

KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(200401033666)

(Incorporated in Malaysia)

Interim Report for the Period Ended 30 September 2021

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KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(200401033666)

(Incorporated in Malaysia)

INTERIM CONDENSED STATEMENTS OF FINANCIAL POSITION

	Note	Group		Bank	
		30 Sep 2021 RM'000	31 Dec 2020 RM'000	30 Sep 2021 RM'000	31 Dec 2020 RM'000
ASSETS					
Cash and short-term funds	A3	228,532	68,275	228,532	68,275
Deposits and placements with banks and other financial institutions	A4	36,544	6,644	36,544	6,644
Gold depository		100,254	104,130	100,254	104,130
Equity instruments at FVOCI	A6	-	18	-	18
Debt instruments at FVOCI	A5	3,303,687	3,948,972	3,303,687	3,948,972
Financing, advances and other receivables	A7	3,820,739	4,190,380	3,820,739	4,190,380
Other assets	A8	121,404	120,391	121,404	120,391
Hedging financial instruments	A9	5,563	7,310	5,563	7,310
Statutory deposits with Bank Negara Malaysia		100	17,372	100	17,372
Investment in subsidiaries		-	-	10,200	10,200
Right of use of assets	A10	63,547	73,559	63,547	73,559
Property and equipment		21,031	22,893	21,031	22,893
Intangible assets		12,838	15,983	12,838	15,983
Deferred tax assets		27,202	6,971	27,202	6,971
		7,741,441	8,582,898	7,751,641	8,593,098
LIABILITIES					
Deposits from customers	A11	4,208,187	4,485,272	4,224,095	4,501,003
Investment accounts of customers	A13	5,204	6,644	5,204	6,644
Deposits and placements of banks and other financial institutions	A12	1,656,825	2,141,227	1,656,825	2,141,227
Hedging financial instruments	A9	5,020	8,661	5,020	8,661
Lease Liabilities	A10	66,811	76,278	66,811	76,278
Other liabilities	A14	84,507	87,249	84,500	86,968
		6,026,554	6,805,331	6,042,455	6,820,781
SHAREHOLDER'S EQUITY					
Share capital	A15	1,425,272	1,425,272	1,425,272	1,425,272
Reserves		289,615	352,295	283,914	347,045
		1,714,887	1,777,567	1,709,186	1,772,317
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY		7,741,441	8,582,898	7,751,641	8,593,098
COMMITMENTS AND CONTINGENCIES					
	A22	1,142,985	1,316,293	1,142,985	1,316,293
CAPITAL ADEQUACY					
Common Equity Tier I/ Tier I Capital Ratio	A23	36.945%	35.672%	36.473%	35.277%
Total Capital Ratio	A23	38.065%	36.808%	37.590%	36.411%
NET ASSETS PER SHARE (RM)					
		1.20	1.25	1.20	1.24

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

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INTERIM CONDENSED CONSOLIDATED INCOME STATEMENTS

Group	Note	3rd Quarter ended 30-Sep		Nine-months ended 30-Sep	
		2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Continuing Operations					
Operating revenue		90,283	108,266	284,224	325,018
Income derived from investment of depositors' funds and others	A16	69,522	85,757	219,589	255,838
Income derived from investment of investment account funds	A20	26	30	85	122
Income derived from investment of shareholder's equity	A17	20,736	22,479	64,550	69,058
Total gross income		90,284	108,266	284,224	325,018
Modification loss	B5	-	-	-	(54,183)
Credit loss (charge)/writeback on financial assets	A18	(6,311)	(15,266)	(30,418)	(20,720)
Total distributable income		83,972	93,000	253,806	250,116
Income attributable to the depositors	A19	(27,724)	(43,588)	(92,020)	(148,462)
Profit distributed to investment account holders	A20	(15)	(18)	(51)	(73)
Total net income		56,233	49,394	161,735	101,581
Personnel expenses		(14,191)	(17,412)	(43,295)	(53,601)
Other overheads and expenditures		(19,419)	(18,317)	(53,571)	(52,631)
Profit before zakat and taxation		22,622	13,665	64,870	(4,651)
Taxation		(4,168)	(2,654)	(14,256)	(10,558)
Net profit for the period		18,454	11,011	50,614	(15,210)
Discontinued Operations					
Loss before zakat and taxation from discontinued operations		-	38	(87)	(268)
Profit before zakat and taxation		22,622	13,703	64,783	(4,919)
Taxation		-	-	-	-
Loss after zakat and taxation for the year from discontinued operations	A21	-	38	(87)	(268)
Net profit for the period		18,454	11,049	50,527	(15,478)
Attributable to:					
Equity holders of the Bank		18,454	11,049	50,527	(15,478)
Earnings per share attributable to equity holders of the Bank					
- Basic/Diluted (sen)		1.29	0.78	3.55	(1.09)

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

KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)
(Incorporated in Malaysia)

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	3rd Quarter ended 30-Sep		Nine-months ended 30-Sep	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Group				
Net profit for the period	18,454	11,049	50,527	(15,478)
Other comprehensive income/(loss):				
Items that may be reclassified subsequently to profit or loss:				
Debt securities at FVOCI:				
- Net unrealised gain on securities held at FVOCI	(13,164)	49,941	(123,217)	126,354
- Net realised (loss)/gain on securities held at FVOCI reclassified to the income statement	(6,290)	(2,876)	(25,015)	(2,876)
Exchange differences on translation of foreign operations:				
Net (loss)/gain taken to equity	2	(484)	539	240
Income tax relating to components of other comprehensive income	4,273	(11,400)	34,487	(29,069)
Other comprehensive income for the period, net of tax	(15,179)	35,182	(113,206)	94,650
Total comprehensive income for the period	3,275	46,230	(62,679)	79,172
Total comprehensive income for the period attributable to equity holders of the Bank	3,275	46,230	(62,679)	79,172

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

(200401033666)

(Incorporated in Malaysia)

INTERIM CONDENSED INCOME STATEMENTS

Bank	Note	3rd Quarter ended 30-Sep		Nine-months ended 30-Sep	
		2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Operating revenue		90,283	108,820	284,224	325,632
Income derived from investment of depositors' funds and others	A16	69,522	85,757	219,589	255,838
Income derived from investment of investment account funds	A20	26	30	85	122
Income derived from investment of shareholder's equity	A17	20,736	22,509	64,550	69,148
Total gross income		90,284	108,296	284,224	325,108
Modification loss	B5	-	-	-	(54,183)
Credit loss (charge)/writeback on financial assets	A18	(6,311)	(15,266)	(30,418)	(20,720)
Total distributable income		83,972	93,030	253,806	250,205
Income attributable to the depositors	A19	(27,724)	(43,588)	(92,020)	(148,462)
Profit distributed to investment account holders	A20	(15)	(18)	(51)	(73)
Total net income		56,233	49,424	161,735	101,670
Personnel expenses		(14,191)	(17,412)	(43,295)	(53,601)
Other overheads and expenditures		(19,419)	(18,317)	(53,571)	(52,631)
Profit before zakat and taxation		22,622	13,695	64,870	(4,561)
Taxation		(4,168)	(2,654)	(14,256)	(10,558)
Net profit for the period		18,454	11,041	50,614	(15,120)

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

KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(672174-T)

(Incorporated in Malaysia)

INTERIM CONDENSED STATEMENTS OF COMPREHENSIVE INCOME

	3rd Quarter ended 30-Sep		Nine-months ended 30-Sep	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Bank				
Net profit for the period	18,454	11,041	50,614	(15,119)
Other comprehensive income/(loss):				
Debt securities at FVOCI:				
- Net unrealised gain on securities held at FVOCI	(13,164)	49,941	(123,217)	126,354
- Net realised (loss)/gain on securities held at FVOCI reclassified to the income statement	(6,290)	(2,876)	(25,015)	(2,876)
- Changes in allowance for expected credit losses	-	-	-	-
Income tax relating to components of other comprehensive income	4,273	(11,400)	34,487	(29,069)
Other comprehensive income for the period, net of tax	(15,181)	35,665	(113,745)	94,410
Total comprehensive income for the period	3,273	46,706	(63,131)	79,291

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

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INTERIM CONDENSED STATEMENTS OF CHANGES IN EQUITY

	Non-distributable			Distributable	Total Equity RM'000	
	Share Capital RM'000	Statutory Reserve RM'000	Exchange Fluctuation Reserve RM'000	FVOCI Reserve RM'000		Retained Earnings RM'000
Group						
At 1 Jan 2021	1,425,272	170,648	3,261	191,502	(13,116)	1,777,567
Total comprehensive income	-	-	539	(113,745)	50,527	(62,679)
At 30 Sep 2021	1,425,272	170,648	3,799	77,757	37,411	1,714,887
At 1 January 2020	1,425,272	170,648	3,546	117,800	91	1,717,357
Total comprehensive income	-	-	(285)	73,702	(13,207)	60,210
At 31 December 2020	1,425,272	170,648	3,261	191,502	(13,116)	1,777,567
Bank						
At 1 Jan 2021	1,425,272	170,648	-	191,502	(15,105)	1,772,317
Total comprehensive income	-	-	-	(113,745)	50,614	(63,131)
At 30 Sep 2021	1,425,272	170,648	-	77,757	35,509	1,709,186
At 1 January 2020	1,425,272	170,648	-	117,800	(2,325)	1,711,395
Total comprehensive income	-	-	-	73,702	(12,780)	60,922
At 31 December 2020	1,425,272	170,648	-	191,502	(15,105)	1,772,317

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

KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

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INTERIM CONDENSED STATEMENTS OF CASH FLOWS

	Group		Bank	
	30-Sep 2021 RM'000	30-Sep 2020 RM'000	30-Sep 2021 RM'000	30-Sep 2020 RM'000
Profit before zakat and taxation	64,783	(4,651)	64,870	(4,561)
Adjustments for non-cash items	50,306	88,594	50,235	88,968
Operating profit before changes in working capital	115,089	83,942	115,105	84,408
<u>Changes in the working capital</u>				
Net changes in operating assets	314,746	584,802	314,746	584,782
Net changes in operating liabilities	(743,372)	(543,510)	(739,590)	(538,655)
Net cash generated from operating activities	(428,627)	41,292	(424,844)	46,128
Net purchases of assets	499,896	(74,003)	499,896	(75,519)
Net cash used in investing activities	499,896	(74,003)	499,896	(75,519)
Net change in cash and cash equivalents	186,359	51,231	190,157	55,017
Cash and cash equivalents at beginning of the period	74,919	61,870	74,919	61,870
Exchange differences on translation of opening balances	3,799	3,786	-	-
Cash and cash equivalents at end of the period	265,076	116,887	265,076	116,887

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 RM64.78 million and RM64.87 million respectively for the period ended 30 September 2021.

A2 OUTLOOK FOR 2021

The Malaysian economy is expected to expand between 3.0% and 4.0% in 2021. The country's strong economic fundamentals and well-diversified economy will help to support its economic growth and the rebound in growth will also be driven by the anticipated improvement in global growth and trade.

Nevertheless, the monetary policy is expected to remain supportive of economic growth whilst ensuring price stability in 2021. Inflation dynamics are also expected to favour a more accommodative monetary policy stance for Malaysia in 2021.

The successful containment of the pandemic, the materialisation of health outcomes from the National Immunisation Programme, opening up economic activities and sustained recovery in external demand will be the major factors affecting the growth trajectory. The challenging global economic environment has prompted Malaysia to rely more on domestic demand to prop up growth. Despite a challenging domestic and external environment, the Malaysian economy is likely to remain positive in 2021.

A3 Cash and short term funds

	Group and Bank	
	30 Sep 2021 RM'000	31 Dec 2020 RM'000
Cash and balance with banks and other financial institutions	198,792	67,419
Money at call and interbank placement with remaining maturity less than one month	29,921	1,357
	228,713	68,776
Less : ECL allowance	(181)	(501)
	228,532	68,275

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 and Bank</u>	30-Sep-21			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Internal rating grade :				
Performing	228,713	-	-	228,713
Past due but not impaired	-	-	-	-
Individually impaired	-	-	-	-
Total	228,713	-	-	228,713

<u>Group and Bank</u>	31-Dec-20			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Internal rating grade :				
Performing	68,776	-	-	68,776
Past due but not impaired	-	-	-	-
Individually impaired	-	-	-	-
Total	68,776	-	-	68,776

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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:

30 September 2021 Group and Bank	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Gross carrying amount as at 1 January 2021	68,776	-	-	68,776
Net remeasurement of outstanding balance	132,713	-	-	132,713
New financial assets originated or purchased	89,096	-	-	89,096
Financial assets that have matured	(61,872)	-	-	(61,872)
Gross carrying amount as at 30 September 2021	228,713	-	-	228,713

30 September 2021 Group and Bank	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
ECL allowance as at 1 January 2021	501	-	-	501
Allowance writeback during the year	(320)	-	-	(320)
ECL allowance as at 30 September 2021	181	-	-	181
Net carrying amount (after ECL)	228,532	-	-	228,532

31 December 2020 Group and Bank	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Gross carrying amount as at 1 January 2020	61,951	-	-	61,951
Net remeasurement of outstanding balance	(238,349)	-	-	(238,349)
New financial assets originated or purchased	249,005	-	-	249,005
Financial assets that have matured	(3,831)	-	-	(3,831)
Gross carrying amount as at 31 December 2020	68,776	-	-	68,776

31 December 2020 Group and Bank	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
ECL allowance as at 1 January 2020	81	-	-	81
Allowance made during the year	420	-	-	420
ECL allowance as at 31 December 2020	501	-	-	501
Net carrying amount (after ECL)	68,275	-	-	68,275

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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

Bank Negara Malaysia ^
Other financial institutions

Less : ECL Allowance

Group and Bank	
30 Sep 2021	31 Dec 2020
RM'000	RM'000
5,204	6,644
32,310	-
37,514	6,644
(970)	-
36,544	6,644

^ The placement with Bank Negara Malaysia are funded by investment accounts of customers as disclosed in Note A14.

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.

Group and Bank	30-Sep-21			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Internal rating grade :				
Performing	37,514	-	-	37,514
Past due but not impaired	-	-	-	-
Individually impaired	-	-	-	-
Total	37,514	-	-	37,514

Group and Bank	31-Dec-20			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Internal rating grade :				
Performing	6,644	-	-	6,644
Past due but not impaired	-	-	-	-
Individually impaired	-	-	-	-
Total	6,644	-	-	6,644

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:

30 September 2021	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Group and bank				
Gross carrying amount as at 1 January 2021	6,644	-	-	6,644
Net remeasurement of outstanding balance	-	-	-	-
New financial assets originated or purchased	32,310	-	-	32,310
Financial assets that have matured	(1,440)	-	-	(1,440)
Gross carrying amount as at 30 September 2021	37,514	-	-	37,514

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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:

30 September 2021	Stage 1	Stage 2	Stage 3	Total
Group and bank	RM'000	RM'000	RM'000	RM'000
ECL allowance as at 1 January 2021	-	-	-	-
New financial assets originated or purchased	1,006	-	-	1,006
Financial assets that have matured	(36)	-	-	(36)
ECL allowance as at 30 September 2021	970	-	-	970
Net carrying amount (after ECL)	36,544	-	-	36,544

31 December 2020	Stage 1	Stage 2	Stage 3	Total
Group	RM'000	RM'000	RM'000	RM'000
Gross carrying amount as at 1 January 2020	5,755	-	-	5,755
Net remeasurement of outstanding balance	889	-	-	889
New financial assets originated or purchased	-	-	-	-
Financial assets that have matured	-	-	-	-
Gross carrying amount as at 31 December 2020	6,644	-	-	6,644

31 December 2020	Stage 1	Stage 2	Stage 3	Total
Group	RM'000	RM'000	RM'000	RM'000
ECL allowance as at 1 January 2020	-	-	-	-
New financial assets originated or purchased	-	-	-	-
Financial assets that have matured	-	-	-	-
ECL allowance as at 31 December 2020	-	-	-	-
Net carrying amount (after ECL)	6,644	-	-	6,644

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

A5 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 and Bank</u>	30-Sep-21			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Internal rating grade :				
Performing	3,303,687	-	-	3,303,687
Past due but not impaired	-	-	-	-
Individually impaired	-	-	-	-
Total	3,303,687	-	-	3,303,687

<u>Group and Bank</u>	31-Dec-20			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Internal rating grade :				
Performing	3,948,972	-	-	3,948,972
Past due but not impaired	-	-	-	-
Individually impaired	-	-	-	-
Total	3,948,972	-	-	3,948,972

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

<u>Group and Bank</u>	30 Sep 2021			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Fair value amount as at 30 Sep 2021	3,303,687	-	-	3,303,687

<u>Group and Bank</u>	30 Sep 2021			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
ECL allowance as at 1 January 2021	25,300	-	-	25,300
Allowance made during the year	-	-	-	-
ECL allowance as at 30 Sep 2021 *	25,300	-	-	25,300

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

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

A5 Debt instruments measured at FVOCI (Cont'd.)

<u>Group and Bank</u>	31 Dec 2020			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Fair value amount as at 31 Dec 2020	3,948,972	-	-	3,948,972

<u>Group and Bank</u>	31 Dec 2020			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
ECL allowance as at 1 January 2020	25,300	-	-	25,300
Allowance made during the year	-	-	-	-
ECL allowance as at 31 Dec 2020 *	25,300	-	-	25,300

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

A6 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 2021 RM'000	31 Dec 2020 RM'000
Musyarakah Capital Investment	-	18
	-	18

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. The exposure on the Musyarakah contract is fully settled in April 2021.

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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

A7 Financing, Advances and Other Receivables

i) At amortised cost

	Group and Bank	
	30 Sep 2021 RM'000	31 Dec 2020 RM'000
Term financing		
- House financing	1,108,230	1,134,637
- Personal financing	967,800	1,062,545
- Cashline financing	7,063	5,733
- Syndicated financing	149,320	140,043
- Hire purchase receivables	642,702	712,719
- Other term financing	1,322,277	1,471,305
Credit card	42	46
Staff financing	20,185	22,511
	4,217,619	4,549,539
Less : Modification loss	(47,173)	(47,173)
	4,170,446	4,502,366
Less: Impairment allowances		
- Stage 1 Financing	(83,042)	(63,323)
- Stage 2 Financing	(108,025)	(88,524)
- Stage 3 Financing	(154,977)	(156,476)
Net financing and advances to customers	3,824,402	4,194,043
Less: Impairment allowances		
- Stage 1 Undrawn	(1,615)	(1,615)
- Stage 1 Trade facilities	(2,048)	(2,048)
- Stage 2 Trade facilities	-	-
Net financing, advances and other receivables	3,820,739	4,190,380

ii) By contract

	Group and Bank	
	30 Sep 2021 RM'000	31 Dec 2020 RM'000
Ijarah Muntahia Bittamlik (lease ended with ownership)	1,930,984	2,039,837
Murabahah (cost-plus)	2,184,379	2,399,854
Mudharabah (profit sharing)	43,705	43,705
Qard (benevolent financing)	1,147	1,196
Musyarakah (profit and loss sharing)	9,313	16,814
Istisna'	876	914
Ujrah (Credit card)	42	46
	4,170,446	4,502,366

iii) By type of customer

	Group and Bank	
	30 Sep 2021 RM'000	31 Dec 2020 RM'000
Business enterprises		
- Small medium enterprises	349,454	270,133
- Others	1,098,551	1,330,532
Individuals	2,722,441	2,901,701
	4,170,446	4,502,366

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A7 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 2021 RM'000	31 Dec 2020 RM'000
1,290,500	1,423,277
165,250	170,143
208,250	215,891
2,506,446	2,693,055
4,170,446	4,502,366

(v) By geographical distribution

Malaysia
Middle East
Other countries

Group and Bank	
30 Sep 2021 RM'000	31 Dec 2020 RM'000
4,166,058	4,497,715
3,076	3,315
1,312	1,336
4,170,446	4,502,366

(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 2021 RM'000	31 Dec 2020 RM'000
2,763	2,627
642,702	698,496
149,320	140,043
793,273	917,293
1,105,467	1,132,010
1,476,921	1,611,897
4,170,446	4,502,366

(vii) By economic purpose

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

Group and Bank	
30 Sep 2021 RM'000	31 Dec 2020 RM'000
10,523	-
645,904	716,213
1,139,428	1,160,623
166,719	188,825
1,486	4,126
911,002	1,133,034
153,277	147,899
953,059	1,047,394
189,048	104,252
4,170,446	4,502,366

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A7 Financing, Advances and Other Receivables (Cont'd.)

viii) By sector

	Group and Bank	
	30 Sep 2021 RM'000	31 Dec 2020 RM'000
Construction	292,802	362,114
Electricity, gas and water	47,312	54,967
Finance, insurance and business services	65,857	113,933
Household	2,722,441	2,901,701
Manufacturing	149,441	155,980
Agriculture, hunting, forestry & fishing	107,857	106,773
Real Estate	274,536	274,383
Transports, storage and communication	115,688	120,785
Wholesale & retail trade and restaurants & hotels	384,489	393,714
Others	10,022	18,016
Total	4,170,446	4,502,366

(ix) Financing by types and Shariah contract

	Ijarah Muntahia Bittamlik/ Al-Ijarah Thumma Al-Bai' (lease ended with ownership)	Murabahah (cost-plus)	Mudharabah (profit sharing)	Musyarakah (profit and loss sharing)	Qard (benevolent financing)	Istisna'	Ujarah	Total
30 Sep 2021	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
House financing	1,098,113	75	-	9,166	-	876	-	1,108,230
Personal financing	-	933,943	-	-	911	-	-	934,854
Syndicated financing	-	149,320	-	-	-	-	-	149,320
Cashline financing	-	7,063	-	-	-	-	-	7,063
Hire purchase receivables	628,475	-	-	-	-	-	-	628,475
Other term financing	187,598	1,090,974	43,705	-	-	-	-	1,322,277
Staff financing	16,797	3,005	-	148	236	-	-	20,185
Credit card	-	-	-	-	-	-	42	42
Total	1,930,984	2,184,379	43,705	9,313	1,147	876	42	4,170,446

	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
31 Dec 2020	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
House financing	1,125,639	79	-	8,006	-	914	-	1,134,637
Personal financing	-	1,028,576	-	-	1,018	-	-	1,029,594
Syndicated financing	-	140,043	-	-	-	-	-	140,043
Cashline financing	-	5,733	-	-	-	-	-	5,733
Hire purchase receivables	698,496	-	-	-	-	-	-	698,496
Other term financing	197,269	1,221,695	43,705	8,637	0	-	-	1,471,306
Staff financing	18,434	3,729	-	171	177	-	-	22,511
Credit card	-	-	-	-	-	-	46	46
Total	2,039,837	2,399,854	43,705	16,814	1,196	914	46	4,502,366

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A7 Financing, Advances and Other Receivables (Cont'd.)

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

	Group and Bank	
	30 Sep 2021 RM'000	31 Dec 2020 RM'000
Stage 3 ECL		
At 1 Jan	156,476	156,413
Allowance made during the year	889	2,224
- Allowance made	13,596	17,091
- Allowance written-back	(12,708)	(14,867)
Amount written off	(2,506)	(3,278)
Reinstatement of previously written down accounts	118	1,117
Closing balance	154,977	156,476

xiii) Impaired financing by sector

	Group and Bank	
	30 Sep 2021 RM'000	31 Dec 2020 RM'000
Finance, insurance and business services	6,335	6,289
Household	39,084	41,390
Manufacturing	83,303	83,061
Real Estate	168,177	175,950
Wholesale & retail trade and restaurants & hotels	10,754	10,754
	307,654	317,444

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A7 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>	30-Sep-21			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Internal rating grade :				
Performing	3,490,512	-	-	3,490,512
Past due but not impaired	-	372,280	-	372,280
Individually impaired	-	-	307,654	307,654
Total	3,490,512	372,280	307,654	4,170,446

<u>Group and Bank</u>	31-Dec-20			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Internal rating grade :				
Performing	3,886,242	-	-	3,886,242
Past due but not impaired	-	298,680	-	298,680
Individually impaired	-	-	317,444	317,444
Total	3,886,242	298,680	317,444	4,502,366

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>	30-Sep-21			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Gross carrying amount as at 1 January 2021	3,886,242	298,680	317,444	4,502,366
Transfer to 12-month ECL	53,830	(48,343)	(5,487)	-
Transfer to lifetime ECL not credit impaired	(157,213)	158,432	(1,219)	-
Transfer to lifetime ECL credit impaired	(4,279)	(5,386)	9,665	-
Net remeasurement of outstanding balance	(151,229)	192,615	268,483	309,869
New financial assets originated or purchased	1,272,487	-	-	1,272,487
Financial assets that have matured	(1,409,326)	(223,718)	(278,726)	(1,911,770)
Write-offs	-	-	(2,506)	(2,506)
Gross carrying amount as at 30 September 2021	3,490,512	372,280	307,654	4,170,446

<u>Group and Bank</u>	30-Sep-21			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
ECL allowance as at 1 January 2021	66,986	88,524	156,476	311,986
Transfer to 12-month ECL	9,639	(5,760)	(3,878)	-
Transfer to lifetime ECL not credit impaired	(3,955)	4,742	(787)	-
Transfer to lifetime ECL credit impaired	(69)	(290)	359	-
Allowance (writeback)/made during the year	14,105	20,808	5,196	40,109
Write-offs	-	-	(2,506)	(2,506)
Reinstatement of previously written down accounts	-	-	118	118
ECL allowance as at 30 September 2021	86,705	108,025	154,977	349,707

Net carrying amount (after ECL)	3,403,807	264,255	152,677	3,820,739
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A7 Financing, Advances and Other Receivables (Cont'd.)

xiii) Impairment allowance for financing and advances to customers (Cont'd.)

Group and Bank	31-Dec-20			Total RM'000
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	
Gross carrying amount as at 1 January 2020	4,481,839	258,881	301,426	5,042,146
Transfer to 12-month ECL	62,953	(55,882)	(7,071)	-
Transfer to lifetime ECL not credit impaired	(48,220)	49,141	(921)	-
Transfer to lifetime ECL credit impaired	(4,463)	(10,908)	15,371	-
Net remeasurement of outstanding balance	(59,416)	212,397	276,881	429,862
New financial assets originated or purchased	1,376,423	-	-	1,376,423
Financial assets that have matured	(1,876,643)	(154,007)	(264,964)	(2,295,614)
Modification loss	(46,231)	(942)	-	(47,173)
Write-offs	-	-	(3,278)	(3,278)
Gross carrying amount as at 31 December 2020	3,886,242	298,680	317,444	4,502,366

Group and Bank	31-Dec-20			Total RM'000
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	
ECL allowance as at 1 January 2020	83,180	16,140	156,413	255,733
Transfer to 12-month ECL	7,092	(3,327)	(3,765)	-
Transfer to lifetime ECL not credit impaired	(819)	1,739	(920)	-
Transfer to lifetime ECL credit impaired	(83)	(804)	887	-
Allowance made during the year	(22,384)	74,776	6,023	58,415
Reinstatement of previously written down accounts	-	-	(3,278)	(3,278)
Write-offs	-	-	1,117	1,117
ECL allowance as at 31 December 2020	66,986	88,524	156,476	311,986
Net carrying amount (after ECL)	3,819,256	210,156	160,968	4,190,380

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A8 Other Assets

	Group and Bank	
	30 Sep 2021 RM'000	31 Dec 2020 RM'000
Deposits and prepayments	9,268.07	7,830
Amount due from other related parties	111,861	111,861
Fee receivable	80	80
Sundry debtors	195	620
	121,404	120,391

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

A9 Hedging Financial Instruments

	Notional Amount RM'000	Fair Value	
		Assets RM'000	Liabilities RM'000
Group and Bank			
At 30 Sep 2021			
Forward foreign exchange related contracts			
- in connection with fair value hedges	230,435	1,109	551
- other derivatives without hedge accounting	494,443	4,453	4,469
Total	724,878	5,563	5,020

	Notional Amount RM'000	Fair Value	
		Assets RM'000	Liabilities RM'000
Group and Bank			
At 31 Dec 2020			
Forward foreign exchange related contracts			
- in connection with fair value hedges	269,926	327	1,662
- other derivatives without hedge accounting	494,143	6,983	7,000
Total	764,070	7,310	8,661

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 RM1,574,099 recorded as accrued FX swap cost as at 30 September 2021 (31 December 2020: Net loss of RM2,083,319).

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A10 Right of Use of Assets and Lease Liabilities

	Group and Bank			
	Buildings	Office Equipments	Motor Vehicles	Total
	RM'000	RM'000	RM'000	RM'000
Cost				
As at 1 January 2021	96,892	397	872	98,161
Additions	-	-	-	-
Disposals	(71)	-	(358)	(429)
Adjustment/remeasurement	-	-	4	4
As at 30 September 2021	96,821	397	518	97,736
Accumulated depreciation				
As at 1 January 2021	23,742	232	628	24,602
Charge	9,345	87	584	10,017
Disposal	(71)	-	(358)	(429)
As at 30 September 2021	33,017	319	854	34,189
Net book value as at 30 Sep 2021	63,805	78	(336)	63,547

	Group and Bank			
	Buildings	Office Equipments	Motor Vehicles	Total
	RM'000	RM'000	RM'000	RM'000
Cost				
As at 1 January 2020	95,156	397	872	96,425
Additions	4,510	-	-	4,510
Disposals	(2,774)	-	-	(2,774)
As at 31 December 2020	96,892	397	872	98,161
Accumulated depreciation				
As at 1 January 2020	13,449	116	314	13,879
Charge	13,067	116	314	13,497
Disposal	(2,774)	-	-	(2,774)
As at 31 December 2020	23,742	232	628	24,602
Net book value as at 31 Dec 2020	73,150	165	244	73,559

Set out below are the carrying amounts of lease liabilities and the movements during the year:

	Group and Bank			
	Buildings	Office Equipments	Motor Vehicles	Total
	RM'000	RM'000	RM'000	RM'000
As at 1 January 2021	75,853	171	254	76,278
Addition	-	-	-	-
Accretion of profit	2,075	4	3	2,082
Payment	(11,212)	(93)	(244)	(11,549)
As at 30 September 2021	66,716	81	14	66,811

	Group and Bank			
	Buildings	Office Equipments	Motor Vehicles	Total
	RM'000	RM'000	RM'000	RM'000
As at 1 January 2020	83,256	286	570	84,112
Addition	4,510	-	-	4,510
Accretion of profit	3,180	10	17	3,207
Payment	(15,093)	(125)	(333)	(15,550)
As at 31 December 2020	75,853	171	255	76,278

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A10 Right of Use of Assets and Lease Liabilities (Cont'd.)

The following are the amounts recognised in profit or loss:

30 September 2021

Depreciation expense of right-of-use assets
Profit expense on lease liabilities
Total amount recognised in profit or loss

Group and Bank	
RM'000	
	10,017
	2,082
	12,099

30 September 2020

Depreciation expense of right-of-use assets
Profit expense on lease liabilities
Total amount recognised in profit or loss

Group and Bank	
RM'000	
	10,161
	2,394
	12,555

A11 Deposits from Customers

(i) By type of deposit

	Group		Bank	
	30 Sep 2021 RM'000	31 Dec 2020 RM'000	30 Sep 2021 RM'000	31 Dec 2020 RM'000
Qard				
- Demand deposits	310,988	283,912	326,896	299,643
- Gold deposits	100,035	103,907	100,035	103,907
Murabahah				
- Term placement	3,670,124	3,967,546	3,670,124	3,967,546
- Savings deposits	127,040	129,907	127,040	129,907
	4,208,187	4,485,272	4,224,095	4,501,003

(ii) By type of customer

	Group		Bank	
	30 Sep 2021 RM'000	31 Dec 2020 RM'000	30 Sep 2021 RM'000	31 Dec 2020 RM'000
Business enterprises	1,742,777	1,903,316	1,742,777	1,900,493
Individuals	341,450	350,465	341,450	350,465
Subsidiaries	-	-	15,908	18,554
Government and statutory bodies	1,604,175	1,771,022	1,604,175	1,771,022
Other enterprises	519,785	460,468	519,785	460,469
	4,208,187	4,485,272	4,224,095	4,501,003

(iii) By contractual maturity

	Group		Bank	
	30 Sep 2021 RM'000	31 Dec 2020 RM'000	30 Sep 2021 RM'000	31 Dec 2020 RM'000
Due within six months	3,384,416	3,631,185	3,400,324	3,646,916
More than six months to one year	660,077	678,012	660,077	678,012
More than one year to three years	163,694	176,075	163,694	176,075
	4,208,187	4,485,272	4,224,095	4,501,003

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A12 Deposits and Placements of Banks and Other Financial Institutions

	Group		Bank	
	30 Sep 2021 RM'000	31 Dec 2020 RM'000	30 Sep 2021 RM'000	31 Dec 2020 RM'000
Murabahah				
Licensed Islamic banks	-	80,208	-	80,208
Other financial institutions	1,656,825	2,061,019	1,656,825	2,061,019
	1,656,825	2,141,227	1,656,825	2,141,227

A13 Investment Accounts

	Group and Bank	
	30 Sep 2021 RM'000	31 Dec 2020 RM'000
As at 1 January	6,644	6,820
Net placement during the year	(1,491)	(266)
Income from investment	85	150
Profit distributed to mudarib	(34)	(60)
As at 30 September/31 December	5,204	6,644
Investment asset:		
Wadiah placement with BNM	5,204	6,644

Profit Sharing Ratio, Rate of Return and Performance Incentive Fee

	Investment account holder	
	Average profit sharing ratio	Average rate of return
	(%)	(%)
Unrestricted investment accounts:		
Less than 3 months	60	1.02

	Group and Bank	
	30 Sep 2021 RM'000	31 Dec 2020 RM'000
Business enterprises	2,833	2,984
Individuals	2,276	3,545
Other enterprises	95	115
	5,204	6,644

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A14 Other Liabilities

	Group		Bank	
	30 Sep 2021 RM'000	31 Dec 2020 RM'000	30 Sep 2021 RM'000	31 Dec 2020 RM'000
Sundry creditors	35,563	44,371	35,558	44,282
Accrued restoration cost	5,118	5,118	5,118	5,118
Undistributed charity funds (i)	671	922	671	922
Other provisions and accruals	43,155	36,838	43,153	36,646
	84,507	87,249	84,500	86,968

(i) Sources and uses of charity funds:

	Group and Bank	
	30 Sep 2021 RM'000	31 Dec 2020 RM'000
Sources of charity funds:		
Undistributed charity funds as at 1 January	922	1,136
Penalty (reversal)/charges on late payment	215	608
Total sources of funds during the year	1,137	1,744
Uses of charity funds:		
Payment for recovery cost and other expenses	(417)	(720)
Contribution to non profit organisations	(29)	(90)
Aid to needy family	(20)	(12)
Total uses of funds during the year	(466)	(822)
Closing balance	671	922

A15 Share Capital

	Number of ordinary shares at RM1.00 each		Amount	
	30 Sep 2021 Units'000	31 Dec 2020 Units'000	30 Sep 2021 RM'000	31 Dec 2020 RM'000
Authorised:				
At 1 January/At closing balance	3,000,000	3,000,000	3,000,000	3,000,000
Issued and fully paid:				
At 1 January	1,425,272	1,425,272	1,425,272	1,425,272
At 1 January/At closing balance	1,425,272	1,425,272	1,425,272	1,425,272

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A16 Income derived from investment of depositors' funds and others

	3rd Quarter ended 30-Sep		Nine-months ended 30-Sep	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Group and Bank				
Finance income from financing, advances and other receivables	41,052	50,625	126,881	159,846
Finance income from impaired financing	550	546	1,473	2,520
Income from securities				
- Financial assets at FVOCI	27,505	30,422	87,939	91,141
Money at call and deposits with financial institutions	32	154	484	687
	69,139	81,747	216,778	254,194
Amortisation of premium less accretion of discounts	(683)	(1,432)	(3,662)	(4,316)
Total finance income and hibah	68,456	80,315	213,115	249,878
Gain/(loss) arising from sale of securities				
- Financial assets at FVOCI	671	4,787	6,347	4,787
Foreign exchange (loss)/gain				
- Realised	395	655	127	1,173
	69,522	85,757	219,589	255,838

A17 Income derived from Investment of Shareholder's Equity

	3rd Quarter ended 30-Sep		Nine-months ended 30-Sep	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Group				
Finance income from financing, advances and other receivables	11,734	13,615	35,930	41,262
Finance income from impaired financing	158	148	418	648
Income from securities:				
- Financial assets at FVOCI	7,856	8,183	24,891	23,581
Money at call and deposits with financial institutions	8	41	135	173
	19,756	21,987	61,374	65,663
Amortisation of premium less accretion of discounts	(191)	(385)	(1,031)	(1,117)
Total finance income and hibah	19,565	21,601	60,343	64,546
Fee income				
- Commission	875	977	1,999	1,819
- Other fee income	324	485	2,588	5,978
Gain/(loss) arising from sale of securities				
- Financial assets at FVOCI	195	1,312	1,827	1,312
Fair value loss from financial asset at FVTPL	-	(524)	755	(524)
Foreign exchange (loss)/gain				
- Realised	(507)	(562)	5,888	2,130
- Unrealised	284	(822)	(8,860)	(6,205)
Gain on disposal of property, plant and equipment	-	-	12	(8)
Reversal of provision on property restoration	-	10	-	10
	20,736	22,479	64,550	69,058

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

	3rd Quarter ended 30-Sep		Nine-months ended 30-Sep	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Bank				
Finance income from financing, advances and other receivables	11,734	13,615	35,930	41,262
Finance income from impaired financing	158	148	418	648
Income from securities:				
- Financial assets at FVOCI	7,856	8,183	24,891	23,581
Money at call and deposits with financial institutions	8	41	135	173
	19,756	21,987	61,374	65,663
Amortisation of premium less accretion of discounts	(191)	(385)	(1,031)	(1,117)
Total finance income and hibah	19,565	21,601	60,343	64,546
Fee income				
- Commission	875	977	1,999	1,819
- Other fee income	324	485	2,588	5,978
Gain/(loss) arising from sale of securities				
- Financial assets at FVOCI	195	1,312	1,827	1,312
Fair value loss from financial asset at FVTPL	(0)	(524)	755	(524)
Foreign exchange (loss)/gain				
- Realised	(507)	(562)	5,888	2,130
- Unrealised	284	(822)	(8,860)	(6,205)
Gain on disposal of property, plant and equipment	-	-	12	(8)
Reversal of provision on property restoration	-	10	-	10
Management fee	-	30	-	90
	20,736	22,509	64,550	69,148

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
30 September 2021				
Group and Bank				
Cash and short-term funds	(650)	-	-	(650)
Financing and advances to customers	(19,720)	(19,500)	(889)	(40,109)
Bad debt recovered	-	-	10,341	10,341
Total Impairment loss (writeback)/charges	(20,370)	(19,500)	9,452	(30,418)

	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
30 September 2020				
Group and Bank				
Cash and short-term funds	(420)	-	-	(420)
Financing and advances to customers	(6,449)	(17,340)	(97)	(23,886)
Bad debt recovered	-	-	3,587	3,587
Debt instruments measured at FVOCI	(210)	210	-	-
Total Impairment loss (writeback)/charges	(7,079)	(17,130)	3,489	(20,720)

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A19 Income Attributable to the Depositors

Group and Bank

Deposits from customers

- Murabahah

Deposits and placements of banks and
other financial institutions

- Murabahah and Wakalah

Others

3rd Quarter ended 30-Sep		Nine-months ended 30-Sep	
2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
18,900	33,796	60,686	113,755
8,785	9,752	31,230	34,483
39	41	104	224
27,724	43,588	92,020	148,462

A20 Profit Distributed to Investment Account Holders

Group and Bank

Income derived from investment of investment account funds

Profit distributed to mudarib

3rd Quarter ended 30-Sep		Nine-months ended 30-Sep	
2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
26	30	85	122
(11)	(12)	(34)	(49)
15	18	51	73

A21 Discontinued Operations

Income derived from investment of shareholder's equity

Unrealised foreign exchange (loss)/gain

Total net income

Personnel expenses

Other overheads and expenditures

Loss before zakat and taxation

Net loss for the year

3rd Quarter ended 30-Sep		Nine-months ended 30-Sep	
2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
-	56	(71)	147
(0)	56	(71)	147
-	1	-	(53)
-	(19)	(16)	(363)
(0)	38	(87)	(268)
(0)	38	(87)	(268)

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A22 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 2021			As at 31 Dec 2020		
	Principal amount RM'000	Credit equivalent amount RM'000	Risk weighted amount RM'000	Principal amount RM'000	Credit equivalent amount RM'000	Risk weighted amount RM'000
Group and Bank						
Direct credit substitutes	48,220	47,388	46,508	52,262	51,320	50,353
Transaction related contingencies	98,395	48,002	36,539	110,370	54,080	41,534
Trade related contingencies	1,664	333	333	-	-	-
Irrevocable commitments to extend credit						
- maturity less than one year	217,035	27,506	22,816	357,064	46,245	41,462
- maturity more than one year	54,616	24,911	20,082	44,486	20,721	16,487
Foreign exchange related contracts *						
- less than one year	592,585	6,310	1,669	494,577	7,014	1,403
- one year to five years	130,470	3,147	629	257,534	4,636	1,640
	1,142,985	157,596	128,577	1,316,293	184,016	152,879

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

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 2021 RM'000	Dec 2020 RM'000
Financial guarantees	48,220	52,262
Letters of credit	100,059	110,370
Other undrawn commitments	271,651	401,550
Total commitment	419,930	564,182
Less : ECL (charge)/writeback	(3,663)	(3,663)
	416,267	560,519

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A22(b) 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>	30-Sep-21			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Internal rating grade :				
Performing	48,220	-	-	48,220
Past due but not impaired	-	-	-	-
Individually impaired	-	-	-	-
Total	48,220	-	-	48,220

<u>Group and Bank</u>	31-Dec-20			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Internal rating grade :				
Performing	52,262	-	-	52,262
Past due but not impaired	-	-	-	-
Individually impaired	-	-	-	-
Total	52,262	-	-	52,262

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

<u>Group and Bank</u>	30-Sep-21			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Gross carrying amount as at 1 January 2021	52,262	-	-	52,262
Net remeasurement of outstanding balance	11,635	-	-	11,635
New financial assets originated or purchased	154	-	-	154
Financial assets that have matured	(15,831)	-	-	(15,831)
Gross carrying amount as at 30 September 2021	48,220	-	-	48,220

<u>Group and Bank</u>	30-Sep-21			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
ECL allowance as at 1 January 2021	673	-	-	673
Net remeasurement of loss allowance	448	-	-	448
New financial assets originated or purchased	5	-	-	5
Financial assets that have matured	(225)	-	-	(225)
ECL allowance as at 30 September 2021	900	-	-	900
Net carrying amount (after ECL)	47,319	-	-	47,319

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A22(b) Impairment losses on guarantees and other commitments (Cont'd.)

Group and Bank	31-Dec-20			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Gross carrying amount as at 1 January 2020	52,260	600	-	52,860
Net remeasurement of outstanding balance	888	-	-	888
New financial assets originated or purchased	1,237	-	-	1,237
Financial assets that have matured	(2,123)	(600)	-	(2,723)
Gross carrying amount as at 31 December 2020	52,262	-	-	52,262

Group and Bank	31-Dec-20			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
ECL allowance as at 1 January 2020	241	210	-	451
Net remeasurement of loss allowance	421	-	-	421
New financial assets originated or purchased	21	-	-	21
Financial assets that have matured	(10)	(210)	-	(220)
ECL allowance as at 31 December 2020	673	-	-	673
Net carrying amount (after ECL)	51,590	-	-	51,590

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A22(b) Impairment losses on guarantees and other commitments (Cont'd.)

Letters of credit

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

<u>Group and Bank</u>	30-Sep-21			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Internal rating grade :				
Performing	100,059	-	-	100,059
Past due but not impaired	-	-	-	-
Total	100,059	-	-	100,059

<u>Group and Bank</u>	31-Dec-20			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Internal rating grade :				
Performing	110,370	-	-	110,370
Past due but not impaired	-	-	-	-
Total	110,370	-	-	110,370

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

<u>Group and Bank</u>	30-Sep-21			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Gross carrying amount as at 1 January 2021	110,370	-	-	110,370
Net remeasurement of outstanding balance	(11,975)	-	-	(11,975)
New financial assets originated or purchased	1,664	-	-	1,664
Gross carrying amount as at 30 September 2021	100,059	-	-	100,059

<u>Group and Bank</u>	30-Sep-21			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
ECL allowance as at 1 January 2021	1,375	-	-	1,375
Net remeasurement of loss allowance	(247)	-	-	(247)
New financial assets originated or purchased	19	-	-	19
ECL allowance as at 30 September 2021	1,147	-	-	1,147
Net carrying amount (after ECL)	98,911	-	-	98,911

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A22(b) Impairment losses on guarantees and other commitments (Cont'd.)

Group and Bank	31-Dec-20			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Gross carrying amount as at 1 January 2020	124,598	-	-	124,598
Net remeasurement of outstanding balance	(2,479)	-	-	(2,479)
Financial assets that have matured	(11,749)	-	-	(11,749)
Gross carrying amount as at 31 December 2020	110,370	-	-	110,370

Group and Bank	31-Dec-20			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
ECL allowance as at 1 January 2020	1,596	-	-	1,596
Net remeasurement of loss allowance	(141)	-	-	(141)
Financial assets that have matured	(80)	-	-	(80)
ECL allowance as at 31 December 2020	1,375	-	-	1,375
Net carrying amount (after ECL)	108,995	-	-	108,995

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A22(b) 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.

Group and Bank	30-Sep-21			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Internal rating grade :				
Performing	266,171	3,775	1,705	271,651
Past due but not impaired	-	-	-	-
Individually impaired	-	-	-	-
Total	266,171	3,775	1,705	271,651

Group and Bank	31-Dec-20			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Internal rating grade :				
Performing	392,463	8,183	903	401,550
Past due but not impaired	-	-	-	-
Individually impaired	-	-	-	-
Total	392,463	8,183	903	401,550

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

Group and Bank	30-Sep-21			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Gross carrying amount as at 1 January 2021	392,463	8,183	903	401,550
Transfer to 12-month ECL	216	(216)	-	-
Transfer to lifetime ECL not credit impaired	(845)	845	-	-
Net remeasurement of outstanding balance	10,240	2,959	802	14,001
New financial assets originated or purchased	231,140	-	-	231,140
Financial assets that have matured	(367,043)	(7,997)	-	(375,040)
Gross carrying amount as at 30 September 2021	266,171	3,775	1,705	271,651

Group and Bank	30-Sep-21			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
ECL allowance as at 1 January 2021	1,615	-	-	1,615
Transfer to 12-month ECL	-	-	-	-
Transfer to lifetime ECL not credit impaired	-	-	-	-
Transfer to lifetime ECL credit impaired	-	-	-	-
Net remeasurement of loss allowance	-	-	-	-
New financial assets originated or purchased	1,615	-	-	1,615
Financial assets that have matured	(1,615)	-	-	(1,615)
ECL allowance as at 30 September 2021	1,615	-	-	1,615
Net carrying amount (after ECL)	264,556	3,775	1,705	270,036

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A22(b) Impairment losses on guarantees and other commitments (Cont'd.)

Group and Bank	31-Dec-20			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Gross carrying amount as at 1 January 2020	565,080	4,271	-	569,351
Transfer to 12-month ECL	158	(158)	-	-
Transfer to lifetime ECL not credit impaired	(552)	552	-	-
Transfer to lifetime ECL credit impaired	-	(109)	109	-
Net remeasurement of outstanding balance	(754)	7,290	794	7,329
New financial assets originated or purchased	315,124	-	-	315,124
Financial assets that have matured	(486,591)	(3,663)	-	(490,254)
Gross carrying amount as at 31 December 2020	392,463	8,183	903	401,550

Group and Bank	31-Dec-20			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
ECL allowance as at 1 January 2020	1,615	-	-	1,615
Net remeasurement of loss allowance	(295)	-	-	(295)
New financial assets originated or purchased	981	-	-	981
Financial assets that have matured	(686)	-	-	(686)
ECL allowance as at 31 December 2020	1,615	-	-	1,615
Net carrying amount (after ECL)	390,848	8,183	903	399,935

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A24 Capital Adequacy

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

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

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

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

	Group		Bank	
	30 Sep 2021	31 Dec 2020	30 Sep 2021	31 Dec 2020
Common Equity Tier I / Tier I Capital Ratio				
Credit risk	41.221%	39.250%	40.809%	38.883%
Credit, market, operational and large exposure risks	36.945%	35.672%	36.473%	35.277%
Total Capital Ratio				
Credit risk	42.471%	40.500%	42.059%	40.133%
Credit, market, operational and large exposure risks	38.065%	36.808%	37.590%	36.411%

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A24 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 2021 RM'000	31 Dec 2020 RM'000	30 Sep 2021 RM'000	31 Dec 2020 RM'000
<u>CET I / Tier I capital</u>				
Paid-up share capital	1,425,272	1,425,272	1,425,272	1,425,272
Statutory reserve	170,648	170,648	170,648	170,648
Other reserves	2,732	63,281	(2,969)	58,031
	1,598,652	1,659,201	1,592,951	1,653,951
Less: Deferred tax assets (net)	(6,971)	(6,971)	(6,971)	(6,971)
Less: Investment in subsidiaries	-	-	(10,200)	(10,200)
Total CET I / Tier I capital	1,591,681	1,652,230	1,575,780	1,636,780
<u>Tier II capital</u>				
Collective impairment on financing	48,267	52,618	48,267	52,618
Total Tier II capital	48,267	52,618	48,267	52,618
Total capital	1,639,948	1,704,848	1,624,047	1,689,398

(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 2021 RM'000	31 Dec 2020 RM'000	30 Sep 2021 RM'000	31 Dec 2020 RM'000
Computation of Total Risk-Weighted Assets (RWA)				
Total Credit RWA	3,861,360	4,209,461	3,861,360	4,209,461
Total Market RWA	3,664	6,645	3,663	5,004
Total Operational RWA	443,212	415,592	455,372	425,380
Large Exposure Risk RWA for Equity Holdings	-	8	-	8
Total Risk-Weighted Assets	4,308,236	4,631,706	4,320,395	4,639,853
Computation of Capital Ratios				
Core Capital	1,591,681	1,652,230	1,575,780	1,636,780
Capital Base	1,639,948	1,704,848	1,624,047	1,689,398
CET I / Tier I Capital Ratio	36.945%	35.672%	36.473%	35.277%
Total Capital Ratio	38.065%	36.808%	37.590%	36.411%

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A25 FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

Determination of fair value and fair value hierarchy

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

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

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

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

Group	Level 2	Level 3	Total
	RM'000	RM'000	RM'000
30 Sep 2021			
Financial assets			
Debt instruments measured at FVOCI	3,303,687	-	3,303,687
Financing, advances and other receivables	1,608,349	2,211,295	3,819,644
Hedging financial instruments	5,563	-	5,563
Total	4,917,598	2,211,295	7,128,894
Financial liability			
Deposits from customers	4,184,188	-	4,184,188
Hedging financial instruments	5,020	-	5,020
	4,189,208	-	4,189,208
31 Dec 2020			
Financial assets			
Debt instruments measured at FVOCI	3,948,972	-	3,948,972
Equity instruments at FVOCI	-	18	18
Financing, advances and other receivables	1,710,471	2,478,357	4,188,828
Hedging financial instruments	7,310	-	7,310
Total	5,666,753	2,478,375	8,145,128
Financial liability			
Deposits from customers	4,457,664	-	4,457,664
Hedging financial instruments	8,661	-	8,661
	4,466,325	-	4,466,325

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A25 FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (Cont'd.)

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

	Level 2	Level 3	Total
	RM'000	RM'000	RM'000
Bank			
30 Sep 2021			
Financial assets			
Debt instruments measured at FVOCI	3,303,687	-	3,303,687
Financing, advances and other receivables	1,608,349	2,211,295	3,819,644
Hedging financial instruments	5,563	-	5,563
Total	4,917,598	2,211,295	7,128,894
Financial liability			
Deposits from customers	4,199,532	-	4,199,532
Hedging financial instruments	5,020	-	5,020
	4,204,552	-	4,204,552
31 Dec 2020			
Financial assets			
Debt instruments measured at FVOCI	3,948,972	-	3,948,972
Equity instruments at FVOCI	-	18	18
Financing, advances and other receivables	1,710,471	2,478,357	4,188,828
Hedging financial instruments	7,310	-	7,310
Total	5,666,753	2,478,375	8,145,128
Financial liability			
Deposits from customers	4,472,852	-	4,472,852
Hedging financial instruments	8,661	-	8,661
	4,481,513	-	4,481,513

Description of significant unobservable inputs to valuation:

	Valuation technique	Significant Unobservable inputs	Range (weighted average)
Financing, advances and other receivables	DCF method	Profit rate	5.0% - 5.5%

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A25 FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (Cont'd.)

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

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

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

		Group			
		30 Sep 2021		31 Dec 2020	
		Carrying Value	Fair Value	Carrying Value	Fair Value
		RM'000	RM'000	RM'000	RM'000
Financial Assets					
Financing, advances and other receivables					
	3,820,739	3,819,644		4,190,380	4,188,827
	3,820,739	3,819,644		4,190,380	4,188,827
Financial Liabilities					
Deposits from customers					
	4,208,187	4,184,188		4,485,272	4,457,664
	4,208,187	4,184,188		4,485,272	4,457,664

		Bank			
		30 Sep 2021		31 Dec 2020	
		Carrying Value	Fair Value	Carrying Value	Fair Value
		RM'000	RM'000	RM'000	RM'000
Financial Assets					
Financing, advances and other receivables					
	3,820,739	3,819,644		4,190,380	4,188,827
	3,820,739	3,819,644		4,190,380	4,188,827
Financial Liabilities					
Deposits from customers					
	4,224,095	4,199,532		4,501,003	4,472,852
	4,224,095	4,199,532		4,501,003	4,472,852

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A25 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)

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

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

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

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

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

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

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

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

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

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

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

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A25 FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (Cont'd.)

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

(d) Financing, Advances and Other Receivables

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

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

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

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A26 FINANCIAL RISK MANAGEMENT

(c) MARKET RISK

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

i. Traded Market Risk

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

ii. Non-Traded Market Risk

Rate of Return in the Banking Book

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

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

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A26 FINANCIAL RISK MANAGEMENT (Cont'd.)

(c) MARKET RISK (Cont'd.)

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

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

Group	Non-trading book					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				
30 Sep 2021	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	%	
ASSETS									
Cash and short-term funds	29,740	-	-	-	-	198,792	-	228,532	
Deposits and placements with banks and other financial institutions	5,204	-	31,340	-	-	-	-	36,544	0.57
Securities FVOCI	10,193	152,346	93,002	1,187,355	1,860,791	-	-	3,303,687	4.29
Financing, advances and receivables	1,572,385	539,374	22,936	278,587	1,254,782	152,677	-	3,820,739	5.02
Musarakah capital investment	-	-	-	-	-	-	-	-	
Other assets	-	-	-	-	-	346,376	-	346,376	
Hedging Financial Instrument Assets	4,453	334	776	-	-	-	-	5,563	
TOTAL ASSETS	1,621,974	692,054	148,054	1,465,942	3,115,573	697,845	-	7,741,441	

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A26 FINANCIAL RISK MANAGEMENT (Cont'd.)

(c) MARKET RISK (Cont'd.)

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

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

Group 30 Sep 2021	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	
LIABILITIES AND SHAREHOLDER'S EQUITY									
Deposits from customers	915,176	856,295	1,883,191	453,490	-	100,035	-	4,208,187	1.83
Deposits and placements of banks and other financial institutions	451,929	955,173	249,723	-	-	-	-	1,656,825	1.95
Investment accounts of customers	5,204							5,204	
Hedging financial instrument liabilities	4,563	217	240	-	-	-	-	5,020	
Other liabilities	-	-	-	-	-	151,318	-	151,318	
Total Liabilities	1,376,872	1,811,685	2,133,154	453,490	-	251,353	-	6,026,554	
Shareholder's equity	-	-	-	-	-	1,714,887	-	1,714,887	
Total Liabilities and Shareholder's equity	1,376,872	1,811,685	2,133,154	453,490	-	1,966,239	-	7,741,441	
On-balance sheet profit sensitivity gap	244,134	(1,119,633)	(1,984,130)	1,012,451	3,115,573	(1,268,395)	-	-	
Off-balance sheet profit sensitivity gap	-	-	-	-	-	-	-	-	-
Total profit sensitivity gap	244,134	(1,119,633)	(1,984,130)	1,012,451	3,115,573	(1,268,395)	-	-	

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A26 FINANCIAL RISK MANAGEMENT (Cont'd.)

(c) MARKET RISK (Cont'd.)

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

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

	Non-trading book						Trading book	Total	Effective profit rate
	Up to 1 month	>1 - 3 months	>3 - 12 months	>1 - 5 years	Over 5 years	Non-profit sensitive			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000			
Group									
31 Dec 2020									
ASSETS									
Cash and short-term funds	856	-	-	-	-	67,419	-	68,275	
Deposits and placements with banks and other financial institutions	6,644	-	-	-	-	-	-	6,644	1.75
Securities FVOCI	-	-	372,413	1,628,916	1,947,643	-	-	3,948,972	4.33
Financing, advances and receivables	1,155,752	1,256,157	39,432	267,795	1,465,786	5,459	-	4,190,380	5.44
Musarakah capital investment	-	-	-	-	-	18	-	18	
Other assets	-	-	-	-	-	361,299	-	361,299	
Hedging Financial Instrument Assets	7,014	173	123	-	-	-	-	7,310	
TOTAL ASSETS	1,170,266	1,256,330	411,967	1,896,711	3,413,429	434,195	-	8,582,898	

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A26 FINANCIAL RISK MANAGEMENT (Cont'd.)

(c) MARKET RISK (Cont'd.)

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

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

Group 31 Dec 2020	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				
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	%
LIABILITIES AND SHAREHOLDER'S EQUITY									
Deposits from customers	1,241,944	1,418,801	1,283,780	436,840	-	103,907	-	4,485,272	2.20
Deposits and placements of banks and other financial institutions	831,717	361,886	947,624	-	-	-	-	2,141,227	2.08
Investment accounts of customers	6,644	-	-	-	-	-	-	6,644	
Hedging Financial Instrument Liabilities	7,064	57	1,541	-	-	-	-	8,661	
Other liabilities	-	-	-	-	-	163,527	-	163,527	
Total Liabilities	2,087,369	1,780,744	2,232,945	436,840	-	267,434	-	6,805,331	
Shareholder's equity						1,777,567		1,777,567	
Total Liabilities and Shareholder's equity	2,087,369	1,780,744	2,232,945	436,840	-	2,045,001	-	8,582,898	
On-balance sheet profit sensitivity gap	(917,103)	(524,414)	(1,820,977)	1,459,871	3,413,429	(1,610,806)	-	-	
Off-balance sheet profit sensitivity gap	-	-	-	-	-	-	-	-	-
Total profit sensitivity gap	(917,103)	(524,414)	(1,820,977)	1,459,871	3,413,429	(1,610,806)	-	-	

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A26 FINANCIAL RISK MANAGEMENT (Cont'd.)

(c) MARKET RISK (Cont'd.)

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

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

	Non-trading book					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 2021	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	%
ASSETS									
Cash and short-term funds	28,770	-	-	-	-	199,762	-	228,532	
Deposits and placements									
with banks and other financial institutions	5,204	-	31,340	-	-	-	-	36,544	0.57
Securities FVOCI	10,193	152,346	93,002	1,187,355	1,860,791	-	-	3,303,687	4.29
Financing, advances and receivables	1,572,385	539,374	22,936	278,587	1,254,782	152,676	-	3,820,740	5.02
Musarakah capital investment	-	-	-	-	-	-	-	-	
Other assets	-	-	-	-	-	356,575	-	356,575	
Hedging Financial Instrument Assets	4,453	334	776	-	-	-	-	5,563	
TOTAL ASSETS	1,621,005	692,054	148,054	1,465,942	3,115,573	709,013	-	7,751,641	

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A26 FINANCIAL RISK MANAGEMENT (Cont'd.)

(c) MARKET RISK (Cont'd.)

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

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

	Non-trading book					Trading book	Total	Effective profit rate	
	Up to 1 month	>1 - 3 months	>3 - 12 months	>1 - 5 years	Over 5 years				Non-profit sensitive
Bank 30 Sep 2021	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	%	
LIABILITIES AND SHAREHOLDER'S EQUITY									
Deposits from customers	920,426	856,295	1,883,191	464,149	-	100,034	-	4,224,095	1.83
Deposits and placements of banks and other financial institutions	451,929	955,173	249,723	-	-	-	-	1,656,825	1.95
Investment accounts of customers	5,204	-	-	-	-	-	-	5,204	
Hedging Financial Instrument Liabilities	4,563	217	240	-	-	-	-	5,020	
Other liabilities	-	-	-	-	-	151,310	-	151,310	
Total Liabilities	1,382,122	1,811,685	2,133,154	464,149	-	251,344	-	6,042,454	
Shareholder's equity	-	-	-	-	-	1,709,187	-	1,709,187	-
Total Liabilities and Shareholder's equity	1,382,122	1,811,685	2,133,154	464,149	-	1,960,531	-	7,751,641	
On-balance sheet profit sensitivity gap	238,883	(1,119,631)	(1,985,100)	1,001,793	3,115,573	(1,251,518)	-	-	-
Off-balance sheet profit sensitivity gap	-	-	-	-	-	-	-	-	-
Total profit sensitivity gap	238,883	(1,119,631)	(1,985,100)	1,001,793	3,115,573	(1,251,518)	-	-	

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A26 FINANCIAL RISK MANAGEMENT (Cont'd.)

(c) MARKET RISK (Cont'd.)

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

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

	Non-trading book					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 2020	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	%	
ASSETS									
Cash and short-term funds	856	-	-	-	-	67,419	-	68,275	
Deposits and placements with banks and other financial institutions	6,644	-	-	-	-	-	-	6,644	1.75
Securities FVOCI	-	-	372,413	1,628,916	1,947,643	-	-	3,948,972	4.33
Financing, advances and receivables	1,155,752	1,256,157	39,432	267,795	1,465,786	5,459	-	4,190,380	5.44
Musarakah capital investment	-	-	-	-	-	18	-	18	
Hedging Financial Instrument Assets	7,014	173	123	-	-	-	-	7,310	
Other assets	-	-	-	-	-	371,499	-	371,499	
TOTAL ASSETS	1,170,266	1,256,330	411,967	1,896,711	3,413,429	444,395	-	8,593,098	

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A26 FINANCIAL RISK MANAGEMENT (Cont'd.)

(c) MARKET RISK (Cont'd.)

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

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

	Non-trading book					Trading book	Total	Effective profit rate
	Up to 1 month	>1 - 3 months	>3 - 12 months	>1 - 5 years	Over 5 years			
Bank 31 Dec 2020	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	%
LIABILITIES AND SHAREHOLDER'S EQUITY								
Deposits from customers	1,247,135	1,418,801	1,283,780	447,379	-	103,907	4,501,003	2.19
Deposits and placements of banks and other financial institutions	831,717	361,886	947,624	-	-	-	2,141,227	2.08
Investment accounts of customers	6,644	-	-	-	-	-	6,644	
Hedging Financial Instrument Liabilities	7,064	57	1,541	-	-	-	8,661	
Other liabilities	-	-	-	-	-	163,246	163,246	
Total Liabilities	2,092,560	1,780,744	2,232,945	447,379	-	267,153	6,820,781	
Shareholder's equity						1,772,317	1,772,317	
Total Liabilities and Shareholder's equity	2,092,560	1,780,744	2,232,945	447,379	-	2,039,470	8,593,098	
On-balance sheet profit sensitivity gap	(922,294)	(524,414)	(1,820,977)	1,449,332	3,413,429	(1,595,075)	-	
Off-balance sheet profit sensitivity gap	-	-	-	-	-	-	-	
Total profit sensitivity gap	(922,294)	(524,414)	(1,820,977)	1,449,332	3,413,429	(1,595,075)	-	

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

B1 Basis of Preparation of the Financial Statements

The unaudited condensed interim financial statements for the nine months ended 30 September 2021 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 2021.

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 2020.

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 2021 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 2020.

B2.1 Standards issued but are not yet effective

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

FRSs, Amendments to FRSs and Interpretations

Effective for financial period
beginning on or after

MFRS 101 Classification of Liabilities as Current or Non-current (Amendments to MFRS 101)

1 January 2022

B2.2 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.

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B2 Significant Accounting Policies (Cont'd.)

B2.2 Significant Accounting Estimates and Judgements (Cont'd.)

(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.

(ii) Measurement of the expected credit loss allowance

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

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

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

(iii) Business models and SPPP as significant judgments

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

(iv) Deferred tax and income taxes

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

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B3 Auditors' Report on Preceding Annual Financial Statements

The auditors' report on the audited financial statements for the financial year ended 31 December 2020 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 2021.

B5 Unusual Items Due to their Nature, Size or Incidence

There were no 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 2021.

B6 Changes in Estimates and Judgements

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 2021.

However, the Bank has adopted additional management overlays to cater for potential additional ECL charge caused by COVID-19 pandemic during the nine months ended 30 September 2021.

B7 Debt and Equity Securities

There were no issuances of debt and equity securities during the nine months ended 30 September 2021.

B8 Dividends Paid

There were no dividends paid during the nine months ended 30 September 2021.

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

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

(i) Primary Segment - By Business Segment

<u>Group</u>	Treasury & Capital Markets	Corporate & Investment Banking	Commercial Banking	Others	Elimination	Total
30 Sep 2021	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
External revenue	118,625	50,291	8,860	106,377		284,154
Revenue from other segments	73,340	340	989	35,914	(75,178)	35,406
Total Revenue	191,965	50,631	9,849	142,292	(75,178)	319,559
Segment results	64,687	38,248	6,484	18,034	-	127,452
Unallocated expenses						(62,669)
Profit from operations						64,783
Taxation						(14,256)
Net profit for the year						50,527
Other information						
Segment assets	3,569,013	1,109,986	146,215	2,842,895	(26,109)	7,642,000
Unallocated corporate assets						99,441
Total assets						7,741,441
Segment liabilities	7,783,705	404,534	422,018	6,230,046	(15,909)	14,824,393
Unallocated corporate liabilities						(8,797,840)
Total liabilities						6,026,554
Other segment items						
Purchase of property and equipment				410		410
Purchase of intangible assets				615		615
Depreciation of property and equipment				2,672		2,672
Amortisation of intangible assets				3,756		3,756
Other non-cash expense other than depreciation	(0)	10,028	2,594	(43,040)	-	(30,418)

(ii) By Geographical Locations

<u>Group</u>	Operating Revenue RM'000	Loss Before Zakat and Taxation RM'000	Total Assets RM'000
30 Sep 2021			
Malaysia	284,154	64,783	7,741,441

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

(i) Primary Segment - By Business Segment

Group	Treasury & Capital Markets	Corporate & Investment Banking	Commercial Banking	Others	Elimination	Total
30 Sep 2020	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
External revenue	119,906	66,085	18,961	120,214	-	325,166
Revenue from other segments	101,031	440	1,180	51,901	(154,552)	-
Total Revenue	220,937	66,525	20,141	172,115	(154,552)	325,166
Segment results	41,255	33,817	12,217	(29,826)	-	57,463
Unallocated expenses						(62,382)
Loss from operations						(4,919)
Zakat						(10,558)
Taxation						(15,478)
Net loss for the year						(15,478)
Other information						
Segment assets	3,944,783	1,166,520	274,325	3,087,567	(29,556)	8,443,639
Unallocated corporate assets						198,416
Total assets						8,642,055
Segment liabilities	7,455,847	402,379	442,371	7,020,431	(19,474)	15,301,554
Unallocated corporate liabilities						(8,456,028)
Total liabilities						6,845,526
Other segment items						
Purchase of property and equipment				2,991		2,991
Purchase of intangible assets				765		765
Depreciation of property and equipment				2,782		2,782
Amortisation of intangible assets				4,269		4,269
Other non-cash expense other than depreciation	-	1,604	1,190	(77,697)	-	(74,903)

(ii) By Geographical Locations

Group	Operating Revenue RM'000	Profit Before Zakat and Taxation RM'000	Total Assets RM'000
30 Sep 2020			
Malaysia	325,166	(4,919)	8,642,055

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B10 Valuation of Property and Equipment

There was no change in the valuation of property and equipment that were brought forward from the previous audited financial statements for the year ended 31 December 2020.

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 2020.

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 2020 other than those as disclosed in note A22.

B14 Capital Commitments

The capital commitments not provided for in the interim financial statements as at 30 September 2021 are as follows:

	Group and Bank
	RM'000
<u>Capital expenditure</u>	
Authorised and contracted for:	
- renovation	56
- purchase of equipment	3
- purchase of IT hardware	257
- purchase of IT software	604
	<u>920</u>
Authorised and not contracted for:	
- purchase of IT hardware & software	<u>52,010</u>

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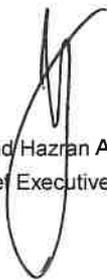
Certification of Financial Statements

I, Roslinawati Binti Zainal, 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 Bank's accounting and other records and are in conformity with the approved accounting standards in Malaysia.



Roslinawati Binti Zainal
Acting Head of Finance

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



Mohd Hazran Abd Hadi
Chief Executive Officer