

# KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

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## Interim Report for the Period Ended 30 September 2019

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Interim Condensed Statements of Financial Position	1
Interim Condensed Consolidated Income Statements	2
Interim Condensed Consolidated Statements of Comprehensive Income	3
Interim Condensed Income Statements	4
Interim Condensed Statements of Comprehensive Income	5
Interim Condensed Statements of Changes in Equity	6
Interim Condensed Statements of Cash Flows	7
Selected Explanatory Notes to the Condensed Financial Statements	8 - 56
Certification of Financial Statements	57

# KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

## INTERIM CONDENSED STATEMENTS OF FINANCIAL POSITION

	Note	Group		Bank	
		30 Sep 2019 RM'000	31 Dec 2018 RM'000	30 Sep 2019 RM'000	31 Dec 2018 RM'000
<b>ASSETS</b>					
Cash and short-term funds	A3	121,333	135,339	121,333	135,339
Deposits and placements with banks and other financial institutions	A4	5,544	5,755	5,544	5,755
Gold depository		85,771	96,409	85,771	96,409
Financial assets at FVTPL	A5	686	1,059	686	1,059
Equity instruments at FVOCI	A7	18	18	18	18
Debt instruments at FVOCI	A6	3,292,307	2,889,238	3,292,307	2,876,991
Financing, advances and other receivables	A8	5,081,732	5,592,272	5,081,732	5,592,272
Other assets	A9	130,346	133,425	130,228	133,302
Hedging financial instruments	A10	7,276	3,780	7,276	3,780
Statutory deposits with Bank Negara Malaysia		200,984	211,800	200,984	211,800
Investment in subsidiaries		-	-	10,200	10,200
Right of use of assets		83,309	-	83,309	-
Property and equipment		23,039	21,580	23,027	21,554
Intangible assets		20,555	22,318	20,282	21,926
Deferred tax assets		145,746	181,806	145,746	181,806
		<b>9,198,645</b>	<b>9,294,799</b>	<b>9,208,443</b>	<b>9,292,211</b>
<b>LIABILITIES</b>					
Deposits from customers	A11	5,037,112	4,578,999	4,561,831	4,475,640
Investment accounts of customers	A13	5,544	5,755	5,544	5,755
Deposits and placements of banks and other financial institutions	A12	2,172,657	2,906,741	2,689,499	3,036,586
Hedging financial instruments	A10	6,797	4,506	6,797	4,506
Lease Liabilities		85,215	-	85,215	-
Other liabilities	A14	65,518	101,247	65,342	101,046
		<b>7,372,843</b>	<b>7,597,248</b>	<b>7,414,228</b>	<b>7,623,533</b>
<b>SHAREHOLDER'S EQUITY</b>					
Share capital	A15	1,425,272	1,425,272	1,425,272	1,425,272
Reserves		400,530	272,279	368,943	243,406
		<b>1,825,802</b>	<b>1,697,551</b>	<b>1,794,215</b>	<b>1,668,678</b>
<b>TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY</b>					
		<b>9,198,645</b>	<b>9,294,799</b>	<b>9,208,443</b>	<b>9,292,211</b>
<b>COMMITMENTS AND CONTINGENCIES</b>					
	A21	<b>2,444,896</b>	<b>2,159,680</b>	<b>2,444,896</b>	<b>2,159,680</b>
<b>CAPITAL ADEQUACY</b>					
Common Equity Tier I/ Tier I Capital Ratio	A22	<b>28.642%</b>	25.419%	<b>27.949%</b>	24.794%
Total Capital Ratio	A22	<b>29.798%</b>	26.582%	<b>29.106%</b>	25.960%
<b>NET ASSETS PER SHARE (RM)</b>					
		<b>1.28</b>	1.19	<b>1.26</b>	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.*

# KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

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## INTERIM CONDENSED CONSOLIDATED INCOME STATEMENTS

<u>Group</u>	Note	3rd Quarter ended 30-Sep		Nine-months ended 30-Sep	
		2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Operating revenue		<b>118,057</b>	118,277	<b>357,357</b>	344,634
Income derived from investment of depositors' funds and others	A16	<b>87,524</b>	96,111	<b>277,740</b>	273,264
Income derived from investment of investment account funds	A20	<b>40</b>	50	<b>126</b>	167
Income derived from investment of shareholder's equity	A17	<b>30,493</b>	22,116	<b>79,491</b>	71,202
Total gross income		<b>118,057</b>	118,277	<b>357,357</b>	<b>344,634</b>
Credit loss (charge)/writeback on financial assets	A18	<b>(6,170)</b>	17,212	<b>(5,505)</b>	54,190
Total distributable income		<b>111,888</b>	135,489	<b>351,852</b>	398,824
Income attributable to the depositors	A19	<b>(59,285)</b>	(62,386)	<b>(189,056)</b>	(172,506)
Profit distributed to investment account holders	A20	<b>(24)</b>	(30)	<b>(76)</b>	(100)
Total net income		<b>52,578</b>	73,073	<b>162,721</b>	<b>226,217</b>
Personnel expenses		<b>(20,946)</b>	(26,184)	<b>(66,935)</b>	(81,179)
Other overheads and expenditures		<b>(20,528)</b>	(19,013)	<b>(61,163)</b>	(58,030)
Finance cost		-	(8,641)	-	(24,919)
Profit before zakat and taxation		<b>11,105</b>	19,235	<b>34,622</b>	<b>62,090</b>
Taxation		<b>(2,473)</b>	(3,175)	<b>(7,865)</b>	(13,059)
Net profit for the period		<b>8,631</b>	16,059	<b>26,757</b>	<b>49,031</b>
Attributable to:					
Equity holders of the Bank		<b>8,631</b>	16,059	<b>26,757</b>	<b>49,031</b>
Earnings per share attributable to equity holders of the Bank - Basic/Diluted (sen)		<b>0.61</b>	1.13	<b>1.88</b>	<b>3.44</b>

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

**KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD**  
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**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE  
INCOME**

<u>Group</u>	3rd Quarter ended 30-Sep		Nine-months ended 30-Sep	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Net profit for the period	8,631	16,059	26,757	49,031
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	36,178	24,812	126,636	9,157
- Net realised gain on securities held at FVOCI reclassified to the income statement	788	208	(99)	18
- Changes in allowance for expected credit losses	295	-	2,695	-
Exchange differences on translation of foreign operations:				
Net gain/(loss) taken to equity	537	879	513	818
Income tax relating to components of other comprehensive income	(8,677)	(6,028)	(28,249)	(4,042)
Other comprehensive income for the period, net of tax	29,121	19,871	101,495	5,951
Total comprehensive income for the period	37,752	35,930	128,252	54,982
Total comprehensive income for the period attributable to equity holders of the Bank	37,752	35,930	128,252	54,982

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

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(672174-T)

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## INTERIM CONDENSED INCOME STATEMENTS

<u>Bank</u>	Note	3rd Quarter ended 30-Sep		Nine-months ended 30-Sep	
		2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Operating revenue		117,355	116,844	356,123	342,472
Income derived from investment of depositors' funds and others	A16	87,137	95,797	277,199	272,697
Income derived from investment of investment account funds	A20	40	50	126	167
Income derived from investment of shareholder's equity	A17	30,178	20,997	78,797	69,608
Total gross income		117,355	116,844	356,123	342,472
Credit loss (charge)/writeback on financial assets	A18	(6,175)	17,212	(5,510)	54,050
Total distributable income		111,180	134,056	350,613	396,522
Income attributable to the depositors	A19	(59,824)	(62,983)	(190,943)	(174,136)
Profit distributed to investment account holders	A20	(24)	(30)	(76)	(100)
Total net income		51,333	71,043	159,595	222,286
Personnel expenses		(20,853)	(26,042)	(66,598)	(80,703)
Other overheads and expenditures		(20,278)	(18,849)	(60,453)	(57,543)
Finance cost		-	(8,641)	-	(24,919)
Profit before zakat and taxation		10,202	17,511	32,544	59,121
Taxation		(2,448)	(3,170)	(7,811)	(13,044)
Net profit for the period		7,753	14,340	24,733	46,077

*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**

	<b>3rd Quarter ended 30-Sep</b>		<b>Nine-months ended 30-Sep</b>	
	<b>2019 RM'000</b>	<b>2018 RM'000</b>	<b>2019 RM'000</b>	<b>2018 RM'000</b>
<b>Bank</b>				
Net profit for the period	7,753	14,340	24,733	46,077
Other comprehensive income/(loss):				
Securities held at FVOCI:				
- Net unrealised gain on securities held at FVOCI	36,325	24,825	126,634	9,252
- Net realised gain on securities held at FVOCI reclassified to the income statement	606	208	(282)	18
- Changes in allowance for expected credit losses	300	-	2,700	-
Income tax relating to components of other comprehensive income	(8,677)	(6,027)	(28,249)	(4,041)
Other comprehensive income for the period, net of tax	28,554	19,006	100,803	5,230
Total comprehensive income for the period	<b>36,307</b>	33,346	<b>125,537</b>	51,307

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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
<b>Group</b>							
<b>At 1 Jan 2019</b>	1,425,272	170,648	3,990	-	18,527	79,114	1,697,551
Total comprehensive income	-	-	513	-	100,982	26,757	128,252
<b>At 30 September 2019</b>	<b>1,425,272</b>	<b>170,648</b>	<b>4,503</b>	<b>-</b>	<b>119,509</b>	<b>105,871</b>	<b>1,825,802</b>
<b>At 1 January 2018</b>							
- 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)	-
<b>At 31 December 2018</b>	<b>1,425,272</b>	<b>170,648</b>	<b>3,990</b>	<b>-</b>	<b>18,527</b>	<b>79,114</b>	<b>1,697,551</b>
<b>Bank</b>							
<b>At 1 Jan 2019</b>	1,425,272	170,648	-	-	18,707	54,051	1,668,678
Total comprehensive income	-	-	-	-	100,803	24,733	125,537
Transfer to statutory reserve	-	-	-	-	-	-	-
<b>At 30 September 2019</b>	<b>1,425,272</b>	<b>170,648</b>	<b>-</b>	<b>-</b>	<b>119,511</b>	<b>78,785</b>	<b>1,794,215</b>
<b>At 1 January 2018</b>	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)	-
<b>At 31 December 2018</b>	<b>1,425,272</b>	<b>170,648</b>	<b>-</b>	<b>-</b>	<b>18,707</b>	<b>54,051</b>	<b>1,668,678</b>

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

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## INTERIM CONDENSED STATEMENTS OF CASH FLOWS

	Group		Bank	
	30-Sep 2019 RM'000	30-Sep 2018 RM'000	30-Sep 2019 RM'000	30-Sep 2018 RM'000
Profit before zakat and taxation	34,622	62,090	32,544	59,121
Adjustments for non-cash items	15,007	(30,556)	17,691	(33,460)
Operating profit before changes in working capital	49,629	31,534	50,235	25,661
<u>Changes in the working capital</u>				
Net changes in operating assets	559,220	352,770	559,215	359,146
Net changes in operating liabilities	(257,709)	402,095	(241,397)	391,382
Zakat and taxation refund/(paid)	(20)	-	-	-
Net cash generated from operating activities	301,491	754,865	317,818	750,528
Net purchases of assets	(369,629)	(620,114)	(382,059)	(634,860)
Net cash used in investing activities	(369,629)	(620,114)	(382,059)	(634,860)
Net change in cash and cash equivalents	(18,509)	166,286	(14,006)	141,328
Cash and cash equivalents at beginning of the period	135,339	428,793	135,339	457,746
Exchange differences on translation of opening balances	4,503	3,996	-	-
Cash and cash equivalents at end of the period	121,333	599,074	121,333	599,074

*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 RM34.6 million and RM32.5 million respectively for the period ended 30 September 2019.

**A2 OUTLOOK FOR 2019**

The Malaysian economy is expected to remain resilient and GDP is forecasted to grow at 4.7% in 2019 backed by strong fundamentals and diversified economic structure. Domestic demand will remain the driver of growth driven by stable labour market conditions as well as expansion in the external sector.

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 throughout 2019.

Despite a challenging external environment, arising mainly from moderating global growth and trade activities together with volatility in financial and commodity market, 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 Sep 2019 RM'000	31 Dec 2018 RM'000	30 Sep 2019 RM'000	31 Dec 2018 RM'000
Cash and balance with banks and other financial institutions	113,319	120,155	113,319	120,155
Money at call and interbank placement with remaining maturity less than one month	8,095	15,996	8,095	15,996
	<b>121,414</b>	136,151	<b>121,414</b>	136,151
Less : ECL allowance	<b>(81)</b>	(812)	<b>(81)</b>	(812)
	<b>121,333</b>	135,339	<b>121,333</b>	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	Total RM'000
Internal rating grade :						
Performing	121,414	-	-	121,414	136,151	136,151
Past due but not impaired	-	-	-	-	-	-
Individually impaired	-	-	-	-	-	-
Total	121,414	-	-	121,414	136,151	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	Total RM'000
Internal rating grade :						
Performing	121,414	-	-	121,414	136,151	136,151
Past due but not impaired	-	-	-	-	-	-
Individually impaired	-	-	-	-	-	-
Total	121,414	-	-	121,414	136,151	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
<b>Gross carrying amount as at 1 January 2019</b>	136,151	-	-	136,151
Net remeasurement of outstanding balance	(207,610)	-	-	(207,610)
New financial assets originated or purchased	494,889	-	-	494,889
Financial assets that have matured	(302,016)	-	-	(302,016)
<b>Gross carrying amount as at 30 Sep 2019</b>	121,414	-	-	121,414

2019 Group	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
<b>ECL allowance as at 1 January 2019</b>	812	-	-	812
Allowance made/(reversed) during the year	(731)	-	-	(731)
<b>ECL allowance as at 30 Sep 2019</b>	81	-	-	81
Net carrying amount (after ECL)	121,333	-	-	121,333

2019 Bank	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
<b>Gross carrying amount as at 1 January 2019</b>	136,151	-	-	136,151
Net remeasurement of outstanding balance	(207,610)	-	-	(207,610)
New financial assets originated or purchased	494,889	-	-	494,889
Financial assets that have matured	(302,016)	-	-	(302,016)
<b>Gross carrying amount as at 30 Sep 2019</b>	121,414	-	-	121,414

2019 Bank	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
<b>ECL allowance as at 1 January 2019</b>	812	-	-	812
Allowance made/(reversed) during the year	(731)	-	-	(731)
<b>ECL allowance as at 30 Sep 2019</b>	81	-	-	81
Net carrying amount (after ECL)	121,333	-	-	121,333

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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 Sep 2019 RM'000	31 Dec 2018 RM'000	30 Sep 2019 RM'000	31 Dec 2018 RM'000
Bank Negara Malaysia ^	5,544	5,755	5,544	5,755
Other financial institutions	-	-	-	-
	5,544	5,755	5,544	5,755
Less : ECL Allowance	-	-	-	-
	5,544	5,755	5,544	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	5,544	-	-	5,544	5,755
Past due but not impaired	-	-	-	-	-
Individually impaired	-	-	-	-	-
Total	5,544	-	-	5,544	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	5,544	-	-	5,544	5,755
Past due but not impaired	-	-	-	-	-
Individually impaired	-	-	-	-	-
Total	5,544	-	-	5,544	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:

<b>2019 Group</b>	<b>Stage 1 RM'000</b>	<b>Stage 2 RM'000</b>	<b>Stage 3 RM'000</b>	<b>Total RM'000</b>
<b>Gross carrying amount as at 1 January 2019</b>	-	-	-	-
Net remeasurement of outstanding balance	(5,755)	-	-	(5,755)
New financial assets originated or purchased	3,619	-	-	3,619
Financial assets that have matured	2,136	-	-	2,136
<b>Gross carrying amount as at 30 Sep 2019</b>	<b>0</b>	<b>-</b>	<b>-</b>	<b>0</b>

<b>2019 Group</b>	<b>Stage 1 RM'000</b>	<b>Stage 2 RM'000</b>	<b>Stage 3 RM'000</b>	<b>Total RM'000</b>
<b>ECL allowance as at 1 January 2019</b>	-	-	-	-
New financial assets originated or purchased	80	-	-	80
Financial assets that have matured	(80)	-	-	(80)
<b>ECL allowance as at 30 Sep 2019</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Net carrying amount (after ECL)	0	-	-	0

<b>2019 Bank</b>	<b>Stage 1 RM'000</b>	<b>Stage 2 RM'000</b>	<b>Stage 3 RM'000</b>	<b>Total RM'000</b>
<b>Gross carrying amount as at 1 January 2019</b>	-	-	-	-
Net remeasurement of outstanding balance	(5,755)	-	-	(5,755)
New financial assets originated or purchased	3,619	-	-	3,619
Financial assets that have matured	2,136	-	-	2,136
<b>Gross carrying amount as at 30 Sep 2019</b>	<b>0</b>	<b>-</b>	<b>-</b>	<b>0</b>

<b>2019 Bank</b>	<b>Stage 1 RM'000</b>	<b>Stage 2 RM'000</b>	<b>Stage 3 RM'000</b>	<b>Total RM'000</b>
<b>ECL allowance as at 1 January 2019</b>	-	-	-	-
New financial assets originated or purchased	80	-	-	80
Financial assets that have matured	(80)	-	-	(80)
<b>ECL allowance as at 30 Sep 2019</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Net carrying amount (after ECL)	0	-	-	0

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

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

**A5 Financial assets at FVTPL**

**At fair value**

Collective Investment Scheme

Group and Bank	
30 Sep 2019 RM'000	31 Dec 2018 RM'000
686	1,059
686	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	3,292,307	-	-	3,292,307	2,889,238
Past due but not impaired	-	-	-	-	-
Individually impaired	-	-	-	-	-
Total	3,292,307	-	-	3,292,307	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	3,292,307	-	-	3,292,307	2,876,991
Past due but not impaired	-	-	-	-	-
Individually impaired	-	-	-	-	-
Total	3,292,307	-	-	3,292,307	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 Sep 2019	3,292,307	-	-	3,292,307

<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	2,695	-	-	2,695
ECL allowance as at 30 Sep 2019 *	22,200	-	-	22,200

\* The ECL allowance for financial instruments measured at FVOCI is grouped together with FVOCI reserves under equity.

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

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

**A6 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
<b>Bank</b>				
Fair value amount as at 30 Sep 2019	3,292,307	-	-	3,292,307

	2019			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
<b>Bank</b>				
ECL allowance as at 1 January *	19,500	-	-	19,500
Allowance made during the year	2,700	-	-	2,700
<b>ECL allowance as at 30 Sep 2019 *</b>	<b>22,200</b>	<b>-</b>	<b>-</b>	<b>22,200</b>

\* The ECL allowance for financial instruments measured at FVOCI is grouped together with FVOCI reserves under equity.

**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 Sep 2019 RM'000	31 Dec 2018 RM'000
Musyarakah Capital Investment	18	18
	<b>18</b>	<b>18</b>

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

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

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

**A8 Financing, Advances and Other Receivables**

**i) At amortised cost**

Term financing	
- House financing	
- Personal financing	
- Cashline financing	
- Syndicated financing	
- Hire purchase receivables	
- Other term financing	
Credit card	
Staff financing	
Less: Impairment allowances	
- Stage 1 Financing	
- Stage 2 Financing	
- Stage 3 Financing	
Net financing and advances to customers	
Less: Impairment allowances	
- Stage 1 Undrawn	
- Stage 1 Trade facilities	
- Stage 2 Trade facilities	
Net financing, advances and other receivables	

Group and Bank	
30 Sep 2019 RM'000	31 Dec 2018 RM'000
1,132,449	1,107,677
1,146,441	1,168,414
11,214	9,702
218,968	241,462
746,422	775,243
2,041,609	2,501,276
126	266
26,400	22,751
5,323,628	5,826,791
(79,726)	(70,970)
(15,931)	(15,681)
(142,878)	(145,125)
5,085,093	5,595,015
(1,315)	(765)
(1,837)	(1,838)
(210)	(140)
5,081,732	5,592,272

**ii) By contract**

Ijarah Muntahia Bittamlik (lease ended with ownership)	
Murabahah (cost-plus)	
Mudharabah (profit sharing)	
Qard (benevolent financing)	
Musyarakah (profit and loss sharing)	
Istisna'	
Ujrah (Credit card)	

Group and Bank	
30 Sep 2019 RM'000	31 Dec 2018 RM'000
2,213,551	2,290,390
3,039,042	3,448,334
43,705	43,705
1,692	1,375
24,522	41,686
990	1,035
126	266
5,323,628	5,826,791

**iii) By type of customer**

Domestic business enterprises	
- Small medium enterprises	
- Others	
Individuals	
Domestic non-bank financial institutions	

Group and Bank	
30 Sep 2019 RM'000	31 Dec 2018 RM'000
393,050	474,457
1,861,503	2,252,739
3,069,075	3,096,703
-	2,892
5,323,628	5,826,791

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

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

**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 Sep 2019 RM'000	31 Dec 2018 RM'000
1,935,337	2,313,351
83,652	107,006
373,831	378,512
<b>2,930,808</b>	<b>3,027,922</b>
<b>5,323,628</b>	<b>5,826,791</b>

**(v) By geographical distribution**

Malaysia  
Middle East  
Other countries

Group and Bank	
30 Sep 2019 RM'000	31 Dec 2018 RM'000
5,318,522	5,820,106
3,642	3,884
1,464	2,801
<b>5,323,628</b>	<b>5,826,791</b>

**vi) By profit rate sensitivity**

Fixed rate  
- House financing  
- Hire purchase receivables  
- Syndicated financing  
- Term financing  
Variable rate  
- House financing  
- Term financing

Group and Bank	
30 Sep 2019 RM'000	31 Dec 2018 RM'000
2,826	3,977
746,422	775,243
218,968	241,462
967,077	1,004,567
1,130,041	1,104,027
<b>2,258,294</b>	<b>2,697,515</b>
<b>5,323,628</b>	<b>5,826,791</b>

**vii) By economic purpose**

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

Group and Bank	
30 Sep 2019 RM'000	31 Dec 2018 RM'000
751,465	779,041
1,155,683	1,140,608
318,915	373,659
6,449	18,572
1,455,506	1,767,087
171,613	168,964
1,167,618	1,193,098
296,379	385,762
<b>5,323,628</b>	<b>5,826,791</b>



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

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

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

**viii) By sector**

	Group and Bank	
	30 Sep 2019 RM'000	31 Dec 2018 RM'000
Construction	422,555	606,867
Electricity, gas and water	103,039	111,710
Finance, insurance and business services	103,352	116,038
Household	3,069,075	3,095,326
Manufacturing	310,445	376,298
Mining and quarrying	360	104
Agriculture, hunting, forestry & fishing	221,904	310,657
Real Estate	461,102	528,265
Transports, storage and communication	126,138	149,340
Wholesale & retail trade and restaurants & hotels	482,771	497,634
Others	22,887	34,552
<b>Total</b>	<b>5,323,628</b>	<b>5,826,791</b>

**(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
<b>30 Sep 2019</b>								
House financing	1,117,160	81	-	14,218	-	990	-	1,132,449
Personal financing	-	1,145,198	-	-	1,242	-	-	1,146,441
Syndicated financing	40,986	177,982	-	-	-	-	-	218,968
Cashline financing	-	11,214	-	-	-	-	-	11,214
Hire purchase receivables	746,422	-	-	-	-	-	-	746,422
Other term financing	288,158	1,699,618	43,705	10,127	-	-	-	2,041,608
Staff financing	20,824	4,949	-	177	450	-	-	26,400
Credit card	-	-	-	-	-	-	126	126
<b>Total</b>	<b>2,213,551</b>	<b>3,039,042</b>	<b>43,705</b>	<b>24,522</b>	<b>1,692</b>	<b>990</b>	<b>126</b>	<b>5,323,628</b>

	Group and Bank							
	Ijarah Muntahia Bittamlik/ Al-Ijarah Thumma Al-Bai'/ (lease ended with ownership)	Murabahah (cost- plus)	Mudharabah (profit sharing)	Musyarakah (profit and loss sharing)	Qard (benevolent financing)	Istisna'	Ujarah	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>31 Dec 2018</b>								
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
<b>Total</b>	<b>2,290,390</b>	<b>3,448,334</b>	<b>43,705</b>	<b>41,686</b>	<b>1,375</b>	<b>1,035</b>	<b>266</b>	<b>5,826,791</b>

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

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

**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:	990	1,464
- Depositors' Fund	794	1,193
- Shareholders' Fund	196	271
Uses of Qard fund:	(673)	(1,020)
- Financing for asset purchase	(540)	(831)
- Staff Benevolent	(133)	(189)
Closing balance	1,692	1,375

Group and Bank	
30 Sep 2019 RM'000	31 Dec 2018 RM'000
1,375	931
990	1,464
794	1,193
196	271
(673)	(1,020)
(540)	(831)
(133)	(189)
1,692	1,375

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

At 1 Jan	267,288	418,478
Impaired during the period/year	5,965	(151,190)
- Impaired during the period/year	74,541	67,393
- Reclassified to performing during the year	(3,698)	(13,451)
- Amount recovered	(57,844)	(123,358)
- Amount written off	(7,034)	(81,774)
Closing balance	273,253	267,288

Group and Bank	
30 Sep 2019 RM'000	31 Dec 2018 RM'000
267,288	418,478
5,965	(151,190)
74,541	67,393
(3,698)	(13,451)
(57,844)	(123,358)
(7,034)	(81,774)
273,253	267,288
2.52%	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	9,625	9,845
Closing balance	99,019	89,394

Group and Bank	
30 Sep 2019 RM'000	31 Dec 2018 RM'000
-	122,221
-	(42,672)
89,394	79,549
9,625	9,845
99,019	89,394
1.91%	1.57%

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

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

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

**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 Sep 2019 RM'000	31 Dec 2018 RM'000
<b>Stage 3 impairment</b>		
At 1 Jan	145,125	263,872
Allowance reversed during the year	4,786	(36,973)
- Allowance made	30,775	57,842
- Allowance written-back	(25,989)	(94,815)
Amount written off	(7,034)	(81,774)
Closing balance	142,878	145,125

**xiii) Impaired financing by sector**

	Group and Bank	
	30 Sep 2019 RM'000	31 Dec 2018 RM'000
Finance, insurance and business services	7,584	8,954
Household	34,015	20,743
Manufacturing	92,439	113,524
Real Estate	128,461	111,832
Wholesale & retail trade and restaurants & hotels	10,754	12,234
	273,253	267,288

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

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

**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	4,780,507	-	-	4,780,507	5,423,140
Past due but not impaired	-	269,868	-	269,868	136,363
Individually impaired	-	-	273,253	273,253	267,288
<b>Total</b>	<b>4,780,507</b>	<b>269,868</b>	<b>273,253</b>	<b>5,323,628</b>	<b>5,826,791</b>

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
<b>Gross carrying amount as at 1 January 2019</b>	5,423,140	136,363	267,288	5,826,791
Transfer to 12-month ECL	32,269	(30,566)	(1,703)	-
Transfer to lifetime ECL not credit impaired	(49,956)	50,522	(567)	-
Transfer to lifetime ECL credit impaired	(9,119)	(11,640)	20,759	-
Net remeasurement of outstanding balance	(150,174)	(4,402)	(1,312)	(155,889)
New financial assets originated or purchased	2,180,664	174,510	238,296	2,593,470
Financial assets that have matured	(2,646,317)	(44,918)	(249,508)	(2,940,743)
<b>Gross carrying amount as at 30 Sep 2019</b>	<b>4,780,507</b>	<b>269,868</b>	<b>273,253</b>	<b>5,323,628</b>

<u>Group and Bank</u>	2019			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
<b>ECL allowance as at 1 January 2019</b>	73,573	15,821	145,125	234,518
Transfer to 12-month ECL	2,468	(1,786)	(682)	-
Transfer to lifetime ECL not credit impaired	(534)	575	(42)	-
Transfer to lifetime ECL credit impaired	(144)	(692)	836	-
Allowance made during the year	7,515	2,223	4,674	14,412
Write-offs	-	-	(7,034)	(7,034)
<b>ECL allowance as at 30 Sep 2019</b>	<b>82,878</b>	<b>16,141</b>	<b>142,878</b>	<b>241,897</b>
<b>Net carrying amount (after ECL)</b>	<b>4,697,629</b>	<b>253,727</b>	<b>130,376</b>	<b>5,081,732</b>

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

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

**A9 Other Assets**

	Group		Bank	
	30 Sep 2019 RM'000	31 Dec 2018 RM'000	30 Sep 2019 RM'000	31 Dec 2018 RM'000
Deposits and prepayments	9,222	8,555	9,105	8,425
Amount due from subsidiaries	-	-	-	4
Amount due from other related parties	116,991	120,752	116,991	120,752
Fee receivable	6	1	6	1
Sundry debtors	4,126	4,117	4,126	4,120
	<b>130,346</b>	<b>133,425</b>	<b>130,228</b>	<b>133,302</b>

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 September 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
<b>1,608,803</b>	<b>7,276</b>	<b>6,797</b>
1,038,702	4,240	3,766
570,101	3,036	3,032
<b>1,608,803</b>	<b>7,276</b>	<b>6,797</b>

**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
<b>979,817</b>	<b>3,780</b>	<b>4,506</b>

The Bank's derivatives designated for fair value hedges consists of forward foreign exchange related contracts that are used to protect against exposures to variability in foreign currency exchange rates. This hedging strategy is applied towards interbank borrowings and corporate customer deposits. The changes in the fair value of the forward foreign exchange contract and interbank borrowings or corporate customer deposits are recognised in the income statements. The measurement of the hedged item results in a net loss of RM729,616 recorded in unrealised gain/loss on revaluation of foreign exchange in 2019 (2018: RM723,792).

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

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

**A11 Deposits from Customers**

**(i) By type of deposit**

	Group		Bank	
	30 Sep 2019 RM'000	31 Dec 2018 RM'000	30 Sep 2019 RM'000	31 Dec 2018 RM'000
Qard				
- Demand deposits	442,275	517,845	375,279	426,712
- Gold deposits	85,524	96,341	85,524	96,341
Wakalah	370,345	12,226	-	-
Murabahah				
- Term placement	4,037,105	3,845,469	3,999,164	3,845,469
- Savings deposits	101,863	107,117	101,864	107,118
	<b>5,037,112</b>	<b>4,578,999</b>	<b>4,561,831</b>	<b>4,475,640</b>

**(ii) By type of customer**

	Group		Bank	
	30 Sep 2019 RM'000	31 Dec 2018 RM'000	30 Sep 2019 RM'000	31 Dec 2018 RM'000
Business enterprises	2,390,541	1,907,774	1,828,038	1,726,484
Individuals	353,560	371,946	353,560	371,946
Subsidiaries	-	-	87,222	77,930
Government and statutory bodies	1,814,216	1,659,101	1,814,216	1,659,101
Other enterprises	478,796	640,178	478,796	640,179
	<b>5,037,112</b>	<b>4,578,999</b>	<b>4,561,831</b>	<b>4,475,640</b>

**(iii) By contractual maturity**

	Group		Bank	
	30 Sep 2019 RM'000	31 Dec 2018 RM'000	30 Sep 2019 RM'000	31 Dec 2018 RM'000
Due within six months	4,004,818	3,719,085	3,529,536	3,615,726
More than six months to one year	761,888	634,221	761,888	634,221
More than one year to three years	270,406	225,693	270,406	225,694
	<b>5,037,112</b>	<b>4,578,999</b>	<b>4,561,831</b>	<b>4,475,640</b>

**A12 Deposits and Placements of Banks and Other Financial Institutions**

	Group		Bank	
	30 Sep 2019 RM'000	31 Dec 2018 RM'000	30 Sep 2019 RM'000	31 Dec 2018 RM'000
Murabahah				
Licensed Islamic banks	20,950	255,850	20,950	255,850
Other financial institutions	2,151,707	2,650,891	2,668,549	2,780,736
	<b>2,172,657</b>	<b>2,906,741</b>	<b>2,689,499</b>	<b>3,036,586</b>

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

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

**A13 INVESTMENT ACCOUNTS**

	Group and Bank	
	30 Sep 2019 RM'000	31 Dec 2018 RM'000
As at 1 January	5,755	8,218
Net placement during the year	(286)	(2,597)
Income from investment	126	225
Profit distributed to mudarib	(51)	(91)
As at 30 September/31 December	<b>5,544</b>	<b>5,755</b>
Investment asset: Wadiah placement with BNM	<b>5,544</b>	<b>5,755</b>

**Profit Sharing Ratio, Rate of Return and Performance Incentive Fee**

	Investment account holder	
	Average profit sharing ratio	Average rate of return
	(%)	(%)
<b>Unrestricted investment accounts:</b> Less than 3 months	60	1.86

	Group and Bank	
	30 Sep 2019 RM'000	31 Dec 2018 RM'000
Business enterprises	2,504	1,197
Individuals	2,763	2,846
Other enterprises	278	1,712
	<b>5,544</b>	<b>5,755</b>

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

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

**A14 Other Liabilities**

	Group		Bank	
	30 Sep 2019 RM'000	31 Dec 2018 RM'000	30 Sep 2019 RM'000	31 Dec 2018 RM'000
Sundry creditors	30,045	59,903	30,008	59,817
Accrued restoration cost	5,595	5,600	5,595	5,600
Undistributed charity funds (i)	2,351	3,192	2,351	3,192
Other provisions and accruals	27,527	32,552	27,387	32,436
	<b>65,518</b>	<b>101,247</b>	<b>65,342</b>	<b>101,046</b>

(i) Sources and uses of charity funds:

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

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

Closing balance

Group and Bank	
30 Sep 2019 RM'000	31 Dec 2018 RM'000
3,192	2,760
2,029	664
<b>5,220</b>	<b>3,424</b>
(2,836)	-
(20)	(85)
(13)	(147)
<b>(2,869)</b>	<b>(232)</b>
<b>2,351</b>	<b>3,192</b>

**A15 Share Capital**

	Number of ordinary shares at RM1.00 each		Amount	
	30 Sep 2019 Units'000	31 Dec 2018 Units'000	30 Sep 2019 RM'000	31 Dec 2018 RM'000
<b>Authorised:</b>				
At 1 January/At closing balance	<b>3,000,000</b>	3,000,000	<b>3,000,000</b>	3,000,000
<b>Issued and fully paid:</b>				
At 1 January	<b>1,425,272</b>	1,425,272	<b>1,425,272</b>	1,425,272
At 1 January/At closing balance	<b>1,425,272</b>	1,425,272	<b>1,425,272</b>	1,425,272



# KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

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

### A16 Income derived from investment of depositors' funds and others

	3rd Quarter ended 30-Sep		Nine-months ended 30-Sep	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
<b>Group</b>				
Finance income from financing, advances and other receivables	64,016	67,501	195,372	199,193
Finance income from impaired financing	1,022	1,240	2,706	1,441
Income from securities				
- Financial assets at FVTPL	-	-	-	9
- Financial assets at FVOCI	27,792	24,083	81,016	65,911
Money at call and deposits with financial institutions	498	2,886	2,459	6,651
	<b>93,328</b>	95,710	<b>281,554</b>	273,205
Amortisation of premium less accretion of discounts	<b>(1,251)</b>	(1,204)	<b>(3,704)</b>	(3,472)
Total finance income and hibah	<b>92,077</b>	94,506	<b>277,850</b>	269,733
Gain/(loss) arising from sale of securities				
- Financial assets at FVTPL	1	-	1	280
- Financial assets at FVOCI	94	(54)	2,870	1,815
Foreign exchange (loss)/gain				
- Realised	<b>(4,647)</b>	1,322	<b>(2,981)</b>	267
Gain on Ijarah rental swap obligation	-	337	-	1,169
	<b>87,524</b>	96,111	<b>277,740</b>	273,264
<b>Bank</b>				
Finance income from financing, advances and other receivables	64,016	67,562	195,372	199,319
Finance income from impaired financing	1,022	1,241	2,706	1,443
Income from securities				
- Financial assets at FVTPL	-	-	-	9
- Financial assets at FVOCI	27,809	24,057	81,003	65,814
Money at call and deposits with financial institutions	499	2,888	2,463	6,676
	<b>93,347</b>	95,748	<b>281,544</b>	273,261
Amortisation of premium less accretion of discounts	<b>(1,253)</b>	(1,205)	<b>(3,709)</b>	(3,474)
Total finance income and hibah	<b>92,093</b>	94,543	<b>277,835</b>	269,787
Gain/(loss) arising from sale of securities				
- Financial assets at FVTPL	1	-	1	280
- Financial assets at FVOCI	94	(54)	2,870	1,816
Foreign exchange gain				
- Realised	<b>(5,051)</b>	971	<b>(3,506)</b>	(355)
Gain on Ijarah rental swap obligation	-	337	-	1,169
	<b>87,137</b>	95,797	<b>277,199</b>	272,697

# KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

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

### A17 Income derived from Investment of Shareholder's Equity

<b>Group</b>	<b>3rd Quarter ended 30-Sep</b>		<b>Nine-months ended 30-Sep</b>	
	<b>2019 RM'000</b>	<b>2018 RM'000</b>	<b>2019 RM'000</b>	<b>2018 RM'000</b>
Finance income from financing, advances and other receivables	15,858	14,735	46,833	44,715
Finance income from impaired financing	253	271	655	316
Income from securities:				
- Financial assets at FVTPL	-	-	-	2
- Financial assets at FVOCI	6,928	5,256	19,605	14,772
Money at call and deposits with financial institutions	128	629	611	1,485
	<b>23,167</b>	20,890	<b>67,705</b>	61,290
Amortisation of premium less accretion of discounts	(312)	(263)	(896)	(779)
Total finance income and hibah	<b>22,854</b>	20,627	<b>66,809</b>	60,511
Fee income				
- Commission	1,126	823	2,416	3,996
- Fund management fee	-	781	-	781
- Other fee income	1,590	1,254	5,086	4,298
Gain/(loss) arising from sale of securities				
- Financial assets at FVTPL	0	-	0	64
- Financial assets at FVOCI	19	(12)	665	408
Unrealised loss on revaluation of securities held-for-trading and Ijarah rental swap (net)	-	(437)	-	(1,498)
Foreign exchange (loss)/gain				
- Realised	4,539	14,683	5,211	(8,134)
- Unrealised	208	(15,884)	(1,467)	10,086
Gain on Ijarah rental swap obligation	-	74	-	263
Gain on disposal of property, plant and equipment	0	9	334	9
Other income	155	168	437	388
Management fee	-	30	-	30
	<b>30,493</b>	22,116	<b>79,491</b>	71,202

# KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

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

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

	3rd Quarter ended 30-Sep		Nine-months ended 30-Sep	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
<b>Bank</b>				
Finance income from financing, advances and other receivables	15,858	14,674	46,833	44,588
Finance income from impaired financing	253	270	655	315
Income from securities:				
- Financial assets at FVTPL	-	-	-	2
- Financial assets at FVOCI	6,871	5,224	19,462	14,698
Money at call and deposits with financial institutions	127	626	608	1,485
	<b>23,108</b>	20,793	<b>67,559</b>	61,089
Amortisation of premium less accretion of discounts	(310)	(262)	(891)	(777)
Total finance income and hibah	<b>22,798</b>	20,532	<b>66,668</b>	60,312
Fee income				
- Commission	1,127	827	2,418	4,007
- Other fee income	1,589	1,249	5,085	4,287
Gain/(loss) arising from sale of securities				
- Financial assets at FVTPL	0	-	0	64
- Financial assets at FVOCI	19	(12)	665	407
Unrealised loss on revaluation of securities held-for-trading and Ijarah rental swap (net)	-	(437)	-	(1,498)
Foreign exchange (loss)/gain				
- Realised	4,450	14,605	5,089	(8,273)
- Unrealised	164	(15,879)	(1,552)	9,940
Gain on Ijarah rental swap obligation	-	73	-	262
Gain on disposal of property, plant and equipment	0	9	334	9
Management fee	30	30	90	90
	<b>30,178</b>	20,997	<b>78,797</b>	69,608

# KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

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

### 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
<b>2019</b>				
<b><u>Group</u></b>				
Cash and short-term funds	731	-	-	731
Financing and advances to customers	(9,306)	(320)	(4,235)	(13,861)
Bad debt recovered	-	-	10,321	10,321
Debt instruments measured at FVOCI	(2,695)	-	-	(2,695)
Debt instruments measured at amortised cost	-	-	-	-
Total Impairment loss charges /(writeback)	(11,270)	(320)	6,085	(5,505)

	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
<b>2018</b>				
<b><u>Group</u></b>				
Due from banks	(3,072)	-	-	(3,072)
Financing and advances to customers	(2,476)	(3,194)	68,994	63,325
Debt instruments measured at FVOCI	(6,063)	-	-	(6,063)
Total Impairment loss charges /(writeback)	(11,610)	(3,194)	68,994	54,190

	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
<b>2019</b>				
<b><u>Bank</u></b>				
Cash and short-term funds	731	-	-	731
Financing and advances to customers	(9,306)	(320)	(4,235)	(13,861)
Bad debt recovered	-	-	10,321	10,321
Debt instruments measured at FVOCI	(2,700)	-	0	(2,700)
Total Impairment loss charges /(writeback)	(11,276)	(320)	6,085	(5,510)

	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
<b>2018</b>				
<b><u>Bank</u></b>				
Due from banks	(2,858)	-	-	(2,858)
Financing and advances to customers	(2,476)	(3,194)	68,994	63,324
Debt instruments measured at FVOCI	(6,416)	-	-	(6,416)
Total Impairment loss charges /(writeback)	(11,750)	(3,194)	68,994	54,050

# KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

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

### A19 Income Attributable to the Depositors

	3rd Quarter ended 30-Sep		Nine-months ended 30-Sep	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
<b>Group</b>				
Deposits from customers				
- Murabahah	35,723	37,589	113,564	104,502
- Wakalah	1,825	122	3,314	711
Deposits and placements of banks and other financial institutions				
- Murabahah and Wakalah	21,616	24,487	71,751	66,376
Others	121	188	427	918
	<b>59,285</b>	<b>62,386</b>	<b>189,056</b>	<b>172,506</b>
<b>Bank</b>				
Deposits from customers				
- Murabahah	35,482	37,539	112,781	104,219
Deposits and placements of banks and other financial institutions				
- Murabahah and Wakalah	24,221	25,257	77,734	68,999
Others	121	188	427	918
	<b>59,824</b>	<b>62,983</b>	<b>190,943</b>	<b>174,136</b>

### A20 Profit Distributed to Investment Account Holders

	3rd Quarter ended 30-Sep		Nine-months ended 30-Sep	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
<b>Group &amp; Bank</b>				
Income derived from investment of investment account funds	40	50	126	167
Profit distributed to mudarib	(16)	(20)	(51)	(67)
	<b>24</b>	<b>30</b>	<b>76</b>	<b>100</b>

# KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

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

### A21 Commitments and Contingencies

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

	As at 30 Sep 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
<b>Group and Bank</b>						
Direct credit substitutes	52,860	52,860	51,289	53,458	53,145	52,548
Transaction related contingencies	114,664	57,332	43,550	165,383	80,959	67,517
Trade related contingencies	3,470	694	532	59,250	11,847	8,895
Irrevocable commitments to extend credit						
- maturity less than one year	429,402	85,880	69,448	374,270	67,460	66,250
- maturity more than one year	247,284	123,642	113,533	194,106	93,666	66,857
Foreign exchange related contracts *						
- less than one year	-	-	-	-	-	-
- one year to five years	270,841	2,158	1,041	84,054	629	315
- five years and above	1,326,376	39,991	11,945	1,229,158	16,758	5,863
Profit rate related contracts (Ijarah rental swap obligation) *						
- five years and above	-	-	-	-	-	-
	<b>2,444,896</b>	<b>362,557</b>	<b>291,338</b>	<b>2,159,680</b>	<b>324,464</b>	<b>268,245</b>

\* 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	
	Sep 2019 RM'000	Dec 2018 RM'000
Financial guarantees	52,860	53,458
Letters of credit	118,134	224,633
Other undrawn commitments	676,686	568,376
Total commitment	847,679	846,467
Less : ECL (charge)/writeback	(3,362)	(2,742)
	<b>844,317</b>	<b>843,725</b>

# KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

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

### A21.1 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	52,260	600	-	52,860	53,458
Past due but not impaired	-	-	-	-	-
Individually impaired	-	-	-	-	-
Total	52,260	600	-	52,860	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
<b>Gross carrying amount as at 1 January 2019</b>	53,058	400	-	53,458
Net remeasurement of outstanding balance	774	-	-	774
New financial assets originated or purchased	2,126	600	-	2,726
Financial assets that have matured	(3,698)	(400)	-	(4,098)
<b>Gross carrying amount as at 30 Sep 2019</b>	52,260	600	-	52,860

<u>Group and Bank</u>	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
<b>ECL allowance as at 1 January 2019</b>	1,834	140	-	1,974
Transfer to 12-month ECL	-	-	-	-
Transfer to lifetime ECL not credit impaired	-	-	-	-
Transfer to lifetime ECL credit impaired	-	-	-	-
Net remeasurement of loss allowance	924	-	-	924
New financial assets originated or purchased	14	210	-	224
Financial assets that have matured	(935)	(140)	-	(1,075)
<b>ECL allowance as at 30 Sep 2019</b>	1,837	210	-	2,047
Net carrying amount (after ECL)	50,423	390	-	50,813

# KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

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

### A21.1 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.

<b>Group and Bank</b>	2019				2018
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000	Total RM'000
Internal rating grade :					
Performing	118,134	-	-	118,134	224,633
Past due but not impaired	-	-	-	-	-
<b>Total</b>	<b>118,134</b>	<b>-</b>	<b>-</b>	<b>118,134</b>	<b>224,633</b>

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

<b>Group and Bank</b>	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
<b>Gross carrying amount as at 1 January 2019</b>	224,633	-	-	224,633
New financial assets originated or purchased	3,470	-	-	3,470
Financial assets that have matured	(109,969)	-	-	(109,969)
<b>Gross carrying amount as at 30 Sep 2019</b>	<b>118,134</b>	<b>-</b>	<b>-</b>	<b>118,134</b>

<b>Group and Bank</b>	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
<b>ECL allowance as at 1 January 2019</b>	3	-	-	3
New financial assets originated or purchased	0	-	-	0
Financial assets that have matured	(3)	-	-	(3)
<b>ECL allowance as at 30 Sep 2019</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net carrying amount (after ECL)</b>	<b>118,134</b>	<b>-</b>	<b>-</b>	<b>118,134</b>



# KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

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

### A21.1 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	674,965	1,721	-	676,686	568,376
Past due but not impaired	-	-	-	-	-
Individually impaired	-	-	-	-	-
<b>Total</b>	<b>674,965</b>	<b>1,721</b>	<b>-</b>	<b>676,686</b>	<b>568,376</b>

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
<b>Gross carrying amount as at 1 January 2019</b>	545,006	23,370	-	568,376
Transfer to 12-month ECL	501	(501)	-	-
Transfer to lifetime ECL not credit impaired	(90)	90	-	-
Net remeasurement of outstanding balance	(15,772)	-	-	(15,772)
New financial assets originated or purchased	647,572	1,138	-	648,710
Financial assets that have matured	(502,252)	(22,376)	-	(524,628)
<b>Gross carrying amount as at 30 Sep 2019</b>	<b>674,965</b>	<b>1,721</b>	<b>-</b>	<b>676,686</b>

<u>Group and Bank</u>	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
<b>ECL allowance as at 1 January 2019</b>	765	-	-	765
New financial assets originated or purchased	1,315	-	-	1,315
Financial assets that have matured	(765)	-	-	(765)
<b>ECL allowance as at 30 Sep 2019</b>	<b>1,315</b>	<b>-</b>	<b>-</b>	<b>1,315</b>
<b>Net carrying amount (after ECL)</b>	<b>673,650</b>	<b>1,721</b>	<b>-</b>	<b>675,371</b>

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

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

**A22 Capital Adequacy**

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

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

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

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

	<b>Group</b>		<b>Bank</b>	
	<b>30 Sep 2019</b>	<b>31 Dec 2018</b>	<b>30 Sep 2019</b>	<b>31 Dec 2018</b>
<b>Common Equity Tier I / Tier I Capital Ratio</b>				
Credit risk	<b>30.972%</b>	27.293%	<b>30.187%</b>	26.583%
Credit, market, operational and large exposure risks	<b>28.642%</b>	25.419%	<b>27.949%</b>	24.794%
<b>Total Capital Ratio</b>				
Credit risk	<b>32.222%</b>	28.542%	<b>31.437%</b>	27.833%
Credit, market, operational and large exposure risks	<b>29.798%</b>	26.582%	<b>29.106%</b>	25.960%

# KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

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

### A22 Capital Adequacy (Cont' d.)

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

	Group		Bank	
	30 Sep 2019 RM'000	31 Dec 2018 RM'000	30 Sep 2019 RM'000	31 Dec 2018 RM'000
<b><u>CET I / Tier I capital</u></b>				
Paid-up share capital	1,425,272	1,425,272	1,425,272	1,425,272
Statutory reserve	170,647	170,648	170,647	170,648
Other reserves	149,604	82,126	120,043	53,258
	<b>1,745,523</b>	1,678,046	<b>1,715,962</b>	1,649,178
Less: Deferred tax assets (net)	(181,806)	(181,806)	(181,806)	(181,806)
Less: Investment in subsidiaries	-	-	(10,200)	(10,200)
<b>Total CET I / Tier I capital</b>	<b>1,563,717</b>	1,496,240	<b>1,523,956</b>	1,457,172
<b><u>Tier II capital</u></b>				
Collective impairment on financing	63,110	68,461	63,105	68,520
<b>Total Tier II capital</b>	<b>63,110</b>	68,461	<b>63,105</b>	68,520
<b>Total capital</b>	<b>1,626,827</b>	1,564,701	<b>1,587,061</b>	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 Sep 2019 RM'000	31 Dec 2018 RM'000	30 Sep 2019 RM'000	31 Dec 2018 RM'000
<b>Computation of Total Risk-Weighted Assets (RWA)</b>				
Total Credit RWA	5,048,838	5,482,161	5,048,436	5,481,618
Total Market RWA	7,706	3,407	7,706	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	<b>5,459,588</b>	5,886,221	<b>5,452,656</b>	5,877,073
<b>Computation of Capital Ratios</b>				
Core Capital	1,563,717	1,496,240	1,523,956	1,457,172
Capital Base	1,626,827	1,564,701	1,587,061	1,525,692
<b>CET I / Tier I Capital Ratio</b>	<b>28.642%</b>	25.419%	<b>27.949%</b>	24.794%
<b>Total Capital Ratio</b>	<b>29.798%</b>	26.582%	<b>29.106%</b>	25.960%

# KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

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

### A23 FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

#### Determination of fair value and fair value hierarchy

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

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

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

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

	Level 2	Level 3	Total
	RM'000	RM'000	RM'000
<b>Group</b>			
<b>30 Sep 2019</b>			
<b>Financial assets</b>			
Securities held at FVTPL	686	-	686
Debt instruments measured at FVOCI	3,292,307	-	3,292,307
Equity instruments at FVOCI	18	-	18
Financing, advances and other receivables	1,785,092	3,295,228	5,080,320
Hedging financial instruments	7,276	-	7,276
<b>Total</b>	<b>5,085,379</b>	<b>3,295,228</b>	<b>8,380,607</b>
<b>Financial liability</b>			
Deposits from customers	4,989,751	-	4,989,751
Hedging financial instruments	6,797	-	6,797
	<b>4,996,548</b>	-	<b>4,996,548</b>
<b>31 Dec 2018</b>			
<b>Financial assets</b>			
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
<b>Total</b>	<b>4,668,270</b>	<b>3,816,701</b>	<b>8,484,971</b>
<b>Financial liability</b>			
Deposits from customers	4,561,603	-	4,561,603
Hedging financial instruments	4,506	-	4,506
	<b>4,566,109</b>	-	<b>4,566,109</b>

# KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

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

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

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

	Level 2	Level 3	Total
	RM'000	RM'000	RM'000
<b>Bank</b>			
<b>30 Sep 2019</b>			
<b>Financial assets</b>			
Financial assets at FVTPL	686	-	686
Debt instruments measured at FVOCI	3,292,307	-	3,292,307
Equity instruments at FVOCI	18	-	18
Financing, advances and other receivables	1,785,092	3,295,228	5,080,320
Hedging financial instruments	7,276	-	7,276
<b>Total</b>	<b>5,085,379</b>	<b>3,295,228</b>	<b>8,380,607</b>
<b>Financial liability</b>			
Deposits from customers	4,517,066	-	4,517,066
Hedging financial instruments	6,797	-	6,797
	<b>4,523,863</b>	<b>-</b>	<b>4,523,863</b>
<b>31 Dec 2018</b>			
<b>Financial assets</b>			
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
<b>Total</b>	<b>4,656,023</b>	<b>3,816,701</b>	<b>8,472,724</b>
<b>Financial liability</b>			
Deposits from customers	4,457,895	-	4,457,895
Hedging financial instruments	4,506	-	4,506
	<b>4,462,401</b>	<b>-</b>	<b>4,462,401</b>

#### 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%

# KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

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

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

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

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

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

		<b>Group</b>			
		<b>30 Sep 2019</b>		<b>31 Dec 2018</b>	
		<b>Carrying Value</b>	<b>Fair Value</b>	<b>Carrying Value</b>	<b>Fair Value</b>
		<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Financial Assets</b>					
Financing, advances and other receivables		5,081,732	5,080,320	5,592,272	5,590,876
		<b>5,081,732</b>	<b>5,080,320</b>	<b>5,592,272</b>	<b>5,590,876</b>
<b>Financial Liabilities</b>					
Deposits from customers		5,037,112	4,989,751	4,578,999	4,561,603
		<b>5,037,112</b>	<b>4,989,751</b>	<b>4,578,999</b>	<b>4,561,603</b>

		<b>Bank</b>			
		<b>30 Sep 2019</b>		<b>31 Dec 2018</b>	
		<b>Carrying Value</b>	<b>Fair Value</b>	<b>Carrying Value</b>	<b>Fair Value</b>
		<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Financial Assets</b>					
Financing, advances and other receivables		5,081,732	5,080,320	5,592,272	5,590,876
		<b>5,081,732</b>	<b>5,080,320</b>	<b>5,592,272</b>	<b>5,590,876</b>
<b>Financial Liabilities</b>					
Deposits from customers		4,561,831	4,517,066	4,475,640	4,457,895
		<b>4,561,831</b>	<b>4,517,066</b>	<b>4,475,640</b>	<b>4,457,895</b>

# KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

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

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

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

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

##### (a) Cash and Short-Term Funds

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

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

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

##### (c) 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.

# KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

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

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

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

##### (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.



# KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

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

### A24 FINANCIAL RISK MANAGEMENT

#### 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.

# KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

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

### A24 FINANCIAL RISK MANAGEMENT (Cont'd.)

#### MARKET RISK (Cont'd.)

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

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

	Non-trading book					Non-profit sensitive	Trading book	Total	Effective profit rate
	Up to 1 month	>1 - 3 months	>3 - 12 months	>1 - 5 years	Over 5 years				
Group 30 Sep 2019	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	%
<b>ASSETS</b>									
Cash and short-term funds	8,014	-	-	-	-	113,319	-	121,333	2.63
Deposits and placements with banks and other financial institutions	5,544	-	-	-	-	-	-	5,544	
Securities FVTPL	-	-	-	-	-	686	-	686	
Securities FVOCI	-	10,156	-	1,621,332	1,660,819	-	-	3,292,307	4.38
Financing, advances and receivables	1,158,829	1,942,527	35,943	250,250	1,665,824	28,358	-	5,081,732	5.63
Musarakah capital investment	-	-	-	-	-	18	-	18	
Other assets	-	-	-	-	-	689,749	-	689,749	
Hedging Financial Instrument Assets	5,289	1,508	480	-	-	-	-	7,276	
<b>TOTAL ASSETS</b>	<b>1,177,676</b>	<b>1,954,190</b>	<b>36,423</b>	<b>1,871,582</b>	<b>3,326,643</b>	<b>832,130</b>	-	<b>9,198,645</b>	

# KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

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

### A24 FINANCIAL RISK MANAGEMENT (Cont'd.)

#### 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 Sep 2019	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	%	
<b>LIABILITIES AND SHAREHOLDER'S EQUITY</b>									
Deposits from customers	1,510,721	1,357,592	1,526,901	556,375	-	85,524	-	5,037,112	3.01
Deposits and placements of banks and other financial institutions	917,818	715,570	539,268	-	-	-	-	2,172,657	3.33
Investment accounts of customers						5,544	-	5,544	
Hedging financial instrument liabilities	4,845	789	1,163	-	-	-	-	6,797	
Other liabilities						150,733	-	150,733	
<b>Total Liabilities</b>	<b>2,433,383</b>	<b>2,073,952</b>	<b>2,067,332</b>	<b>556,375</b>	<b>-</b>	<b>241,801</b>	<b>-</b>	<b>7,372,843</b>	
Shareholder's equity	-	-	-	-	-	1,825,802	-	1,825,802	
<b>Total Liabilities and Shareholder's equity</b>	<b>2,433,383</b>	<b>2,073,952</b>	<b>2,067,332</b>	<b>556,375</b>	<b>-</b>	<b>2,067,603</b>	<b>-</b>	<b>9,198,645</b>	
On-balance sheet profit sensitivity gap	(1,255,707)	(119,761)	(2,030,909)	1,315,207	3,326,643	(1,235,473)	-	-	-
Off-balance sheet profit sensitivity gap	-	-	-	-	-	-	-	-	-
<b>Total profit sensitivity gap</b>	<b>(1,255,707)</b>	<b>(119,761)</b>	<b>(2,030,909)</b>	<b>1,315,207</b>	<b>3,326,643</b>	<b>(1,235,473)</b>	<b>-</b>	<b>-</b>	

# KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

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

### A24 FINANCIAL RISK MANAGEMENT (Cont'd.)

#### 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					Trading book	Total	Effective profit rate			
	Up to 1 month	>1 - 3 months	>3 - 12 months	>1 - 5 years	Over 5 years				Non- profit sensitive	RM'000	RM'000
	RM'000	RM'000	RM'000	RM'000	RM'000				RM'000	RM'000	%
<b>ASSETS</b>											
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			
<b>TOTAL ASSETS</b>	<b>1,310,145</b>	<b>2,034,914</b>	<b>284,157</b>	<b>1,514,125</b>	<b>3,326,118</b>	<b>825,340</b>	<b>-</b>	<b>9,294,799</b>			

# KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

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

### A24 FINANCIAL RISK MANAGEMENT (Cont'd.)

#### 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			
31 Dec 2018	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	%	
<b>LIABILITIES AND SHAREHOLDER'S EQUITY</b>									
Deposits from customers	1,156,960	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	
<b>Total Liabilities</b>	<b>2,439,499</b>	<b>2,154,065</b>	<b>2,097,653</b>	<b>190,598</b>	<b>-</b>	<b>715,433</b>	<b>-</b>	<b>7,597,248</b>	
Shareholder's equity	-	-	-	-	-	1,697,551	-	1,697,551	
<b>Total Liabilities and Shareholder's equity</b>	<b>2,439,499</b>	<b>2,154,065</b>	<b>2,097,653</b>	<b>190,598</b>	<b>-</b>	<b>2,412,984</b>	<b>-</b>	<b>9,294,799</b>	
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	-	-	-	-	-	-	-	-	-
<b>Total profit sensitivity gap</b>	<b>(1,129,354)</b>	<b>(119,151)</b>	<b>(1,813,496)</b>	<b>1,323,527</b>	<b>3,326,118</b>	<b>(1,587,644)</b>	<b>-</b>	<b>-</b>	

# KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

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

### A24 FINANCIAL RISK MANAGEMENT (Cont'd.)

#### MARKET RISK (Cont'd.)

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

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

	Non-trading book					Non-profit sensitive	Trading book	Total	Effective profit rate
	Up to 1 month	>1 - 3 months	>3 - 12 months	>1 - 5 years	Over 5 years				
Bank 30 Sep 2019	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	%	
<b>ASSETS</b>									
Cash and short-term funds	8,014	-	-	-	-	113,319	-	121,333	2.63
Deposits and placements with banks and other financial institutions	5,544	-	-	-	-	-	-	5,544	
Securities FVTPL	-	-	-	-	-	686	-	686	
Securities FVOCI	-	10,156	-	1,621,332	1,660,819	-	-	3,292,307	4.38
Financing, advances and receivables	1,158,829	1,942,527	35,943	250,250	1,665,824	28,358	-	5,081,732	5.63
Musarakah capital investment	-	-	-	-	-	18	-	18	
Other assets	-	-	-	-	-	699,547	-	699,547	
Hedging Financial Instrument Assets	5,289	1,508	480	-	-	-	-	7,276	
<b>TOTAL ASSETS</b>	<b>1,177,676</b>	<b>1,954,190</b>	<b>36,423</b>	<b>1,871,582</b>	<b>3,326,643</b>	<b>841,928</b>	<b>-</b>	<b>9,208,443</b>	

# KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

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

### A24 FINANCIAL RISK MANAGEMENT (Cont'd.)

#### 0 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	%	
<b>30 Sep 2019</b>									
<b>LIABILITIES AND SHAREHOLDER'S EQUITY</b>									
Deposits from customers	1,425,113	1,013,285	1,526,421	511,488	-	85,524	-	4,561,831	3.10
Deposits and placements of banks and other financial institutions	1,088,998	1,061,233	539,268	-	-	-	-	2,689,499	3.15
Investment accounts of customers	-	-	-	-	-	5,544	-	5,544	-
Hedging Financial Instrument Liabilities	4,845	789	1,163	-	-	-	-	6,797	-
Other liabilities	-	-	-	-	-	150,556	-	150,556	-
<b>Total Liabilities</b>	<b>2,518,955</b>	<b>2,075,307</b>	<b>2,066,852</b>	<b>511,488</b>	<b>-</b>	<b>241,624</b>	<b>-</b>	<b>7,414,228</b>	
Shareholder's equity	-	-	-	-	-	1,794,215	-	1,794,215	-
<b>Total Liabilities and Shareholder's equity</b>	<b>2,518,955</b>	<b>2,075,307</b>	<b>2,066,852</b>	<b>511,488</b>	<b>-</b>	<b>2,035,840</b>	<b>-</b>	<b>9,208,443</b>	
On-balance sheet profit sensitivity gap	(1,341,279)	(121,117)	(2,030,429)	1,360,094	3,326,643	(1,193,912)	-	-	-
Off-balance sheet profit sensitivity gap	-	-	-	-	-	-	-	-	-
<b>Total profit sensitivity gap</b>	<b>(1,341,279)</b>	<b>(121,117)</b>	<b>(2,030,429)</b>	<b>1,360,094</b>	<b>3,326,643</b>	<b>(1,193,912)</b>	<b>-</b>	<b>-</b>	

# KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

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

### A24 FINANCIAL RISK MANAGEMENT (Cont'd.)

#### MARKET RISK (Cont'd.)

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

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

	Non-trading book					Non-profit sensitive	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	%	
<b>ASSETS</b>									
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	
<b>TOTAL ASSETS</b>	<b>1,257,284</b>	<b>1,931,734</b>	<b>160,994</b>	<b>1,519,236</b>	<b>3,409,008</b>	<b>1,013,955</b>	<b>-</b>	<b>9,292,211</b>	



# KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

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

### A24 FINANCIAL RISK MANAGEMENT (Cont'd.)

#### MARKET RISK (Cont'd.)

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

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

	Non-trading book					Non-profit sensitive	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	%	
<b>LIABILITIES AND SHAREHOLDER'S EQUITY</b>									
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	
<b>Total Liabilities</b>	<b>2,531,688</b>	<b>2,174,271</b>	<b>2,097,122</b>	<b>190,598</b>	<b>-</b>	<b>629,854</b>	<b>-</b>	<b>7,623,533</b>	
Shareholder's equity	-	-	-	-	-	1,668,678	-	1,668,678	-
<b>Total Liabilities and Shareholder's equity</b>	<b>2,531,688</b>	<b>2,174,271</b>	<b>2,097,122</b>	<b>190,598</b>	<b>-</b>	<b>2,298,532</b>	<b>-</b>	<b>9,292,211</b>	
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	-	-	-	-	-	-	-	-	-
<b>Total profit sensitivity gap</b>	<b>(1,274,404)</b>	<b>(242,537)</b>	<b>(1,936,128)</b>	<b>1,328,638</b>	<b>3,409,008</b>	<b>(1,284,577)</b>	<b>-</b>	<b>-</b>	

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

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

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

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

At inception, the Group and the Bank opted for Modified Retrospective Approach whereby the Day 1 opening balance for Right of Use Assets is the same as the Day 1 opening balance for Lease Liability. The Group and the Bank elects to use the exemptions allowed by the standard on lease contracts for which the lease term ends within 12 months as at the date of initial application and lease contracts for which the underlying is of low value.

The adoption of MFRS 16 has resulted in changes in the 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

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

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

**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:

<b>Assets Class</b>	<b>Lease Obligation RM'000</b>
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 September 2019 are RM13,757,353 and RM3,628,432 respectively.

<b>Asset Class</b>	<b>Annual Profit Expenses RM'000</b>	<b>Annual Depreciation Expenses RM'000</b>
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.

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

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

**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:

<b>FRSs, Amendments to FRSs and Interpretations</b>	<b>Effective for financial period beginning on or after</b>
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) Fair value estimation of Right of Use Assets and Lease Liabilities**

The Lease Liability is measured at the present value of the lease payments that are not paid at inception date. The lease payments are discounted using profit rate implicit in the lease, if that rate can be readily determined. If that rate can't be readily determined, the Bank uses the Bank's incremental borrowing rate. The incremental borrowing rate is the profit rate that the Bank would have to pay to finance over a similar security, the funds necessary to obtain an asset of a similar value to the Right-of-use Asset in similar economic environment.

**(iii) Deferred tax and income taxes**

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

**(b) Significant Accounting Judgments**

This note provides an overview of the areas that involve a higher degree of judgement or complexity, 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.

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

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

**(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.

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

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

**B3 Auditors' Report on Preceding Annual Financial Statements**

The auditors' report on the audited financial statements for the financial year ended 31 December 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 nine-months ended 30 September 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 nine-months ended 30 September 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 nine-months ended 30 September 2019.

**B7 Debt and Equity Securities**

There were no issuances, cancellation, repurchases, resales or repayments of debt and equity securities during the nine-months ended 30 September 2019.

**B8 Dividends Paid**

There were no dividends paid during the nine-months ended 30 September 2019.

# KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

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

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

(i) Primary Segment - By Business Segment

Group	Treasury & Capital Markets	Corporate & Investment Banking	Commercial Banking	Others	Elimination	Total
30 Sep 2019	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
External revenue	107,375	81,658	27,565	140,759		357,357
Revenue from other segments	152,927	630	1,847	68,855	(224,259)	-
<b>Total Revenue</b>	<b>175,565</b>	<b>55,475</b>	<b>19,639</b>	<b>140,495</b>	<b>(151,874)</b>	<b>357,357</b>
Segment results	25,992	36,917	10,298	35,543		108,750
Unallocated expenses						(74,128)
<b>Profit from operations</b>						<b>34,622</b>
Taxation						(7,865)
<b>Net profit for the year</b>						<b>26,757</b>
<b>Other information</b>						
Segment assets	3,916,525	1,661,898	461,145	3,151,922	(613,630)	8,577,859
Unallocated corporate assets						620,787
Total assets						<b>9,198,645</b>
Segment liabilities	8,514,799	1,139,823	434,622	7,116,897	(604,064)	16,602,077
Unallocated corporate liabilities						(9,229,233)
Total liabilities						<b>7,372,843</b>
<b>Other segment items</b>						
Purchase of property and equipment				2,587		2,587
Purchase of intangible assets				2,663		2,663
Depreciation of property and equipment				2,836		2,836
Amortisation of intangible assets				4,438		4,438
Other non-cash expense other than depreciation	5	15,946	(708)	(20,748)	-	(5,505)

(ii) By Geographical Locations

Group	Operating Revenue RM'000	Profit Before Zakat and Taxation RM'000	Total Assets RM'000
30 Sep 2019			
Malaysia	357,357	34,622	9,198,645
	<b>357,357</b>	<b>34,622</b>	<b>9,198,645</b>

# KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

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

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

(i) Primary Segment - By Business Segment

Group	Treasury & Capital Markets	Corporate & Investment Banking	Commercial Banking	Others	Elimination	Total
30 Sep 2018	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
External revenue	91,412	90,327	32,076	130,818		344,634
Revenue from other segments	135,584	625	1,988	59,434	(197,630)	-
<b>Total Revenue</b>	<b>226,996</b>	<b>90,952</b>	<b>34,064</b>	<b>190,252</b>	<b>(197,630)</b>	<b>344,634</b>
Segment results	13,379	69,932	36,839	21,960		142,110
Unallocated expenses						(80,020)
<b>Profit from operations</b>						<b>62,090</b>
Zakat						(13,059)
Taxation						(13,059)
<b>Net profit for the year</b>						<b>49,031</b>
<b>Other information</b>						
Segment assets	3,622,391	1,953,341	522,818	3,168,931	(230,238)	9,037,243
Unallocated corporate assets						573,790
Total assets						<b>9,611,033</b>
Segment liabilities	6,689,682	1,926,526	420,400	7,029,295	(220,038)	15,845,865
Unallocated corporate liabilities						(7,940,168)
Total liabilities						<b>7,905,697</b>
<b>Other segment items</b>						
Purchase of property and equipment				3,408		3,408
Purchase of intangible assets				13,182		13,182
Depreciation of property and equipment				1,972		1,972
Amortisation of intangible assets				3,233		3,233
Other non-cash expense other than depreciation	(214)	51,338	25,673	(22,607)	-	54,190

(ii) By Geographical Locations

Group	Operating Revenue RM'000	Profit Before Zakat and Taxation RM'000	Total Assets RM'000
<b>30 Sep 2018</b>			
Malaysia	344,634	62,090	9,611,033



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

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

**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 September 2019 are as follows:

	<b>Group</b>	<b>Bank</b>
	<b>RM'000</b>	<b>RM'000</b>
<u>Capital expenditure</u>		
Authorised and contracted for:		
- renovation	51	51
- purchase of IT hardware	385	385
- purchase of IT software	1,756	1,756
	<b>2,192</b>	<b>2,192</b>
Authorised and not contracted for:		
- purchase of IT hardware & software	18,034	18,034
	<b>18,034</b>	<b>36,068</b>

# **KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD**

**(672174-T)**

**(Incorporated in Malaysia)**


## **Certification of Financial Statements**

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



Mohd Hazran Abd Hadi  
Chief Financial Officer

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



Mohd Hazran Abd Hadi  
Acting Chief Executive Officer