)

(b) LIQUIDITY RISK (Cont'd.)

Contractual maturity of financial liabilities on an undiscounted basis

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

30 Jun 2019	Up to 6 months	> 6 -12 months	> 1 – 5 years	Over 5 years	Not on demand & no maturity	Total
Group	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Deposits from customers	3,908,391	287,233	208,156	-	637,213	5,040,993
Deposit and placements of banks and other financial institutions	2,476,460	99,462	-	-	-	2,575,921
Other liabilities	-	-	-	-	186,777	186,777
Total	6,384,850	386,695	208,156	-	823,990	7,803,691
Bank						
Deposits from customers	3,708,997	287,366	208,580	-	570,258	4,775,201
Deposit and placements of banks and other financial institutions	2,772,550	99,390	-	-	-	2,871,940
Other liabilities	-	-	-	-	181,151	181,151
Total	6,481,547	386,756	208,580	-	751,408	7,828,292

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A24 FINANCIAL RISK MANAGEMENT (Cont'd.)

(b) LIQUIDITY RISK (Cont'd.)

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

31 Dec 2018	Up to 6 months	> 6 -12 months	> 1 – 5 years	Over 5 years	Not on demand & no maturity	Total
Group	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Deposits from customers	3,168,267	672,158	209,642	-	614,145	4,664,212
Deposit and placements of banks and other financial institutions	2,740,897	220,935	-	-	5,755	2,967,587
Other liabilities	-	-	-	-	101,247	101,247
Total	5,909,164	893,093	209,642	-	721,147	7,733,046
Bank						
Deposits from customers	3,157,242	672,157	210,065	-	523,012	4,562,476
Deposit and placements of banks and other financial institutions	2,872,334	220,845	-	-	5,755	3,098,933
Other liabilities	-	-	-	-	101,046	101,046
Total	6,029,576	893,002	210,065	-	629,813	7,762,456

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A24 FINANCIAL RISK MANAGEMENT (Cont'd.)

(c) MARKET RISK

Market risk is the risk that movements in market variables, including rates of return, foreign exchange rates, credit spreads, commodity prices and equity prices, will reduce the earnings or capital of the Group.

i. Traded Market Risk

Traded Market Risk arising from financial instruments held either with trading intent or to hedge other elements of the Trading Book. Positions held with trading intent are those held intentionally for short-term resale and/or with the intent of benefiting from actual or expected short-term price movements or to lock in arbitrage profits. These positions attract market risk capital charge. For example, proprietary positions, positions arising from client servicing and market making.

ii. Non-Traded Market Risk

Rate of Return in the Banking Book

Rate of return risk in the banking book refers to the risk of the Bank's earnings and economic value of equity due to the adverse movements in benchmark rate. The risk may arise from the mismatches in the timing of repricing of assets and liabilities from both on and off-balance sheet positions in the banking book, changes in slope and shape of the yield curve, basis risk and optionality risk.

The following tables indicate the effective rate of return at the reporting date and the Group's and the Bank's sensitivity to the rate of return by time band based on the earlier of contractual repricing date and maturity date. Actual repricing dates may differ from contractual repricing dates due to prepayment of financing and advances.

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50 FINANCIAL RISK MANAGEMENT (Cont'd.)

(c) MARKET RISK (Cont'd.)

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

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

	Non-trading book					Trading book	Total	Effective profit rate	
	Up to 1 month	>1 - 3 months	>3 - 12 months	>1 - 5 years	Over 5 years				Non-profit sensitive
Group	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	%	
ASSETS									
Cash and short-term funds	56,304	-	-	-	-	116,894	-	173,198	3.13
Deposits and placements with banks and other financial institutions	5,254	-	-	-	-	-	-	5,254	
Securities FVTPL	-	-	-	-	-	415	-	415	
Securities FVOCI	-	25,346	84,981	1,334,848	1,844,676	-	-	3,289,852	4.32
Financing, advances and receivables	1,134,834	1,782,939	331,655	239,565	1,717,717	44,082	-	5,250,792	5.47
Musarakah capital investment	-	-	-	-	-	18	-	18	
Other assets	-	-	-	-	-	742,193	-	742,193	
Hedging Financial Instrument Assets	2,636	-	594	-	-	-	-	3,230	
TOTAL ASSETS	1,199,029	1,808,286	417,229	1,574,413	3,562,393	903,602	-	9,464,952	

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A24 FINANCIAL RISK MANAGEMENT (Cont'd.)

(c) MARKET RISK (Cont'd.)

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

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

Group	Non-trading book						Trading book	Total	Effective profit rate
	Up to 1 month	>1 - 3 months	>3 - 12 months	>1 - 5 years	Over 5 years	Non-profit sensitive			
30 Jun 2019	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	%	
LIABILITIES AND SHAREHOLDER'S EQUITY									
Deposits from customers	2,208,555	1,173,852	746,224	189,608	-	637,254	-	4,955,494	3.16
Deposits and placements of banks and other financial institutions	1,185,732	830,928	514,122	-	-	-	-	2,530,782	3.53
Investment accounts of customers						5,254	-	5,254	
Hedging financial instrument liabilities	2,813	662	375	-	-	-	-	3,850	
Other liabilities						181,523	-	181,523	
Total Liabilities	3,397,101	2,005,442	1,260,721	189,608	-	824,031	-	7,676,902	
Shareholder's equity	-	-	-	-	-	1,788,050	-	1,788,050	
Total Liabilities and Shareholder's equity	3,397,101	2,005,442	1,260,721	189,608	-	2,612,081	-	9,464,952	
On-balance sheet profit sensitivity gap	(2,198,072)	(197,156)	(843,492)	1,384,806	3,562,393	(1,708,479)	-	-	-
Off-balance sheet profit sensitivity gap	-	-	-	-	-	-	-	-	-
Total profit sensitivity gap	(2,198,072)	(197,156)	(843,492)	1,384,806	3,562,393	(1,708,479)	-	-	-

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A24 FINANCIAL RISK MANAGEMENT (Cont'd.)

(c) MARKET RISK (Cont'd.)

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

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

Group 31 Dec 2018	Non-trading book					Non-profit sensitive RM'000	Trading book RM'000	Total RM'000	Effective profit rate %
	Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 12 months RM'000	>1 - 5 years RM'000	Over 5 years RM'000				
	ASSETS								
Cash and short-term funds	15,184	-	-	-	-	120,155	-	135,339	2.55
Deposits and placements with banks and other financial institutions	- 5,755	-	-	-	-	-	-	5,755	
Securities FVTPL	-	-	-	-	-	1,059	-	1,059	
Securities FVOCI	-	-	35,367	1,296,116	1,557,755	-	-	2,889,238	4.28
Financing, advances and receivables	1,289,206	2,032,387	247,537	218,009	1,768,363	36,770	-	5,592,272	5.42
Musarakah capital investment	-	-	-	-	-	18	-	18	
Other assets	-	-	-	-	-	667,338	-	667,338	
Hedging Financial Instrument Assets	-	2,527	1,253	-	-	-	-	3,780	
TOTAL ASSETS	1,310,145	2,034,914	284,157	1,514,125	3,326,118	825,340	-	9,294,799	

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A24 FINANCIAL RISK MANAGEMENT (Cont'd.)

(c) MARKET RISK (Cont'd.)

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

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

	Non-trading book					Trading book	Total	Effective profit rate	
	Up to 1 month	>1 - 3 months	>3 - 12 months	>1 - 5 years	Over 5 years				Non-profit sensitive
Group 31 Dec 2018	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	%	
LIABILITIES AND SHAREHOLDER'S EQUITY									
Deposits from customers	1,156,960	1,198,067	1,419,289	190,497	-	614,186	-	4,578,999	3.24
Deposits and placements of banks and other financial institutions	1,275,719	953,306	677,716	-	-	-	-	2,906,741	3.69
Investment accounts of customers	5,755	-	-	-	-	0	-	5,755	
Hedging Financial Instrument Liabilities	1,065	2,692	648	101	-	-	-	4,506	
Other liabilities	-	-	-	-	-	101,247	-	101,247	
Total Liabilities	2,439,499	2,154,065	2,097,653	190,598	-	715,433	-	7,597,248	
Shareholder's equity	-	-	-	-	-	1,697,551	-	1,697,551	
Total Liabilities and Shareholder's equity	2,439,499	2,154,065	2,097,653	190,598	-	2,412,984	-	9,294,799	
On-balance sheet profit sensitivity gap	(1,129,354)	(119,151)	(1,813,496)	1,323,527	3,326,118	(1,587,644)	-	-	
Off-balance sheet profit sensitivity gap	-	-	-	-	-	-	-	-	-
Total profit sensitivity gap	(1,129,354)	(119,151)	(1,813,496)	1,323,527	3,326,118	(1,587,644)	-	-	

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A24 FINANCIAL RISK MANAGEMENT (Cont'd.)

(c) MARKET RISK (Cont'd.)

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

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

	Non-trading book					Trading book	Total	Effective profit rate	
	Up to 1 month	>1 - 3 months	>3 - 12 months	>1 - 5 years	Over 5 years				Non-profit sensitive
Bank	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	%	
30 Jun 2019									
ASSETS									
Cash and short-term funds	56,304	-	-	-	-	116,894	-	173,198	3.12
Deposits and placements									
with banks and other financial institutions	5,254	-	-	-	-	-	-	5,254	
Securities FVTPL	-	-	-	-	-	415	-	415	
Securities FVOCI	-	25,346	72,596	1,334,848	1,844,676	-	-	3,277,467	4.33
Financing, advances and receivables	1,296,475	1,821,732	131,220	245,462	1,717,717	38,186	-	5,250,792	5.47
Musarakah capital investment	-	-	-	-	-	18	-	18	
Other assets	-	-	-	-	-	751,857	-	751,857	
Hedging Financial Instrument Assets	2,636	-	594	-	-	-	-	3,230	
TOTAL ASSETS	1,360,670	1,847,079	204,410	1,580,310	3,562,393	907,369	-	9,462,231	

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A24 FINANCIAL RISK MANAGEMENT (Cont'd.)

(c) MARKET RISK (Cont'd.)

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

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

	Non-trading book					Trading book	Total	Effective profit rate	
	Up to 1 month	>1 - 3 months	>3 - 12 months	>1 - 5 years	Over 5 years				Non-profit sensitive
Bank	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	%	
30 Jun 2019									
LIABILITIES AND SHAREHOLDER'S EQUITY									
Deposits from customers	2,098,419	1,086,434	746,211	189,608	-	570,299	-	4,690,971	3.23
Deposits and placements of banks and other financial institutions	1,366,379	942,597	514,122	-	-	-	-	2,823,097	3.43
Investment accounts of customers	-	-	-	-	-	5,254	-	5,254	
Hedging Financial Instrument Liabilities	2,813	662	375	-	-	-	-	3,850	
Other liabilities	-	-	-	-	-	181,151	-	181,151	
Total Liabilities	3,467,611	2,029,693	1,260,708	189,608	-	756,704	-	7,704,323	
Shareholder's equity	-	-	-	-	-	1,757,908	-	1,757,908	-
Total Liabilities and Shareholder's equity	3,467,611	2,029,693	1,260,708	189,608	-	2,514,612	-	9,462,231	
On-balance sheet profit sensitivity gap	(2,106,941)	(182,615)	(1,056,298)	1,390,702	3,562,393	(1,607,242)	-	-	-
Off-balance sheet profit sensitivity gap	-	-	-	-	-	-	-	-	-
Total profit sensitivity gap	(2,106,941)	(182,615)	(1,056,298)	1,390,702	3,562,393	(1,607,242)	-	-	

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A24 FINANCIAL RISK MANAGEMENT (Cont'd.)

(c) MARKET RISK (Cont'd.)

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

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

	Non-trading book					Trading book	Total	Effective profit rate
	Up to 1 month	>1 - 3 months	>3 - 12 months	>1 - 5 years	Over 5 years			
Bank 31 Dec 2018	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	%
ASSETS								
Cash and short-term funds	15,184	-	-	-	-	120,155	135,339	2.55
Deposits and placements with banks and other financial institutions	5,755	-	-	-	-	-	5,755	
Securities FVTPL	-	-	-	-	-	1,059	1,059	
Securities FVOCI	-	-	35,367	1,283,870	1,557,754	-	2,876,991	4.29
Financing, advances and receivables	1,236,345	1,929,207	124,374	235,366	1,851,254	215,726	5,592,272	5.42
Musarakah capital investment	-	-	-	-	-	18	18	
Other assets	-	-	-	-	-	676,997	676,997	
Hedging Financial Instrument Assets	-	2,527	1,253	-	-	-	3,780	
TOTAL ASSETS	1,257,284	1,931,734	160,994	1,519,236	3,409,008	1,013,955	9,292,211	

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A24 FINANCIAL RISK MANAGEMENT (Cont'd.)

(c) MARKET RISK (Cont'd.)

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

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

	Non-trading book					Trading book	Total	Effective profit rate	
	Up to 1 month	>1 - 3 months	>3 - 12 months	>1 - 5 years	Over 5 years				Non-profit sensitive
Bank 31 Dec 2018	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	%	
LIABILITIES AND SHAREHOLDER'S EQUITY									
Deposits from customers	1,149,906	1,197,579	1,414,605	190,497	-	523,053	-	4,475,640	3.31
Deposits and placements of banks and other financial institutions	1,380,717	974,000	681,869	-	-	-	-	3,036,586	3.63
Investment accounts of customers	-	-	-	-	-	5,755	-	5,755	-
Hedging Financial Instrument Liabilities	1,065	2,692	648	101	-	-	-	4,506	-
Other liabilities	-	-	-	-	-	101,046	-	101,046	-
Total Liabilities	2,531,688	2,174,271	2,097,122	190,598	-	629,854	-	7,623,533	
Shareholder's equity	-	-	-	-	-	1,668,678	-	1,668,678	-
Total Liabilities and Shareholder's equity	2,531,688	2,174,271	2,097,122	190,598	-	2,298,532	-	9,292,211	
On-balance sheet profit sensitivity gap	(1,274,404)	(242,537)	(1,936,128)	1,328,638	3,409,008	(1,284,577)	-	-	-
Off-balance sheet profit sensitivity gap	-	-	-	-	-	-	-	-	-
Total profit sensitivity gap	(1,274,404)	(242,537)	(1,936,128)	1,328,638	3,409,008	(1,284,577)	-	-	

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A24 FINANCIAL RISK MANAGEMENT (Cont'd.)

(c) MARKET RISK (Cont'd.)

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

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

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

Profit Rate Risk Sensitivity Analysis

30 Jun 2019

	Impact on Position as at Reporting Period (100 basis points) Parallel Shift			
	Increase/(Decline) in Earnings		Increase/(Decline) in Economic Value of Equity	
	Impact based on +100 basis points	Impact based on -100 basis points	Impact based on +100 basis points	Impact based on -100 basis points
	RM'000	RM'000	RM'000	RM'000
Group				
MYR - Ringgit Malaysia	(25,028)	25,028	222,375	(222,375)
USD - United States Dollars	(3,205)	3,205	6,749	(6,749)
Other Currencies	(145)	145	(399)	399
Total	(28,378)	28,378	228,724	(228,724)
Bank				
MYR - Ringgit Malaysia	(24,397)	24,397	222,065	(222,065)
USD - United States Dollars	(3,912)	3,912	7,279	(7,279)
Other Currencies	(144)	144	(397)	397
Total	(28,453)	28,453	228,947	(228,947)

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A24 FINANCIAL RISK MANAGEMENT (Cont'd.)

(c) MARKET RISK (Cont'd.)

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

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

31 Dec 2018

	Impact on Position as at Reporting Period (100 basis points) Parallel Shift			
	Increase/(Decline) in Earnings		Increase/(Decline) in Economic Value of Equity	
	Impact based on +100 basis points	Impact based on -100 basis points	Impact based on +100 basis points	Impact based on -100 basis points
	RM'000	RM'000	RM'000	RM'000
Group				
MYR - Ringgit Malaysia	(20,562)	20,562	187,459	(187,459)
USD - United States Dollars	(3,603)	3,603	8,101	(8,101)
Other Currencies	(96)	96	(340)	340
Total	(24,261)	24,261	195,221	(195,221)
Bank				
MYR - Ringgit Malaysia	(20,565)	20,565	187,462	(187,462)
USD - United States Dollars	(4,707)	4,707	7,855	(7,855)
Other Currencies	(96)	96	(340)	340
Total	(25,368)	25,368	194,978	(194,978)

Note:

The earnings and economic values were computed based on the standardised approach adopted by BNM.

The reported amounts do not capture the impact of business growth or of management actions and are based on the balance sheet as at reporting date. In reality, the Assets & Liabilities Management Committee ("ALCO") seeks to proactively change the interest rate/rate of return risk profile to minimise losses and maximise net revenue. The projection assumes a constant statements of financial position and that all positions run to maturity.

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A24 FINANCIAL RISK MANAGEMENT (Cont'd.)

(e) FOREIGN EXCHANGE RISK

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

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

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

Group
30 Jun 2019

ASSETS

Cash and short-term funds
Deposits and placements with banks and
other financial institutions
Securities - FVTPL
Securities - FVOCI
Financing, advances and receivables
Equity instruments at FVOCI
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
Cash and short-term funds	167,081	6,117	-	-	-	-	173,198
Deposits and placements with banks and other financial institutions	5,254	-	-	-	-	-	5,254
Securities - FVTPL	-	-	415	-	-	0	415
Securities - FVOCI	2,886,367	-	403,485	-	-	-	3,289,852
Financing, advances and receivables	5,121,448	-	129,344	-	-	-	5,250,792
Equity instruments at FVOCI	18	-	-	-	-	-	18
Other assets	745,422	-	-	-	-	-	745,422
Total Assets	8,925,590	6,117	533,244	-	-	0	9,464,952

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A24 FINANCIAL RISK MANAGEMENT (Cont'd.)

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

Group	MYR	SGD	USD	EUR	KWD	Others	Total
30 Jun 2019	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
LIABILITIES AND SHAREHOLDER'S EQUITY							
Deposits from customers	4,346,191	257,620	351,401	-	-	281	4,955,494
Deposits and placements with banks and other financial institutions	2,081,023	-	449,759	-	-	-	2,530,782
Subordinated Murabahah Tawarruq	-	-	-	-	-	-	-
Other liabilities	190,627	-	-	-	-	-	190,627
Total Liabilities	6,617,841	257,620	801,160	-	-	281	7,676,902
Shareholder's equity	1,788,050	-	-	-	-	-	1,788,050
Total Liabilities and Shareholder's equity	8,405,891	257,620	801,160	-	-	281	9,464,952
On-balance sheet open position	519,699	(251,503)	(267,915)	-	-	(281)	-
Off-balance sheet open position	-	-	-	-	-	-	-
Net open position	519,699	(251,503)	(267,915)	-	-	(281)	-

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A24 FINANCIAL RISK MANAGEMENT (Cont'd.)

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

Group	MYR	SGD	USD	EUR	KWD	Others	Total
31 Dec 2018	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
ASSETS							
Cash and short-term funds	123,589	9,115	-	-	-	2,635	135,339
Deposits and placements with banks and other financial institutions	5,755	-	-	-	-	-	5,755
Securities FVTPL	-	-	1,059	-	-	-	1,059
Securities FVOCI	2,496,316	-	392,922	-	-	-	2,889,238
Financing, advances and receivables	5,592,272	-	-	-	-	-	5,592,272
Equity instruments at FVOCI	18	-	-	-	-	-	18
Other assets	671,118	-	-	-	-	-	671,118
Total Assets	8,889,068	9,115	393,981	-	-	2,635	9,294,799
LIABILITIES AND SHAREHOLDER'S EQUITY							
Deposits from customers	4,191,875	254,919	128,285	-	-	3,920	4,578,999
Deposits and placements with banks and other financial institutions	2,378,416	-	534,080	-	-	-	2,912,496
Other liabilities	105,753	-	-	-	-	-	105,753
Total Liabilities	6,676,044	254,919	662,365	-	-	3,920	7,597,248
Shareholder's equity	1,697,551	-	-	-	-	-	1,697,551
Total Liabilities and Shareholder's equity	8,373,595	254,919	662,365	-	-	3,920	9,294,799
On-balance sheet open position	515,473	(245,804)	(268,384)	-	-	(1,285)	-
Off-balance sheet open position	-	-	-	-	-	-	-
Net open position	515,473	(245,804)	(268,384)	-	-	(1,285)	-

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A24 FINANCIAL RISK MANAGEMENT (Cont'd.)

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

Bank	MYR	SGD	USD	EUR	KWD	Others	Total
30 Jun 2019	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
ASSETS							
Cash and short-term funds	167,081	6,117	-	-	-	-	173,198
Deposits and placements with banks and other financial institutions	5,254	-	-	-	-	-	5,254
Securities - FVTPL	-	-	415	-	-	-	415
Securities - FVOCI	2,886,367	-	391,100	-	-	-	3,277,467
Financing, advances and receivables	5,121,448	-	129,344	-	-	-	5,250,792
Murabahah trading automobile	-	-	-	-	-	-	-
Equity instruments at FVOCI	18	-	-	-	-	-	18
Other assets	755,087	-	-	-	-	-	755,087
Total Assets	8,935,254	6,117	520,860	-	-	-	9,462,231
LIABILITIES AND SHAREHOLDER'S EQUITY							
Deposits from customers	4,278,800	251,462	160,428	-	-	281	4,690,971
Deposits and placements with banks and other financial institutions	2,081,023	6,161	735,913	-	-	-	2,823,097
Other liabilities	190,255	-	-	-	-	-	190,255
Total Liabilities	6,550,078	257,623	896,341	-	-	281	7,704,323
Shareholder's equity	1,757,908	-	-	-	-	-	1,757,908
Total Liabilities and Shareholder's equity	8,307,986	257,623	896,341	-	-	281	9,462,231
On-balance sheet open position	627,269	(251,506)	(375,482)	-	-	(281)	-
Off-balance sheet open position	-	-	-	-	-	-	-
Net open position	627,269	(251,506)	(375,482)	-	-	(281)	-

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A24 FINANCIAL RISK MANAGEMENT (Cont'd.)

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

Bank	MYR	SGD	USD	EUR	KWD	Others	Total
31 Dec 2018	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
ASSETS							
Cash and short-term funds	123,589	9,115	-	-	-	2,635	135,339
Deposits and placements with banks and other financial institutions	5,755	-	-	-	-	-	5,755
Securities FVTPL	-	-	1,059	-	-	-	1,059
Securities FVOCI	2,496,315	-	380,676	-	-	-	2,876,991
Financing, advances and receivables	5,592,272	-	-	-	-	-	5,592,272
Musarakah capital investment	18	-	-	-	-	-	18
Other assets	680,777	-	-	-	-	-	680,777
Total Assets	8,898,726	9,115	381,735	-	-	2,635	9,292,211
LIABILITIES AND SHAREHOLDER'S EQUITY							
Deposits from customers	4,100,719	247,320	123,681	-	-	3,920	4,475,640
Deposits and placements with banks and other financial institutions	2,378,416	7,604	656,321	-	-	-	3,042,341
Other liabilities	105,552	-	-	-	-	-	105,552
Total Liabilities	6,584,687	254,924	780,002	-	-	3,920	7,623,533
Shareholder's equity	1,668,678	-	-	-	-	-	1,668,678
Total Liabilities and Shareholder's equity	8,253,365	254,924	780,002	-	-	3,920	9,292,211
On-balance sheet open position	645,361	(245,809)	(398,267)	-	-	(1,285)	-
Off-balance sheet open position	-	-	-	-	-	-	-
Net open position	645,361	(245,809)	(398,267)	-	-	(1,285)	-

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A24 FINANCIAL RISK MANAGEMENT (Cont'd.)

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

The table below indicates the currencies to which the Bank had significant exposure at 30 June 2019. 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-19		31-Dec-18	
	Change in exchange rate %	Effect on Income Statements/ Equity RM'000	Change in exchange rate %	Effect on Income Statements/ Equity RM'000
Group				
Singapore Dollar (SGD)	1	(2,515)	1	(2,458)
US Dollar (USD)	1	(2,679)	1	(2,684)
Euro (EUR)	1	-	1	-
Bank				
Singapore Dollar (SGD)	1	(2,515)	1	(2,458)
US Dollar (USD)	1	(3,755)	1	(3,983)
Euro (EUR)	1	-	1	-

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A24 FINANCIAL RISK MANAGEMENT (Cont'd.)

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

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

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

Standard & Poor's Rating Services ("S&P")

Moody's Investor's Service ("Moody's")

Fitch Ratings ("Fitch")

Rating Agency Malaysia ("RAM")

Malaysian Rating Corporation Berhad ("MARC")

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

Exposures to Sovereign and Central Banks

Exposures to Non-Federal Government Public Sector Entities ("PSEs")

Exposures to Multilateral Banks ("MDB's")

Exposures to Banking Institutions and Corporates

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

30 Jun 2019

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	539,033	170,575	108,172	-	4,242,499	
	539,033	170,575	108,172	-	4,242,499	
Bank						
Corporates	539,033	170,575	108,172	0	4,242,499	
	539,033	170,575	108,172	0	4,242,499	

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A24 FINANCIAL RISK MANAGEMENT (Cont'd.)

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

30 Jun 2019

Exposure class	Rating of Sovereigns and Central Banks by approved ECAIs						
	Moody's	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to B3	Caa1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	Rating & Investment Inc	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to C	Unrated
On and Off-Balance Sheet Exposures		RM '000	RM '000	RM '000	RM '000	RM '000	RM '000
Group Sovereigns/Central Banks		-	758,755	-	-	-	242,295
Bank Sovereigns/Central Banks		-	758,755	-	-	-	229,910

Exposure class	Rating of Banking Institutions by approved ECAIs						
	Moody's	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to B3	Caa1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	RAM	AAA to AA3	A to A3	BBB1 to BBB3	BB1 to B3	C1 to D	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	C+ to D	Unrated
	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		53,834	63,869	3,582	-	-	50,941
Bank Banks, MDBs and FDIs		53,834	63,869	3,582	-	-	50,941

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A24 FINANCIAL RISK MANAGEMENT (Cont'd.)

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

31 Dec 2018

Exposure class	Rating of Corporates by approved ECAIs					
	Moody's	Aaa to Aa3	A1 to A3	Baa1 to Baa3	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		357,754	166,111	140,551	-	4,063,385
Bank Corporates		357,754	166,111	140,551	-	4,063,385

Exposure class	Rating of Sovereigns and Central Banks by approved ECAIs						
	Moody's	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to B3	Caa1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	Rating & Investment Inc	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to C	Unrated
On and Off-Balance Sheet Exposures		RM '000	RM '000	RM '000	RM '000	RM '000	RM '000
Group Sovereigns/Central Banks		12,241	963,075	-	-	-	228,391
Bank Sovereigns/Central Banks		-	963,075	-	-	-	228,391

Exposure class	Rating of Banking Institutions by approved ECAIs						
	Moody's	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to B3	Caa1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	RAM	AAA to AA3	A to A3	BBB1 to BBB3	BB1 to B3	C1 to D	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	C+ to D	Unrated
On and Off-Balance Sheet Exposures		RM '000	RM '000	RM '000	RM '000	RM '000	RM '000
Group Banks, MDBs and FDIs		37,536	66,141	330	39	-	54,248
Bank Banks, MDBs and FDIs		37,536	66,141	330	39	-	54,248

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A24 FINANCIAL RISK MANAGEMENT (Cont'd.)

(f) 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 2019

Group	Exposures before CRM	Exposures Covered by Guarantees	Exposures Covered by Eligible Financial Collateral
	RM'000	RM'000	RM'000
(i) Credit Risk			
(a) On-Balance Sheet Exposures			
Sovereigns/Central Banks	1,001,050	488,783	-
Public Sector Entities			
Banks, Development Financial Institutions & MDBs	149,641	40,639	-
Corporates	4,618,127	1,783,390	104,741
Regulatory Retail	1,973,241	-	3,299
Residential Mortgages	1,058,964	-	1,024
Higher Risk Assets ¹	433	-	-
Other Assets	375,414	-	-
Defaulted Exposures ²	220,894	-	4,321
Total On Balance Sheet Exposures	9,397,765	2,312,812	113,385
(b) Off-Balance Sheet Exposures*			
OTC Derivatives ³	22,585	-	-
Off-balance sheet exposures other than OTC derivatives ²	300,207	-	-
Total Off-Balance Sheet Exposures	322,792	-	-
Total On and Off-Balance Sheet Exposures	9,720,557	2,312,812	113,385

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A24 FINANCIAL RISK MANAGEMENT (Cont'd.)

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

The Bank's exposures covered by eligible guarantee and collateral under CAFIB are as follows: (Cont'd.)

31 Dec 2018

Group	Exposures before CRM	Exposures Covered by Guarantees	Exposures Covered by Eligible Financial Collateral
	RM'000	RM'000	RM'000
(i) Credit Risk			
(a) On-Balance Sheet Exposures			
Sovereigns/Central Banks	1,203,707	735,874	-
Public Sector Entities			
Banks, Development Financial Institutions & MDBs	140,906	39,974	-
Corporates	4,342,305	1,216,583	126,460
Regulatory Retail	2,013,133	-	3,348
Residential Mortgages	1,018,422	-	1,209
Higher Risk Assets ¹	1,077	-	-
Other Assets	287,321	-	-
Defaulted Exposures ²	172,232	-	2,682
Total On Balance Sheet Exposures	9,179,103	1,992,431	133,698
(b) Off-Balance Sheet Exposures*			
OTC Derivatives ³	17,387	-	-
Off-balance sheet exposures other than OTC derivatives ²	307,077	-	-
Total Off-Balance Sheet Exposures	324,464	-	-
Total On and Off-Balance Sheet Exposures	9,503,567	1,992,431	133,698

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A24 FINANCIAL RISK MANAGEMENT (Cont'd.)

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

The Bank's exposures covered by eligible guarantee and collateral under CAFIB are as follows: (Cont'd.)

30 Jun 2019

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	988,665	488,783	-
Banks, Development Financial Institutions & MDBs	149,641	40,639	-
Corporates	4,618,127	1,783,390	104,741
Regulatory Retail	1,973,241	-	3,299
Residential Mortgages	1,058,964	-	1,024
Higher Risk Assets ¹	433	-	-
Other Assets	374,877	-	-
Defaulted Exposures ²	220,894	-	4,321
Total On-Balance Sheet Exposures	9,384,843	2,312,812	113,385
(b) Off-Balance Sheet Exposures*			
OTC Derivatives ³	22,585	-	-
Off-balance sheet exposures other than OTC derivatives ²	300,207	-	-
Total Off Balance Sheet Exposures	322,792	-	-
Total On and Off-Balance Sheet Exposures	9,707,635	2,312,812	113,385

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A24 FINANCIAL RISK MANAGEMENT (Cont'd.)

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

The Bank's exposures covered by eligible guarantee and collateral under CAFIB are as follows: (Cont'd.)

31 Dec 2018

Bank

(i) Credit Risk

(a) On-Balance Sheet Exposures

Sovereigns/Central Banks
Banks, Development Financial Institutions & MDBs
Corporates
Regulatory Retail
Residential Mortgages
Higher Risk Assets¹
Other Assets
Defaulted Exposures²
Total On-Balance Sheet Exposures

Exposures before CRM	Exposures Covered by Guarantees	Exposures Covered by Eligible Financial Collateral
RM'000	RM'000	RM'000
1,191,466	735,874	-
140,906	39,974	-
4,342,305	1,216,583	126,460
2,013,934	-	3,348
1,023,270	-	1,209
1,077	-	-
286,778	-	-
166,583	-	2,682
9,166,318	1,992,431	133,698

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A24 FINANCIAL RISK MANAGEMENT (Cont'd.)

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

The Bank's exposures covered by eligible guarantee and collateral under CAFIB are as follows: (Cont'd.)

2018 (Cont'd)

Bank

(i) Credit Risk (Cont'd)

(b) Off-Balance Sheet Exposures*

OTC Derivatives³

Off-balance sheet exposures other than OTC
derivatives²

Total Off Balance Sheet Exposures

Total On and Off-Balance Sheet Exposures

Exposures before CRM	Exposures Covered by Guarantees	Exposures Covered by Eligible Financial Collateral
RM'000	RM'000	RM'000
17,387	-	-
307,077	-	-
324,464	-	-
9,490,782	1,992,431	133,698

* 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 "unlikeliness to repay", please refer to Appendix 3 paragraph 2 of CAFIB guidelines issued by Bank Negara Malaysia.

³ Comprising Promissory Foreign Exchange Contracts

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A24 FINANCIAL RISK MANAGEMENT (Cont'd.)

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

Off-balance Sheet exposures and Counterparty Credit Risk (CCR) as at 30 June 2019, are as follows:

Group and Bank 30 Jun 2019

Direct Credit Substitutes
 Transaction related contingent Items
 Short Term Self Liquidating trade related contingencies
 Foreign exchange related contracts
 One year or less
 Over one year to five years
 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
52,280		52,280	51,269
113,956		56,978	42,755
29,590		5,918	3,747
901,448	10,890	15,241	3,636
240,741	2,087	7,345	1,932
-		-	-
246,409		123,204	113,097
384,179		76,836	61,223
1,968,602	12,978	337,801	277,660

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A24 FINANCIAL RISK MANAGEMENT (Cont'd.)

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

Off-balance Sheet exposures and Counterparty Credit Risk (CCR) as at 31 December 2018, are as follows:

Group and Bank 31 Dec 2018	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount RM'000	Risk Weighted Assets RM'000
Direct Credit Substitutes	53,387		53,387	52,548
Transaction related contingent Items	165,383		82,691	67,517
Short Term Self Liquidating trade related contingencies	59,250		11,850	8,895
Foreign exchange related contracts				
One year or less	-	-	-	-
Over one year to five years	84,054	3,780	629	315
Over five years	1,229,158	-	16,758	5,863
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	194,106		97,053	66,857
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	374,341		74,868	66,250
	2,159,680	3,780	337,237	268,245

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A24 FINANCIAL RISK MANAGEMENT (Cont'd.)

(j) Equities (Disclosure for banking book positions)

30 Jun 2019
Group and Bank

Equity

Privately Held

- (a) **Subsidiaries**
Kuwait Finance House (Labuan) Berhad
- (b) **Investment**
Al Faiz Fund 1
- (c) **Musyarakah Capital Investment**

	Amount	Impairment	Risk-Weighted Assets
	RM'000	RM'000	RM'000
			Capital Deduction
			Capital Deduction
(a) Subsidiaries	10,200	-	
	10,200	-	
(b) Investment	19,966	(19,550)	623
	19,966	(19,550)	623
(c) Musyarakah Capital Investment	18	-	27

31 Dec 2018
Group and Bank

Equity

Privately Held

- (a) **Subsidiaries**
Kuwait Finance House (Labuan) Berhad
KFH Nominees (Tempatan) Sdn. Bhd.
- (b) **Investment**
Al Faiz Fund 1
- (c) **Musyarakah Capital Investment**

	Amount	Impairment	Risk-Weighted Assets
	RM'000	RM'000	RM'000
			Capital Deduction
			Capital Deduction
(a) Subsidiaries	10,200	-	
	10,200	-	
	-	-	
(b) Investment	20,609	(19,550)	1,589
	20,609	(19,550)	1,589
(c) Musyarakah Capital Investment	18	-	27

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

B1 Basis of Preparation of the Financial Statements

The unaudited condensed interim financial statements for the three months ended 31 March 2019 of the Group and the Bank have been prepared in accordance with MFRS 134 "Interim Financial Reporting" issued by the Malaysian Accounting Standards Board ("MASB"), Bank Negara Malaysia's Guidelines on Financial Reporting for Islamic Banking Institutions and Shariah principles. At the beginning of the current financial year, the Group and the Bank adopted new and revised MFRSs which are mandatory for financial periods beginning on or after 1 January 2019.

The explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group and the Bank since the year ended 31 December 2018.

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

B2 Significant Accounting Policies

The interim financial statements of the Group and the Bank for the period ended 31 March 2019 were prepared in accordance with MFRS. The significant accounting policies adopted in preparing these condensed consolidated interim financial statements are consistent with those of the audited financial statements for the year ended 31 December 2018 except as discussed below:

B2.1. MFRS 16 Leases

The Group and the Bank has adopted MFRS 16 as issued by MASB in April 2016 with a date of transition of 1 January 2019, which resulted in changes in accounting policies and adjustments to the amounts previously recognised in the financial statements. The Group and the Bank did not early adopt MFRS 16 in previous periods.

As permitted by the transitional provisions of MFRS 16, the Group and the Bank elected not to restate comparative figures. Any adjustments to the carrying amounts of financial assets and liabilities at the date of transition were recognised in the opening retained earnings and other reserves of the current period.

The adoption of MFRS 16 has resulted in changes in our accounting policies for recognition and measurement of right-of-use ("ROU") assets and lease liabilities in the financial statements. Set out below are disclosures relating to the impact of the adoption of MFRS 16 on the Bank.

B2.1.1 Statement of financial position

MFRS 16 requires a lessee to either present in the statement of financial position or disclose in the notes:

- (a) Right-of-use("ROU") assets separately from other assets. If a lessee does not present right-of-use assets separately in the statement of financial position, the lessee:
 - (i) Includes right-of-use assets within the same line item as that within which the corresponding underlying assets would be presented if they were owned; and
 - (ii) Discloses which line items in the statement of financial position include those right-of-use assets

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

B2 Significant Accounting Policies (Cont'd.)

B2.1. MFRS 16 Leases (Cont'd.)

B2.1.1 Statement of financial position (Cont'd.)

(b) Lease liabilities separately from other liabilities. If the lessee does not present lease liabilities separately in the statement of financial position, the lessee discloses which line items in the statement of financial position include those liabilities.

On 1 January 2019, the opening balance for both the ROU assets and lease liabilities are RM94.4 million. Breakdown by class of underlying asset as at 1 January 2019 are as follow:

Assets Class	Lease Obligation RM'000
Car leasing	764
Office equipment	397
Office space	93,266
	<u>94,427</u>

B.2.1.2 Statement of profit or loss and other comprehensive income

MFRS 16 requires separate presentation of the interest expense on the lease liability and the depreciation charge for the right-of-use asset in the lessee's statement of profit or loss and other comprehensive income. The interest expense on the lease liability is a component of finance costs, which MFRS 101 requires to be presented separately in the statement of profit or loss and other comprehensive income.

The annual depreciation and profit expenses amount calculated as at 30 June 2019 are RM13,757,353 and RM3,628,432 respectively. Breakdown by class of underlying asset as at 1 January 2019 are as follow:

Asset Class	Annual Profit Expenses RM'000	Annual Depreciation Expenses RM'000
Car leasing	26	316
Office equipment	14	116
Office space	3,588	13,325
	<u>3,628</u>	<u>13,757</u>

B.2.1.3 Statement of cash flows

In the statement of cash flows, a lessee is required to classify cash payments for the principal portion of the lease liability within financing activities. Cash payments for the profit portion of the lease liability are classified applying the requirements in MFRS 107 for interest paid. Furthermore, short-term lease payments, payments for leases of low-value assets and variable lease payments not included in the measurement of the lease liability are classified within operating activities.

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

B2 Significant Accounting Policies (Cont'd.)

B2.3. Standards issued but are not yet effective

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

FRSs, Amendments to FRSs and Interpretations	Effective for financial period beginning on or after
MFRS 3 Definition of a Business (Amendments to MFRS 3)	1 January 2020
MFRS 101 Definition of Material (Amendments to MFRS 101)	1 January 2020
MFRS 108 Definition of Material (Amendments to MFRS 108)	1 January 2020
MFRS 17 Insurance Contracts	1 January 2021

B2.4. Significant Accounting Estimates and Judgements

(a) Significant Accounting Estimates

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Bank's accounting policies.

(i) Fair value estimation of securities and profit rate related contracts

Where the quoted and observable market prices of certain securities are not available, fair value is estimated using pricing models or discounted cash flow techniques. The usage of these models and techniques require the Group to make certain estimates and assumptions, including but not limited to estimated future cash flows and discount rates.

(ii) Deferred tax and income taxes

Deferred tax assets are measured and recognised based on the tax rates that are expected to apply in the period when the asset is realised. Estimates are made as to the amount of taxable profits in these periods which will enable the deferred tax assets to be realised.

(b) Significant Accounting Judgments

This note provides an overview of the areas that involve a higher degree of judgement or complexity, and major sources of estimation uncertainty that have a significant risk of resulting in a material adjustment within the next financial year. Detailed information about each of these estimates and judgements is included in the related notes together with information about the basis of calculation for each affected line item in the financial statements.

(i) Classification of investment securities

On acquisition of an investment security, the Bank decides whether it should be classified as fair value through profit or loss or fair value through other comprehensive income or financial assets to be measured at amortised cost. The Bank follows the guidance of MFRS 9 on classifying its investments.

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

(ii) Measurement of the expected credit loss allowance

The measurement of the expected credit loss allowance for financial assets measured at amortised cost and debt instruments at FVOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses).

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL; and
- Establishing groups of similar financial assets for the purposes of measuring ECL.

(iii) Business models and SPPP as significant judgments

As well as ECL, determining the appropriate business models and assessing the SPPP requirements for financial assets may require significant accounting judgement and have a significant impact on the financial statements.

(iv) Deferred tax and income taxes

Significant judgment is required in estimating the provision for income taxes. There are many transactions and interpretations of tax law for which the final outcome will not be established until some time later. Liabilities for taxation are recognised based on estimates of whether additional taxes will be payable. The estimation process includes seeking advice on tax treatments where appropriate. Where the final liability for taxation is different from the amounts that were initially recorded, the differences will affect the income tax and deferred tax provisions in the period in which the estimate is revised or the final liability is established.

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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 2018 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 2019.

B5 Unusual Items Due to their Nature, Size or Incidence

There were no items of unusual nature, size or incidence affecting the assets, liabilities, equity, net income or cash flows of the Group and the Bank during the six-months ended 30 June 2019.

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 2019.

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 2019.

B8 Dividends Paid

There were no dividends paid during the six-months ended 30 June 2019.

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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 Jun 2019	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
External revenue	71,336	55,063	18,432	94,470		239,300
Revenue from other segments	104,229	413	1,207	46,026	(151,874)	-
Total Revenue	175,565	55,475	19,639	140,495	(151,874)	239,300
Segment results	15,914	31,681	7,011	18,915		73,521
Unallocated expenses						(50,003)
Profit from operations						23,518
Taxation						(5,392)
Net profit for the year						18,126
Other information						
Segment assets	3,742,387	1,765,104	476,538	3,205,491	(388,955)	8,800,566
Unallocated corporate assets						664,386
Total assets						9,464,952
Segment liabilities	7,222,404	1,360,276	436,012	7,305,800	(379,307)	15,945,185
Unallocated corporate liabilities						(8,268,283)
Total liabilities						7,676,902
Other segment items						
Purchase of property and equipment				4,299		4,299
Purchase of intangible assets				1,433		1,433
Depreciation of property and equipment				1,900		1,900
Amortisation of intangible assets				2,942		2,942
Other non-cash expense other than depreciation	-	18,525	327	(18,187)	-	665

(ii) By Geographical Locations

Group	Operating Revenue RM'000	Profit Before Zakat and Taxation RM'000	Total Assets RM'000
30 Jun 2019			
Malaysia	239,300	23,518	9,464,952
	239,300	23,518	9,464,952

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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 Jun 2018	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
External revenue	57,512	60,516	22,268	86,060		226,357
Revenue from other segments	86,607	425	1,344	38,597	(126,972)	-
Total Revenue	144,119	60,941	23,612	124,657	(126,972)	226,357
Segment results	8,949	65,423	11,993	11,595		97,960
Unallocated expenses						(55,105)
Profit from operations						42,854
Zakat						(9,884)
Taxation						(9,884)
Net profit for the year						32,971
Other information						
Segment assets	3,188,399	2,075,171	550,853	3,103,707	(233,449)	8,684,681
Unallocated corporate assets						568,299
Total assets						9,252,979
Segment liabilities	5,542,664	2,286,286	419,154	7,006,275	(223,249)	15,031,130
Unallocated corporate liabilities						(7,447,554)
Total liabilities						7,583,576
Other segment items						
Purchase of property and equipment				966		966
Purchase of intangible assets				12,559		12,559
Depreciation of property and equipment				-		-
Amortisation of intangible assets				-		-
Other non-cash expense other than depreciation	(48)	52,775	4,098	(19,847)	-	36,978

(ii) By Geographical Locations

Group	Operating Revenue RM'000	Profit Before Zakat and Taxation RM'000	Total Assets RM'000
30 Jun 2018			
Malaysia	226,357	42,854	9,252,979

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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 2018.

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 2018.

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 2018 other than those as disclosed in note A21.

B14 Capital Commitments

The capital commitments not provided for in the interim financial statements as at 30 June 2019 are as follows:

	Group	Bank
	RM'000	RM'000
<u>Capital expenditure</u>		
Authorised and contracted for:		
- renovation	51	51
- purchase of IT hardware	338	338
- purchase of IT software	2,971	2,971
	3,360	3,360
Authorised and not contracted for:		
- purchase of IT hardware & software	15,122	15,122
	15,122	15,122

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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, Md Adnan Md Zain, 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.



Md Adnan Md Zain
Chief Executive Officer