

KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(200401033666)

(Incorporated in Malaysia)

Interim Report for the Period Ended 31 March 2022

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KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

(200401033666)

(Incorporated in Malaysia)

INTERIM CONDENSED STATEMENTS OF FINANCIAL POSITION

| | Note | Group | | Bank | |
|---|------|-----------------------|-----------------------|-----------------------|-----------------------|
| | | 31 Mar 2022 RM'000 | 31 Dec 2021 RM'000 | 31 Mar 2022 RM'000 | 31 Dec 2021 RM'000 |
| ASSETS | | | | | |
| Cash and short-term funds | A3 | 261,500 | 154,714 | 261,500 | 154,714 |
| Deposits and placements with banks and other financial institutions | A4 | 4,965 | 36,891 | 4,965 | 36,891 |
| Gold depository | | 114,231 | 103,554 | 114,231 | 103,554 |
| Debt instruments at FVOCI | A5 | 3,025,717 | 3,137,512 | 3,025,717 | 3,137,512 |
| Financing, advances and other receivables | A6 | 3,605,384 | 3,669,301 | 3,605,384 | 3,669,301 |
| Other assets | A7 | 116,597 | 120,304 | 116,597 | 120,304 |
| Hedging financial instruments | A8 | 752 | 5,805 | 752 | 5,805 |
| Statutory deposits with Bank Negara Malaysia | | 2 | 2 | 2 | 2 |
| Investment in subsidiaries | | - | - | 10,200 | 10,200 |
| Right of use of assets | A9 | 57,871 | 61,097 | 57,871 | 61,097 |
| Property and equipment | | 7,518 | 8,248 | 7,518 | 8,248 |
| Intangible assets | | 15,240 | 16,773 | 15,240 | 16,773 |
| Deferred tax assets | | 64,080 | 52,208 | 64,080 | 52,208 |
| | | 7,273,857 | 7,366,409 | 7,284,057 | 7,376,609 |
| LIABILITIES | | | | | |
| Deposits from customers | A10 | 3,574,189 | 3,915,548 | 3,590,106 | 3,931,455 |
| Investment accounts of customers | A12 | 4,986 | 5,550 | 4,986 | 5,550 |
| Deposits and placements of banks and other financial institutions | A11 | 1,868,032 | 1,588,714 | 1,868,032 | 1,588,714 |
| Hedging financial instruments | A8 | 774 | 5,517 | 774 | 5,517 |
| Lease Liabilities | A9 | 61,394 | 64,547 | 61,394 | 64,547 |
| Other liabilities | A13 | 85,971 | 86,366 | 85,954 | 86,359 |
| | | 5,595,346 | 5,666,242 | 5,611,246 | 5,682,142 |
| SHAREHOLDER'S EQUITY | | | | | |
| Share capital | A14 | 1,425,272 | 1,425,272 | 1,425,272 | 1,425,272 |
| Reserves | | 253,239 | 274,895 | 247,539 | 269,195 |
| | | 1,678,511 | 1,700,167 | 1,672,811 | 1,694,467 |
| TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY | | | | | |
| | | 7,273,857 | 7,366,409 | 7,284,057 | 7,376,609 |
| COMMITMENTS AND CONTINGENCIES | | | | | |
| | A21 | 1,024,102 | 1,070,200 | 1,024,102 | 1,070,200 |
| CAPITAL ADEQUACY | | | | | |
| Common Equity Tier I/ Tier I Capital Ratio | A22 | 38.715% | 38.502% | 38.207% | 38.004% |
| Total Capital Ratio | A22 | 39.826% | 39.615% | 39.314% | 39.114% |
| NET ASSETS PER SHARE (RM) | | | | | |
| | | 1.18 | 1.19 | 1.17 | 1.19 |

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

(200401033666)

(Incorporated in Malaysia)

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENTS

| Group | Note | 1st Quarter ended 31-Mar | | Three-months ended 31-Mar | |
|---|------|-----------------------------|----------------|------------------------------|----------------|
| | | 2022 RM'000 | 2021 RM'000 | 2022 RM'000 | 2021 RM'000 |
| Continuing Operations | | | | | |
| Operating revenue | | 91,034 | 94,262 | 91,034 | 94,262 |
| Income derived from investment of depositors' funds and others | A15 | 68,636 | 73,420 | 68,636 | 73,420 |
| Income derived from investment of investment account funds | A19 | 22 | 30 | 22 | 30 |
| Income derived from investment of shareholder's equity | A16 | 22,376 | 20,812 | 22,376 | 20,812 |
| Total gross income | | 91,034 | 94,262 | 91,034 | 94,262 |
| Credit loss (charge)/writeback on financial assets | A17 | (13,132) | (17,676) | (13,132) | (17,676) |
| Total distributable income | | 77,902 | 76,586 | 77,902 | 76,586 |
| Income attributable to the depositors | A18 | (24,663) | (31,612) | (24,663) | (31,612) |
| Profit distributed to investment account holders | A19 | (13) | (18) | (13) | (18) |
| Total net income | | 53,226 | 44,956 | 53,226 | 44,956 |
| Personnel expenses | | (13,777) | (15,015) | (13,777) | (15,015) |
| Other overheads and expenditures | | (22,752) | (18,255) | (22,752) | (18,255) |
| Profit before zakat and taxation | | 16,697 | 11,686 | 16,697 | 11,686 |
| Taxation | | (147) | (2,980) | (147) | (2,980) |
| Net profit for the period | | 16,550 | 8,706 | 16,550 | 8,706 |
| Discontinued Operations | | | | | |
| Loss before zakat and taxation from discontinued operations | | - | (84) | - | (84) |
| Profit before zakat and taxation | | 16,697 | 11,602 | 16,697 | 11,602 |
| Taxation | | - | - | - | - |
| Loss after zakat and taxation for the year from discontinued operations | A20 | - | (84) | - | (84) |
| Net profit for the period | | 16,550 | 8,622 | 16,550 | 8,622 |
| Attributable to: | | | | | |
| Equity holders of the Bank | | 16,550 | 8,622 | 16,550 | 8,622 |
| Earnings per share attributable to equity holders of the Bank | | | | | |
| - Basic/Diluted (sen) | | 1.16 | 0.60 | 1.16 | 0.60 |

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

| | 1st Quarter ended 31-Mar | | Three-months ended 31-Mar | |
|--|-----------------------------|----------------|------------------------------|----------------|
| | 2022 RM'000 | 2021 RM'000 | 2022 RM'000 | 2021 RM'000 |
| Group | | | | |
| Net profit for the period | 16,550 | 8,622 | 16,550 | 8,622 |
| Other comprehensive income/(loss): | | | | |
| Items that may be reclassified subsequently to profit or loss: | | | | |
| Debt securities at FVOCI: | | | | |
| - Net unrealised loss on securities held at FVOCI | (41,820) | (149,715) | (41,820) | (149,715) |
| - Net realised gain on securities held at FVOCI reclassified to the income statement | (8,405) | - | (8,405) | - |
| - Changes in allowance for expected credit losses | - | - | - | - |
| Exchange differences on translation of foreign operations: | | | | |
| Net (loss)/gain taken to equity | (0) | 475 | (0) | 475 |
| Income tax relating to components of other comprehensive income | 12,019 | 35,616 | 12,019 | 35,616 |
| Other comprehensive income for the period, net of tax | (38,206) | (113,623) | (38,206) | (113,623) |
| Total comprehensive income for the period | (21,656) | (105,001) | (21,656) | (105,001) |
| Total comprehensive income for the period attributable to equity holders of the Bank | (21,656) | (105,001) | (21,656) | (105,001) |

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 | 1st Quarter ended 31-Mar | | Three-months ended 31-Mar | |
|--|-------------|-------------------------------------|------------------------|--------------------------------------|------------------------|
| | | 2022 RM'000 | 2021 RM'000 | 2022 RM'000 | 2021 RM'000 |
| Operating revenue | | 91,034 | 94,262 | 91,034 | 94,262 |
| Income derived from investment of depositors' funds and others | A16 | 68,636 | 73,420 | 68,636 | 73,420 |
| Income derived from investment of investment account funds | A20 | 22 | 30 | 22 | 30 |
| Income derived from investment of shareholder's equity | A17 | 22,376 | 20,812 | 22,376 | 20,812 |
| Total gross income | | 91,034 | 94,262 | 91,034 | 94,262 |
| Credit loss (charge)/writeback on financial assets | A18 | (13,132) | (17,676) | (13,132) | (17,676) |
| Total distributable income | | 77,902 | 76,586 | 77,902 | 76,586 |
| Income attributable to the depositors | A19 | (24,663) | (31,612) | (24,663) | (31,612) |
| Profit distributed to investment account holders | A20 | (13) | (18) | (13) | (18) |
| Total net income | | 53,226 | 44,956 | 53,226 | 44,956 |
| Personnel expenses | | (13,777) | (15,015) | (13,777) | (15,015) |
| Other overheads and expenditures | | (22,752) | (18,255) | (22,752) | (18,255) |
| Profit before zakat and taxation | | 16,697 | 11,686 | 16,697 | 11,686 |
| Taxation | | (147) | (2,980) | (147) | (2,980) |
| Net profit for the period | | 16,550 | 8,706 | 16,550 | 8,706 |

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

| | 1st Quarter ended 31-Mar | | Three-months ended 31-Mar | |
|--|-----------------------------|----------------|------------------------------|----------------|
| | 2022 RM'000 | 2021 RM'000 | 2022 RM'000 | 2021 RM'000 |
| Bank | | | | |
| Net profit for the period | 16,550 | 8,706 | 16,550 | 8,706 |
| Other comprehensive income/(loss): | | | | |
| Debt securities at FVOCI: | | | | |
| - Net unrealised loss on securities held at FVOCI | (41,820) | (149,715) | (41,820) | (149,715) |
| - Net realised gain on securities held at FVOCI reclassified to the income statement | (8,405) | - | (8,405) | - |
| - Changes in allowance for expected credit losses | - | - | - | - |
| Income tax relating to components of other comprehensive income | 12,019 | 35,616 | 12,019 | 35,616 |
| Other comprehensive income for the period, net of tax | (38,206) | (114,099) | (38,206) | (114,099) |
| Total comprehensive income for the period | (21,656) | (105,393) | (21,656) | (105,393) |

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 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 January 2022 | 1,425,272 | 207,491 | 3,798 | 39,965 | 23,641 | 1,700,167 |
| Total comprehensive income | - | - | - | (38,206) | 16,550 | (21,656) |
| Transfer to statutory reserve | - | - | - | - | - | - |
| At 31 March 2022 | 1,425,272 | 207,491 | 3,798 | 1,759 | 40,191 | 1,678,511 |
| At 1 January 2021 | 1,425,272 | 170,648 | 3,261 | 191,502 | (13,116) | 1,777,567 |
| Total comprehensive income | - | - | 537 | (151,537) | 73,600 | (77,400) |
| Transfer to statutory reserve | - | 36,843 | - | - | (36,843) | - |
| At 31 December 2021 | 1,425,272 | 207,491 | 3,798 | 39,965 | 23,641 | 1,700,167 |
| Bank | | | | | | |
| At 1 January 2022 | 1,425,272 | 207,491 | - | 39,965 | 21,739 | 1,694,467 |
| Total comprehensive income | - | - | - | (38,206) | 16,550 | (21,656) |
| Transfer to statutory reserve | - | - | - | - | - | - |
| At 31 March 2022 | 1,425,272 | 207,491 | - | 1,759 | 38,289 | 1,672,811 |
| At 1 January 2021 | 1,425,272 | 170,648 | - | 191,502 | (15,105) | 1,772,317 |
| Total comprehensive income | - | - | - | (151,537) | 73,687 | (77,850) |
| Transfer to statutory reserve | - | 36,843 | - | - | (36,843) | - |
| At 31 December 2021 | 1,425,272 | 207,491 | - | 39,965 | 21,739 | 1,694,467 |

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 | |
|---|--------------------------|--------------------------|--------------------------|--------------------------|
| | 31-Mar 2022 RM'000 | 31-Mar 2021 RM'000 | 31-Mar 2022 RM'000 | 31-Mar 2021 RM'000 |
| Profit before zakat and taxation | 16,697 | 11,602 | 16,697 | 11,686 |
| Adjustments for non-cash items | 12,282 | 26,372 | 12,282 | 26,299 |
| Operating profit before changes in working capital | 28,979 | 37,974 | 28,979 | 37,985 |
| <u>Changes in the working capital</u> | | | | |
| Net changes in operating assets | 29,682 | 144,050 | 29,682 | 144,050 |
| Net changes in operating liabilities | 113,167 | (151,093) | 116,965 | (147,368) |
| Net cash generated from operating activities | 142,849 | (7,043) | 146,647 | (3,318) |
| Net purchases of assets | (101,857) | 13,947 | (101,857) | 13,947 |
| Net cash used in investing activities | (101,857) | 13,947 | (101,857) | 13,947 |
| Net change in cash and cash equivalents | 69,971 | 44,878 | 73,769 | 48,614 |
| Cash and cash equivalents at beginning of the period | 192,696 | 68,275 | 192,696 | 68,275 |
| Exchange differences on translation of opening balances | 3,798 | 3,736 | - | - |
| Cash and cash equivalents at end of the period | 266,465 | 116,889 | 266,465 | 116,889 |

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

KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

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

A1 Performance Review

The Group and the Bank recorded a profit before tax of RM16.7 million for the period ended 31 March 2022.

A2 OUTLOOK FOR 2022

The Malaysian economy is expected to expand between 5.0% to 6.3% in 2022. The country's strong economic fundamentals and well-diversified economy will help to support its economic growth as well as driven by the positive spillovers from continued improvements in external demand.

The monetary policy is expected to remain supportive of economic growth whilst ensuring price stability in 2022. Inflation dynamics are also expected to favour a more accommodative monetary policy stance for Malaysia.

Further resumption of domestic economic activities, continued policy support and strength of external demand will be the major factors affecting the Malaysian economy in 2022. However, the risk related to Covid-19, financial markets stability and supply chain disruptions will be the key challenges affecting global economic situations. Despite a challenging domestic and external environment, the Malaysian economy is likely to remain positive in 2022.

A3 Cash and short term funds

Cash and balance with banks and other financial institutions
Money at call and interbank placement with remaining maturity less than one month
Less : ECL allowance

| Group and Bank | |
|-----------------------|-----------------------|
| 31 Mar 2022 RM'000 | 31 Dec 2021 RM'000 |
| 145,745 | 34,761 |
| 116,886 | 120,013 |
| 262,630 | 154,774 |
| (1,130) | (60) |
| 261,500 | 154,714 |

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.

| Group and Bank | 31-Mar-22 | | | |
|---------------------------|-------------------|-------------------|-------------------|-----------------|
| | Stage 1 RM'000 | Stage 2 RM'000 | Stage 3 RM'000 | Total RM'000 |
| Internal rating grade : | | | | |
| Performing | 262,630 | - | - | 262,630 |
| Past due but not impaired | - | - | - | - |
| Individually impaired | - | - | - | - |
| Total | 262,630 | - | - | 262,630 |

| Group and Bank | 31-Dec-21 | | | |
|---------------------------|-------------------|-------------------|-------------------|-----------------|
| | Stage 1 RM'000 | Stage 2 RM'000 | Stage 3 RM'000 | Total RM'000 |
| Internal rating grade : | | | | |
| Performing | 154,774 | - | - | 154,774 |
| Past due but not impaired | - | - | - | - |
| Individually impaired | - | - | - | - |
| Total | 154,774 | - | - | 154,774 |

KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

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

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:

| 31 March 2022 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 2022 | 154,774 | - | - | 154,774 |
| Net remeasurement of outstanding balance | 6,478 | - | - | 6,478 |
| New financial assets originated or purchased | 101,378 | - | - | 101,378 |
| Financial assets that have matured | - | - | - | - |
| Gross carrying amount as at 31 March 2022 | 262,630 | - | - | 262,630 |

| 31 March 2022 Group and Bank | Stage 1 RM'000 | Stage 2 RM'000 | Stage 3 RM'000 | Total RM'000 |
|--|-------------------|-------------------|-------------------|-----------------|
| ECL allowance as at 1 January 2022 | 60 | - | - | 60 |
| Allowance made during the year | 1,070 | - | - | 1,070 |
| ECL allowance as at 31 March 2022 | 1,130 | - | - | 1,130 |
| Net carrying amount (after ECL) | 261,500 | - | - | 261,500 |

| 31 December 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 | 73,501 | - | - | 73,501 |
| New financial assets originated or purchased | 81,013 | - | - | 81,013 |
| Financial assets that have matured | (68,516) | - | - | (68,516) |
| Gross carrying amount as at 31 December 2021 | 154,774 | - | - | 154,774 |

| 31 December 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 made during the year | (441) | - | - | (441) |
| ECL allowance as at 31 December 2021 | 60 | - | - | 60 |
| Net carrying amount (after ECL) | 154,714 | - | - | 154,714 |

KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

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

A4 Deposits and placements with banks and other financial institutions

Bank Negara Malaysia ^
Other financial institutions

Less : ECL Allowance

| Group and Bank | |
|----------------|-------------|
| 31 Mar 2022 | 31 Dec 2021 |
| RM'000 | RM'000 |
| 4,986 | 5,550 |
| - | 32,432 |
| 4,986 | 37,982 |
| (21) | (1,091) |
| 4,965 | 36,891 |

^ 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.

| <u>Group and Bank</u> | 31-Mar-22 | | | |
|---------------------------|-------------------|-------------------|-------------------|-----------------|
| | Stage 1 RM'000 | Stage 2 RM'000 | Stage 3 RM'000 | Total RM'000 |
| Internal rating grade : | | | | |
| Performing | 4,986 | - | - | 4,986 |
| Past due but not impaired | - | - | - | - |
| Individually impaired | - | - | - | - |
| Total | 4,986 | - | - | 4,986 |

| <u>Group and Bank</u> | 31-Dec-21 | | | |
|---------------------------|-------------------|-------------------|-------------------|-----------------|
| | Stage 1 RM'000 | Stage 2 RM'000 | Stage 3 RM'000 | Total RM'000 |
| Internal rating grade : | | | | |
| Performing | 37,982 | - | - | 37,982 |
| Past due but not impaired | - | - | - | - |
| Individually impaired | - | - | - | - |
| Total | 37,982 | - | - | 37,982 |

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:

| 31 March 2022 | 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 2022 | 37,982 | - | - | 37,982 |
| Net remeasurement of outstanding balance | - | - | - | - |
| New financial assets originated or purchased | - | - | - | - |
| Financial assets that have matured | (32,996) | - | - | (32,996) |
| Gross carrying amount as at 31 March 2022 | 4,986 | - | - | 4,986 |

KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

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

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:

| 31 March 2022 Group and bank | Stage 1 RM'000 | Stage 2 RM'000 | Stage 3 RM'000 | Total RM'000 |
|--|---------------------------|---------------------------|---------------------------|-------------------------|
| ECL allowance as at 1 January 2022 | 1,091 | - | - | 1,091 |
| Net remeasurement of loss allowance | 0 | - | - | 0 |
| New financial assets originated or purchased | 21 | - | - | 21 |
| Financial assets that have matured | (1,091) | - | - | (1,091) |
| ECL allowance as at 31 March 2022 | 21 | - | - | 21 |
| Net carrying amount (after ECL) | 4,965 | - | - | 4,965 |

| 31 December 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 | 6,644 | - | - | 6,644 |
| Net remeasurement of outstanding balance | - | - | - | - |
| New financial assets originated or purchased | 32,432 | - | - | 32,432 |
| Financial assets that have matured | (1,094) | - | - | (1,094) |
| Gross carrying amount as at 31 December 2021 | 37,982 | - | - | 37,982 |

| 31 December 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 | - | - | - | - |
| New financial assets originated or purchased | 1,091 | - | - | 1,091 |
| Financial assets that have matured | - | - | - | - |
| ECL allowance as at 31 December 2021 | 1,091 | - | - | 1,091 |
| Net carrying amount (after ECL) | 36,891 | - | - | 36,891 |

KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD

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(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 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> | 31-Mar-22 | | | |
|---------------------------|-------------------|-------------------|-------------------|-----------------|
| | Stage 1 RM'000 | Stage 2 RM'000 | Stage 3 RM'000 | Total RM'000 |
| Internal rating grade : | | | | |
| Performing | 3,025,717 | - | - | 3,025,717 |
| Past due but not impaired | - | - | - | - |
| Individually impaired | - | - | - | - |
| Total | 3,025,717 | - | - | 3,025,717 |

| <u>Group and Bank</u> | 31-Dec-21 | | | |
|---------------------------|-------------------|-------------------|-------------------|-----------------|
| | Stage 1 RM'000 | Stage 2 RM'000 | Stage 3 RM'000 | Total RM'000 |
| Internal rating grade : | | | | |
| Performing | 3,137,512 | - | - | 3,137,512 |
| Past due but not impaired | - | - | - | - |
| Individually impaired | - | - | - | - |
| Total | 3,137,512 | - | - | 3,137,512 |

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

| <u>Group and Bank</u> | 31 Mar 2022 | | | |
|-------------------------------------|-------------------|-------------------|-------------------|-----------------|
| | Stage 1 RM'000 | Stage 2 RM'000 | Stage 3 RM'000 | Total RM'000 |
| Fair value amount as at 31 Mar 2022 | 3,025,717 | - | - | 3,025,717 |

| <u>Group and Bank</u> | 31 Mar 2022 | | | |
|-------------------------------------|-------------------|-------------------|-------------------|-----------------|
| | Stage 1 RM'000 | Stage 2 RM'000 | Stage 3 RM'000 | Total RM'000 |
| ECL allowance as at 1 January 2022 | 4,716 | - | - | 4,716 |
| Allowance writeback during the year | - | - | - | - |
| ECL allowance as at 31 Mar 2022 * | 4,716 | - | - | 4,716 |

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

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

| <u>Group and Bank</u> | 31 Dec 2021 | | | |
|-------------------------------------|-------------------|-------------------|-------------------|-----------------|
| | Stage 1 RM'000 | Stage 2 RM'000 | Stage 3 RM'000 | Total RM'000 |
| Fair value amount as at 31 Dec 2021 | 3,137,512 | - | - | 3,137,512 |

| <u>Group and Bank</u> | 31 Dec 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 writeback during the year | (20,584) | - | - | (20,584) |
| ECL allowance as at 31 Dec 2021 * | 4,716 | - | - | 4,716 |

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

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A6 Financing, Advances and Other Receivables

i) At amortised cost

| | Group and Bank | |
|---|-----------------------|-----------------------|
| | 31 Mar 2022 RM'000 | 31 Dec 2021 RM'000 |
| Term financing | | |
| - House financing | 1,092,702 | 1,112,270 |
| - Personal financing | 904,927 | 934,127 |
| - Cashline financing | 5,553 | 6,882 |
| - Syndicated financing | 156,372 | 154,100 |
| - Hire purchase receivables | 600,037 | 624,174 |
| - Other term financing | 1,229,701 | 1,207,059 |
| Credit card | 35 | 41 |
| Staff financing | 20,111 | 20,313 |
| | 4,009,438 | 4,058,966 |
| Less : Modification loss | (31,707) | (31,707) |
| | 3,977,731 | 4,027,259 |
| Less: Impairment allowances | | |
| - Stage 1 Financing | (138,408) | (123,889) |
| - Stage 2 Financing | (111,025) | (110,025) |
| - Stage 3 Financing | (121,070) | (120,381) |
| Net financing and advances to customers | 3,607,228 | 3,672,964 |
| Less: Impairment allowances | | |
| - Stage 1 Undrawn | (398) | (1,615) |
| - Stage 1 Trade facilities | (1,446) | (2,048) |
| - Stage 2 Trade facilities | - | - |
| Net financing, advances and other receivables | 3,605,384 | 3,669,301 |

ii) By contract

| | Group and Bank | |
|---|-----------------------|-----------------------|
| | 31 Mar 2022 RM'000 | 31 Dec 2021 RM'000 |
| Ijarah Muntahia Bittamlik (lease ended with ownership) | 1,874,097 | 1,920,880 |
| Murabahah (cost-plus) | 2,049,205 | 2,051,611 |
| Mudharabah (profit sharing) | 43,705 | 43,705 |
| Qard (benevolent financing) | 941 | 1,034 |
| Musyarakah (profit and loss sharing) | 8,899 | 9,125 |
| Istisna' | 849 | 863 |
| Ujrah (Credit card) | 35 | 41 |
| | 3,977,731 | 4,027,259 |

iii) By type of customer

| | Group and Bank | |
|----------------------------|-----------------------|-----------------------|
| | 31 Mar 2022 RM'000 | 31 Dec 2021 RM'000 |
| Business enterprises | | |
| - Small medium enterprises | 300,011 | 337,024 |
| - Others | 1,006,920 | 1,001,191 |
| Individuals | 2,670,800 | 2,689,044 |
| | 3,977,731 | 4,027,259 |

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A6 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 | |
|-----------------------|-----------------------|
| 31 Mar 2022 RM'000 | 31 Dec 2021 RM'000 |
| 1,232,511 | 1,232,576 |
| 102,602 | 113,904 |
| 216,280 | 231,582 |
| 2,426,338 | 2,449,197 |
| 3,977,731 | 4,027,259 |

(v) By geographical distribution

Malaysia
Middle East
Other countries

| Group and Bank | |
|-----------------------|-----------------------|
| 31 Mar 2022 RM'000 | 31 Dec 2021 RM'000 |
| 3,973,531 | 4,022,960 |
| 2,908 | 2,992 |
| 1,292 | 1,307 |
| 3,977,731 | 4,027,259 |

(vi) By profit rate sensitivity

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

| Group and Bank | |
|-----------------------|-----------------------|
| 31 Mar 2022 RM'000 | 31 Dec 2021 RM'000 |
| 2,087 | 2,369 |
| 600,037 | 624,174 |
| 892,535 | 922,786 |
| 1,090,615 | 1,109,901 |
| 156,372 | 154,100 |
| 1,236,086 | 1,213,929 |
| 3,977,731 | 4,027,259 |

(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 | |
|-----------------------|-----------------------|
| 31 Mar 2022 RM'000 | 31 Dec 2021 RM'000 |
| 593,919 | 617,922 |
| 1,163,243 | 1,158,122 |
| 151,084 | 163,899 |
| 21,170 | 22,744 |
| 930,733 | 915,029 |
| 156,745 | 157,072 |
| 885,461 | 916,019 |
| 75,376 | 76,452 |
| 3,977,731 | 4,027,259 |

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A6 Financing, Advances and Other Receivables (Cont'd.)

viii) By sector

| | Group and Bank | |
|---|-----------------------|-----------------------|
| | 31 Mar 2022 RM'000 | 31 Dec 2021 RM'000 |
| Construction | 255,773 | 255,384 |
| Electricity, gas and water | 42,694 | 45,016 |
| Finance, insurance and business services | 66,472 | 65,923 |
| Household | 2,639,093 | 2,689,044 |
| Manufacturing | 157,006 | 153,697 |
| Agriculture, hunting, forestry & fishing | 75,033 | 55,972 |
| Real Estate | 242,708 | 254,350 |
| Transports, storage and communication | 112,911 | 116,320 |
| Wholesale & retail trade and restaurants & hotels | 379,017 | 382,451 |
| Others | 7,024 | 9,102 |
| Total | 3,977,731 | 4,027,258 |

(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' | Ujrah | Total |
|---------------------------|--|-----------------------|-----------------------------|--------------------------------------|-----------------------------|------------|-----------|------------------|
| 31 Mar 2022 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| House financing | 1,082,990 | 73 | - | 8,790 | - | 849 | - | 1,092,702 |
| Personal financing | - | 881,949 | - | - | 858 | - | - | 882,807 |
| Syndicated financing | - | 156,372 | - | - | - | - | - | 156,372 |
| Cashline financing | - | 5,553 | - | - | - | - | - | 5,553 |
| Hire purchase receivables | 590,450 | - | - | - | - | - | - | 590,450 |
| Other term financing | 183,512 | 1,002,484 | 43,705 | - | 0 | - | - | 1,229,701 |
| Staff financing | 17,145 | 2,774 | - | 109 | 83 | - | - | 20,111 |
| Credit card | - | - | - | - | - | - | 35 | 35 |
| Total | 1,874,097 | 2,049,205 | 43,705 | 8,899 | 941 | 849 | 35 | 3,977,731 |

| | 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' | Ujrah | Total |
| 31 Dec 2021 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| House financing | 1,102,353 | 74 | - | 8,981 | - | 863 | - | 1,112,271 |
| Personal financing | - | 911,130 | - | - | 877 | - | - | 912,007 |
| Syndicated financing | - | 154,100 | - | - | - | - | - | 154,100 |
| Cashline financing | - | 6,882 | - | - | - | - | - | 6,882 |
| Hire purchase receivables | 614,587 | - | - | - | - | - | - | 614,587 |
| Other term financing | 186,830 | 976,524 | 43,705 | - | - | - | - | 1,207,059 |
| Staff financing | 17,110 | 2,901 | - | 144 | 157 | - | - | 20,312 |
| Credit card | - | - | - | - | - | - | 41 | 41 |
| Total | 1,920,880 | 2,051,611 | 43,705 | 9,125 | 1,034 | 863 | 41 | 4,027,259 |

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A6 Financing, Advances and Other Receivables (Cont'd.)

x) Purpose and Source of Qard financing

| | |
|--------------------------------|--|
| As at 1 January | |
| Source of Qard fund: | |
| - Depositors' Fund | |
| - Shareholders' Fund | |
| Uses of Qard fund: | |
| - Financing for asset purchase | |
| - Staff Benevolent | |

Closing balance

| Group and Bank | |
|-----------------------|-----------------------|
| 31 Mar 2022 RM'000 | 31 Dec 2021 RM'000 |
| 1,034 | 1,196 |
| 12 | 513 |
| 9 | 392 |
| 3 | 121 |
| (105) | (675) |
| (79) | (516) |
| (26) | (159) |
| 941 | 1,034 |

xi) Movements in impaired financing, advances and other receivables

| | |
|---|--|
| At 1 Jan | |
| Impaired during the period/year | |
| - Impaired during the period/year | |
| - Reclassified to performing during the year | |
| - Amount recovered | |
| - Amount written off | |
| Reinstatement of previously written down accounts | |
| Closing balance | |

Ratio of net impaired financing, advances and other receivables to gross financing, advances and other receivables less Stage 3 ECL

| Group and Bank | |
|-----------------------|-----------------------|
| 31 Mar 2022 RM'000 | 31 Dec 2021 RM'000 |
| 272,802 | 317,444 |
| (2,200) | (44,795) |
| 5,182 | 23,116 |
| (2,414) | (9,797) |
| (4,968) | (17,859) |
| - | (40,255) |
| 470 | 153 |
| 271,072 | 272,802 |
| 3.86% | 3.87% |

xii) Movements in ECL on financing, advances and other receivables

Stage 1 and 2 ECL

| | |
|--|--|
| As at 1 Jan | |
| Allowance (writeback)/made during the year | |
| Closing balance | |

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

| Group and Bank | |
|-----------------------|-----------------------|
| 31 Mar 2022 RM'000 | 31 Dec 2021 RM'000 |
| 237,577 | 155,510 |
| 13,700 | 82,067 |
| 251,277 | 237,577 |
| 6.52% | 6.08% |

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A6 Financing, Advances and Other Receivables (Cont'd.)

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

| | Group and Bank | |
|---|-----------------------|-----------------------|
| | 31 Mar 2022 RM'000 | 31 Dec 2021 RM'000 |
| Stage 3 ECL | | |
| At 1 Jan | 120,381 | 156,476 |
| Allowance made during the year | 219 | 4,007 |
| - Allowance made | 3,906 | 18,813 |
| - Allowance written-back | (3,687) | (14,806) |
| Amount written off | - | (40,255) |
| Reinstatement of previously written down accounts | 470 | 153 |
| Closing balance | 121,070 | 120,381 |

xiii) Impaired financing by sector

| | Group and Bank | |
|---|-----------------------|-----------------------|
| | 31 Mar 2022 RM'000 | 31 Dec 2021 RM'000 |
| Finance, insurance and business services | 5,169 | 6,351 |
| Household | 37,895 | 38,221 |
| Manufacturing | 85,681 | 84,575 |
| Real Estate | 131,632 | 132,901 |
| Wholesale & retail trade and restaurants & hotels | 10,695 | 10,754 |
| | 271,072 | 272,802 |

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A6 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.

| Group and Bank | 31-Mar-22 | | | |
|---------------------------|---------------------------|---------------------------|---------------------------|-------------------------|
| | Stage 1 RM'000 | Stage 2 RM'000 | Stage 3 RM'000 | Total RM'000 |
| Internal rating grade : | | | | |
| Performing | 3,452,732 | - | - | 3,452,732 |
| Past due but not impaired | - | 253,927 | - | 253,927 |
| Individually impaired | - | - | 271,072 | 271,072 |
| Total | 3,452,732 | 253,927 | 271,072 | 3,977,731 |

| Group and Bank | 31-Dec-21 | | | |
|---------------------------|---------------------------|---------------------------|---------------------------|-------------------------|
| | Stage 1 RM'000 | Stage 2 RM'000 | Stage 3 RM'000 | Total RM'000 |
| Internal rating grade : | | | | |
| Performing | 3,518,786 | - | - | 3,518,786 |
| Past due but not impaired | - | 235,671 | - | 235,671 |
| Individually impaired | - | - | 272,802 | 272,802 |
| Total | 3,518,786 | 235,671 | 272,802 | 4,027,259 |

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 :

| Group and Bank | 31-Mar-22 | | | |
|---|---------------------------|---------------------------|---------------------------|-------------------------|
| | Stage 1 RM'000 | Stage 2 RM'000 | Stage 3 RM'000 | Total RM'000 |
| Gross carrying amount as at 1 January 2022 | 3,518,786 | 235,671 | 272,802 | 4,027,260 |
| Transfer to 12-month ECL | 16,783 | (14,726) | (2,057) | - |
| Transfer to lifetime ECL not credit impaired | (36,479) | 36,816 | (337) | - |
| Transfer to lifetime ECL credit impaired | (759) | (1,840) | 2,599 | - |
| Net remeasurement of outstanding balance | (44,997) | 168,270 | 16,873 | 140,146 |
| New financial assets originated or purchased | 849,899 | - | - | 849,899 |
| Financial assets that have matured | (850,502) | (170,264) | (18,808) | (1,039,574) |
| Gross carrying amount as at 31 March 2022 | 3,452,732 | 253,927 | 271,072 | 3,977,731 |

| Group and Bank | 31-Mar-22 | | | |
|---|---------------------------|---------------------------|---------------------------|-------------------------|
| | Stage 1 RM'000 | Stage 2 RM'000 | Stage 3 RM'000 | Total RM'000 |
| ECL allowance as at 1 January 2022 | 127,552 | 110,025 | 120,381 | 357,957 |
| Transfer to 12-month ECL | 13,614 | (12,545) | (1,069) | - |
| Transfer to lifetime ECL not credit impaired | (1,592) | 1,680 | (88) | - |
| Transfer to lifetime ECL credit impaired | (26) | (174) | 201 | - |
| Allowance (writeback)/made during the year | 705 | 12,039 | 1,175 | 13,918 |
| Write-offs | - | - | - | - |
| Reinstatement of previously written down accounts | - | - | 470 | 470 |
| ECL allowance as at 31 March 2022 | 140,252 | 111,025 | 121,070 | 372,347 |
| Net carrying amount (after ECL) | 3,312,480 | 142,903 | 150,002 | 3,605,384 |

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A6 Financing, Advances and Other Receivables (Cont'd.)

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

| Group and Bank | 31-Dec-21 | | | Total RM'000 |
|---|-------------------|-------------------|-------------------|------------------|
| | Stage 1 RM'000 | Stage 2 RM'000 | Stage 3 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 | 60,802 | (55,147) | (5,655) | - |
| Transfer to lifetime ECL not credit impaired | (30,869) | 31,908 | (1,039) | - |
| Transfer to lifetime ECL credit impaired | (7,220) | (5,559) | 12,779 | - |
| Net remeasurement of outstanding balance | (192,531) | 191,725 | 234,185 | 233,379 |
| New financial assets originated or purchased | 1,301,293 | - | - | 1,301,293 |
| Financial assets that have matured | (1,514,039) | (226,294) | (244,657) | (1,984,990) |
| Modification loss | 15,108 | 358 | - | 15,466 |
| Write-offs | - | - | (40,255) | (40,255) |
| Gross carrying amount as at 31 December 2021 | 3,518,786 | 235,671 | 272,802 | 4,027,259 |

| Group and Bank | 31-Dec-21 | | | Total RM'000 |
|---|-------------------|-------------------|-------------------|------------------|
| | Stage 1 RM'000 | Stage 2 RM'000 | Stage 3 RM'000 | |
| ECL allowance as at 1 January 2021 | 66,986 | 88,524 | 156,476 | 311,986 |
| Transfer to 12-month ECL | 9,459 | (5,533) | (3,925) | - |
| Transfer to lifetime ECL not credit impaired | (514) | 1,243 | (729) | - |
| Transfer to lifetime ECL credit impaired | (114) | (296) | 410 | - |
| Allowance made during the year | 51,735 | 26,087 | 8,251 | 86,074 |
| Reinstatement of previously written down accounts | - | - | (40,255) | (40,255) |
| Write-offs | - | - | 153 | 153 |
| ECL allowance as at 31 December 2021 | 127,552 | 110,025 | 120,381 | 357,958 |
| Net carrying amount (after ECL) | 3,391,234 | 125,646 | 152,421 | 3,669,301 |

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A7 Other Assets

| | Group and Bank | |
|---------------------------------------|-----------------------|-----------------------|
| | 31 Mar 2022 RM'000 | 31 Dec 2021 RM'000 |
| Deposits and prepayments | 10,673.78 | 7,673 |
| Amount due from other related parties | 105,971 | 111,861 |
| Fee receivable | 80 | 130 |
| Sundry debtors | 698 | 640 |
| | 116,597 | 120,304 |

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

A8 Hedging Financial Instruments

| | Notional Amount RM'000 | Fair Value | |
|--|---------------------------|------------------|-----------------------|
| | | Assets RM'000 | Liabilities RM'000 |
| Group and Bank | | | |
| At 31 March 2022 | | | |
| Forward foreign exchange related contracts | | | |
| - in connection with fair value hedges | 151,665 | 370 | 355 |
| - other derivatives without hedge accounting | 510,168 | 382 | 419 |
| Total | 661,833 | 752 | 774 |

Group and Bank

At 31 Dec 2021

| | Notional Amount RM'000 | Fair Value | |
|--|---------------------------|------------------|-----------------------|
| | | Assets RM'000 | Liabilities RM'000 |
| Forward foreign exchange related contracts | | | |
| - in connection with fair value hedges | 198,094 | 663 | 375 |
| - other derivatives without hedge accounting | 493,556 | 5,142 | 5,142 |
| Total | 691,650 | 5,805 | 5,517 |

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 RM369,169 recorded as accrued FX swap cost as at 31 March 2022 (31 December 2021: Net loss of RM1,563,117).

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A9 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 2022 | 96,145 | 397 | 254 | 96,796 |
| Additions | - | - | - | - |
| Disposals | - | - | (55) | (55) |
| Adjustment/remeasurement | - | - | - | - |
| As at 31 March 2022 | 96,145 | 397 | 199 | 96,741 |
| Accumulated depreciation | | | | |
| As at 1 January 2022 | 35,279 | 348 | 72 | 35,699 |
| Charge | 3,173 | 29 | 25 | 3,226 |
| Disposal | - | - | (55) | (55) |
| As at 31 March 2022 | 38,452 | 377 | 41 | 38,870 |
| Net book value as at 31 Mar 2022 | 57,693 | 20 | 158 | 57,871 |

| | 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 | 616 | - | 254 | 870 |
| Disposals | (1,363) | - | (876) | (2,239) |
| Adjustment/remeasurement | - | - | 4 | 4 |
| As at 31 December 2021 | 96,145 | 397 | 254 | 96,796 |
| Accumulated depreciation | | | | |
| As at 1 January 2021 | 23,742 | 232 | 628 | 24,602 |
| Charge | 12,900 | 116 | 320 | 13,336 |
| Disposal | (1,363) | - | (876) | (2,239) |
| As at 31 December 2021 | 35,279 | 348 | 72 | 35,699 |
| Net book value as at 31 Dec 2021 | 60,866 | 49 | 182 | 61,097 |

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 2022 | 64,306 | 51 | 190 | 64,547 |
| Addition | - | - | - | - |
| Accretion of profit | 578 | 0 | 1 | 579 |
| Payment | (3,675) | (31) | (26) | (3,732) |
| As at 31 March 2022 | 61,209 | 20 | 165 | 61,394 |

| | Group and Bank | | | |
|-------------------------------|----------------|-------------------|----------------|----------|
| | Buildings | Office Equipments | Motor Vehicles | Total |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| As at 1 January 2021 | 75,852 | 171 | 255 | 76,278 |
| Addition | 616 | - | 254 | 870 |
| Accretion of profit | 2,768 | 5 | 5 | 2,778 |
| Payment | (14,930) | (125) | (324) | (15,379) |
| As at 31 December 2021 | 64,306 | 51 | 190 | 64,547 |

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A9 Right of Use of Assets and Lease Liabilities (Cont'd.)

The following are the amounts recognised in profit or loss:

31 March 2022

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

| Group and Bank | |
|----------------|-------|
| RM'000 | |
| | 3,226 |
| | 579 |
| | 3,806 |

31 December 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 | |
| | 13,336 |
| | 2,778 |
| | 16,114 |

A10 Deposits from Customers

(i) By type of deposit

| | Group | | Bank | |
|--------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | 31 Mar 2022 RM'000 | 31 Dec 2021 RM'000 | 31 Mar 2022 RM'000 | 31 Dec 2021 RM'000 |
| Qard | | | | |
| - Demand deposits | 299,808 | 360,535 | 315,725 | 376,442 |
| - Gold deposits | 112,501 | 102,898 | 112,501 | 102,898 |
| Murabahah | | | | |
| - Term placement | 3,027,662 | 3,328,230 | 3,027,662 | 3,328,230 |
| - Savings deposits | 134,218 | 123,885 | 134,218 | 123,885 |
| | 3,574,189 | 3,915,548 | 3,590,106 | 3,931,455 |

(ii) By type of customer

| | Group | | Bank | |
|---------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | 31 Mar 2022 RM'000 | 31 Dec 2021 RM'000 | 31 Mar 2022 RM'000 | 31 Dec 2021 RM'000 |
| Business enterprises | 1,296,542 | 1,461,729 | 1,296,542 | 1,461,727 |
| Individuals | 393,467 | 369,876 | 393,467 | 369,876 |
| Subsidiaries | - | - | 15,917 | 15,909 |
| Government and statutory bodies | 1,458,635 | 1,548,044 | 1,458,635 | 1,548,044 |
| Other enterprises | 425,545 | 535,899 | 425,545 | 535,899 |
| | 3,574,189 | 3,915,548 | 3,590,106 | 3,931,455 |

(iii) By contractual maturity

| | Group | | Bank | |
|-----------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | 31 Mar 2022 RM'000 | 31 Dec 2021 RM'000 | 31 Mar 2022 RM'000 | 31 Dec 2021 RM'000 |
| Due within six months | 3,182,332 | 3,346,238 | 3,198,249 | 3,362,145 |
| More than six months to one year | 226,934 | 398,758 | 226,934 | 398,758 |
| More than one year to three years | 164,923 | 170,552 | 164,923 | 170,552 |
| | 3,574,189 | 3,915,548 | 3,590,106 | 3,931,455 |

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A11 Deposits and Placements of Banks and Other Financial Institutions

Murabahah

Licensed Islamic banks
Other financial institutions

| Group and Bank | |
|-----------------------|-----------------------|
| 31 Mar 2022 RM'000 | 31 Dec 2021 RM'000 |
| 75,751 | 121,155 |
| 1,792,281 | 1,467,559 |
| 1,868,032 | 1,588,714 |

A12 Investment Accounts

As at 1 January

Net placement during the year

Income from investment

Profit distributed to mudarib

As at 30 September/31 December

Investment asset:

Wadiah placement with BNM

| Group and Bank | |
|-----------------------|-----------------------|
| 31 Mar 2022 RM'000 | 31 Dec 2021 RM'000 |
| 5,550 | 6,644 |
| (578) | (1,158) |
| 22 | 107 |
| (9) | (43) |
| 4,986 | 5,550 |
| 4,986 | 5,550 |

Profit Sharing Ratio, Rate of Return and Performance Incentive Fee

Unrestricted investment accounts:

Less than 3 months

| Investment account holder | |
|------------------------------|------------------------|
| Average profit sharing ratio | Average rate of return |
| (%) | (%) |
| 60 | 1.03 |

Business enterprises

Individuals

Other enterprises

| Group and Bank | |
|-----------------------|-----------------------|
| 31 Mar 2022 RM'000 | 31 Dec 2021 RM'000 |
| 2,739 | 3,214 |
| 2,201 | 2,250 |
| 46 | 86 |
| 4,986 | 5,550 |

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A13 Other Liabilities

| | Group | | Bank | |
|---------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | 31 Mar 2022 RM'000 | 31 Dec 2021 RM'000 | 31 Mar 2022 RM'000 | 31 Dec 2021 RM'000 |
| Sundry creditors | 38,334 | 34,763 | 38,321 | 34,760 |
| Accrued restoration cost | 5,338 | 5,338 | 5,338 | 5,338 |
| Undistributed charity funds (i) | 103 | 253 | 103 | 253 |
| Other provisions and accruals | 42,196 | 46,012 | 42,192 | 46,008 |
| | 85,971 | 86,366 | 85,954 | 86,359 |

(i) Sources and uses of charity funds:

| | Group and Bank | |
|--|-----------------------|-----------------------|
| | 31 Mar 2022 RM'000 | 31 Dec 2021 RM'000 |
| Sources of charity funds: | | |
| Undistributed charity funds as at 1 January | 253 | 922 |
| Penalty (reversal)/charges on late payment | 136 | 398 |
| Total sources of funds during the year | 390 | 1,320 |
| Uses of charity funds: | | |
| Payment for recovery cost and other expenses | (287) | (995) |
| Contribution to non profit organisations | - | (34) |
| Aid to needy family | - | (38) |
| Total uses of funds during the year | (287) | (1,067) |
| Closing balance | 103 | 253 |

A14 Share Capital

| | Number of ordinary shares at RM1.00 each | | Amount | |
|---------------------------------|--|--------------------------|-----------------------|-----------------------|
| | 31 Mar 2022 Units'000 | 31 Dec 2021 Units'000 | 31 Mar 2022 RM'000 | 31 Dec 2021 RM'000 |
| Authorised: | | | | |
| At 1 January/At closing balance | 3,000,000 | 3,000,000 | 3,000,000 | 3,000,000 |
| Issued and fully paid: | | | | |
| At 1 January | 1,425,272 | 1,425,272 | 1,425,272 | 1,425,272 |
| At 1 January/At closing balance | 1,425,272 | 1,425,272 | 1,425,272 | 1,425,272 |

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A15 Income derived from investment of depositors' funds and others

| | 1st Quarter ended 31-Mar | | Three-months ended 31-Mar | |
|---|-----------------------------|----------------|------------------------------|----------------|
| | 2022 RM'000 | 2021 RM'000 | 2022 RM'000 | 2021 RM'000 |
| Group and Bank | | | | |
| Finance income from financing, advances and other receivables | 37,748.53 | 43,550 | 37,749 | 43,550 |
| Finance income from impaired financing | 298 | 540 | 298 | 540 |
| Income from securities | | | | |
| - Financial assets at FVOCI | 23,504 | 30,739 | 23,504 | 30,739 |
| Money at call and deposits with financial institutions | 422 | 245 | 422 | 245 |
| | 61,973 | 75,075 | 61,973 | 75,075 |
| Amortisation of premium less accretion of discounts | (501) | (1,500) | (501) | (1,500) |
| Total finance income and hibah | 61,472 | 73,574 | 61,472 | 73,574 |
| Gain/(loss) arising from sale of securities | | | | |
| - Financial assets at FVOCI | 5,473 | - | 5,473 | - |
| Foreign exchange (loss)/gain | | | | |
| - Realised | 1,691 | (154) | 1,691 | (154) |
| | 68,636 | 73,420 | 68,636 | 73,420 |

A16 Income derived from Investment of Shareholder's Equity

| | 1st Quarter ended 31-Mar | | Three-months ended 31-Mar | |
|---|-----------------------------|----------------|------------------------------|----------------|
| | 2022 RM'000 | 2021 RM'000 | 2022 RM'000 | 2021 RM'000 |
| Group & Bank | | | | |
| Finance income from financing, advances and other receivables | 12,177 | 12,025 | 12,177 | 12,025 |
| Finance income from impaired financing | 96 | 149 | 96 | 149 |
| Income from securities: | | | | |
| - Financial assets at FVOCI | 7,583 | 8,488 | 7,583 | 8,488 |
| Money at call and deposits with financial institutions | 137 | 68 | 137 | 68 |
| | 19,993 | 20,730 | 19,993 | 20,730 |
| Amortisation of premium less accretion of discounts | (162) | (414) | (162) | (414) |
| Total finance income and hibah | 19,831 | 20,316 | 19,831 | 20,316 |
| Fee income | | | | |
| - Commission | 184 | 220 | 184 | 220 |
| - Other fee income | 610 | 778 | 610 | 778 |
| Gain/(loss) arising from sale of securities | | | | |
| - Financial assets at FVOCI | 1,764 | - | 1,764 | - |
| Fair value loss from financial asset at FVTPL | 975 | 755 | 975 | 755 |
| Foreign exchange (loss)/gain | | | | |
| - Realised | 1,902 | 4,995 | 1,902 | 4,995 |
| - Unrealised | (2,890) | (6,252) | (2,890) | (6,252) |
| | 22,376 | 20,812 | 22,376 | 20,812 |

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A17 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:

31 March 2022

Group and Bank

Cash and short-term funds
Financing and advances to customers
Bad debt recovered
Financial guarantees
Financing commitments
Total Impairment loss (writeback)/charges

| | Stage 1 RM'000 | Stage 2 RM'000 | Stage 3 RM'000 | Total RM'000 |
|--|-------------------|-------------------|-------------------|-----------------|
| Cash and short-term funds | - | - | - | - |
| Financing and advances to customers | (14,518) | (1,000) | (218) | (15,736) |
| Bad debt recovered | - | - | 786 | 786 |
| Financial guarantees | 601 | - | - | 601 |
| Financing commitments | 1,217 | - | - | 1,217 |
| Total Impairment loss (writeback)/charges | (12,700) | (1,000) | 568 | (13,132) |

31 March 2021

Group and Bank

Cash and short-term funds
Financing and advances to customers
Bad debt recovered
Debt instruments measured at FVOCI
Total Impairment loss (writeback)/charges

| | Stage 1 RM'000 | Stage 2 RM'000 | Stage 3 RM'000 | Total RM'000 |
|--|-------------------|-------------------|-------------------|-----------------|
| Cash and short-term funds | (250) | - | - | (250) |
| Financing and advances to customers | (17,950) | (1,400) | 1,000 | (18,350) |
| Bad debt recovered | - | - | 924 | 924 |
| Debt instruments measured at FVOCI | - | - | - | - |
| Total Impairment loss (writeback)/charges | (18,200) | (1,400) | 1,924 | (17,676) |

A18 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

| | 1st Quarter ended 31-Mar | | Three-months ended 31-Mar | |
|--|-----------------------------|----------------|------------------------------|----------------|
| | 2022 RM'000 | 2021 RM'000 | 2022 RM'000 | 2021 RM'000 |
| Deposits from customers - Murabahah | 17,033 | 21,676 | 17,033 | 21,676 |
| Deposits and placements of banks and other financial institutions - Murabahah and Wakalah | 7,601 | 9,908 | 7,601 | 9,908 |
| Others | 30 | 28 | 30 | 28 |
| Total | 24,663 | 31,612 | 24,663 | 31,612 |

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A19 Profit Distributed to Investment Account Holders

Group and Bank

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

| 1st Quarter ended 31-Mar | | Three-months ended 31-Mar | |
|-----------------------------|----------------|------------------------------|----------------|
| 2022 RM'000 | 2021 RM'000 | 2022 RM'000 | 2021 RM'000 |
| 22 | 30 | 22 | 30 |
| (9) | (12) | (9) | (12) |
| 13 | 18 | 13 | 18 |

A20 Discontinued Operations

Income derived from investment of shareholder's equity
Unrealised foreign exchange (loss)/gain

Other income

Total net income

Other overheads and expenditures

Loss before zakat and taxation

Net loss for the year

| 1st Quarter ended 31-Mar | | Three-months ended 31-Mar | |
|-----------------------------|----------------|------------------------------|----------------|
| 2022 RM'000 | 2021 RM'000 | 2022 RM'000 | 2021 RM'000 |
| - | (75) | - | (75) |
| - | 1 | - | 1 |
| - | (74) | - | (74) |
| - | (10) | - | (10) |
| - | (84) | - | (84) |
| - | (84) | - | (84) |

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A21 Commitments and Contingencies

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

| | As at 31 Mar 2022 | | | As at 31 Dec 2021 | | |
|--|----------------------------|------------------------------------|--------------------------------|----------------------------|------------------------------------|--------------------------------|
| | 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 | 36,395 | 35,730 | 34,853 | 36,395 | 35,496 | 34,625 |
| Transaction related contingencies | 97,568 | 48,006 | 37,492 | 97,271 | 47,488 | 36,954 |
| Trade related contingencies | 2,103 | 421 | 421 | - | - | - |
| Irrevocable commitments to extend credit | | | | | | |
| - maturity less than one year | 165,766 | 18,421 | 15,226 | 184,623 | 22,259 | 18,758 |
| - maturity more than one year | 61,887 | 27,028 | 19,941 | 63,184 | 27,859 | 22,634 |
| Foreign exchange related contracts * | | | | | | |
| - less than one year | 594,795 | 2,124 | 829 | 688,727 | 7,746 | 3,330 |
| - one year to five years | 65,587 | 2,190 | 861 | - | - | - |
| | 1,024,102 | 133,919 | 109,623 | 1,070,200 | 140,847 | 116,302 |

* 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 | |
|-------------------------------|--------------------|--------------------|
| | Mar 2022 RM'000 | Dec 2021 RM'000 |
| Financial guarantees | 36,395 | 36,395 |
| Letters of credit | 99,671 | 97,271 |
| Other undrawn commitments | 227,654 | 247,807 |
| Total commitment | 363,720 | 381,473 |
| Less : ECL (charge)/writeback | (1,844) | (3,663) |
| | 361,875 | 377,810 |

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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> | 31-Mar-22 | | | |
|---------------------------|-------------------|-------------------|-------------------|-----------------|
| | Stage 1 RM'000 | Stage 2 RM'000 | Stage 3 RM'000 | Total RM'000 |
| Internal rating grade : | | | | |
| Performing | 36,395 | - | - | 36,395 |
| Past due but not impaired | - | - | - | - |
| Individually impaired | - | - | - | - |
| Total | 36,395 | - | - | 36,395 |

| <u>Group and Bank</u> | 31-Dec-21 | | | |
|---------------------------|-------------------|-------------------|-------------------|-----------------|
| | Stage 1 RM'000 | Stage 2 RM'000 | Stage 3 RM'000 | Total RM'000 |
| Internal rating grade : | | | | |
| Performing | 36,395 | - | - | 36,395 |
| Past due but not impaired | - | - | - | - |
| Individually impaired | - | - | - | - |
| Total | 36,395 | - | - | 36,395 |

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

| <u>Group and Bank</u> | 31-Mar-22 | | | |
|---|-------------------|-------------------|-------------------|-----------------|
| | Stage 1 RM'000 | Stage 2 RM'000 | Stage 3 RM'000 | Total RM'000 |
| Gross carrying amount as at 1 January 2022 | 36,395 | - | - | 36,395 |
| Net remeasurement of outstanding balance | - | - | - | - |
| New financial assets originated or purchased | - | - | - | - |
| Financial assets that have matured | - | - | - | - |
| Gross carrying amount as at 31 March 2022 | 36,395 | - | - | 36,395 |

| <u>Group and Bank</u> | 31-Mar-22 | | | |
|--|-------------------|-------------------|-------------------|-----------------|
| | Stage 1 RM'000 | Stage 2 RM'000 | Stage 3 RM'000 | Total RM'000 |
| ECL allowance as at 1 January 2022 | 920 | - | - | 920 |
| Net remeasurement of loss allowance | (255) | - | - | (255) |
| New financial assets originated or purchased | - | - | - | - |
| Financial assets that have matured | - | - | - | - |
| ECL allowance as at 31 March 2022 | 665 | - | - | 665 |
| Net carrying amount (after ECL) | 35,730 | - | - | 35,730 |

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

| Group and Bank | 31-Dec-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 | 347 | - | - | 347 |
| New financial assets originated or purchased | 1,044 | - | - | 1,044 |
| Financial assets that have matured | (17,258) | - | - | (17,258) |
| Gross carrying amount as at 31 December 2021 | 36,395 | - | - | 36,395 |

| Group and Bank | 31-Dec-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 | 480 | - | - | 480 |
| New financial assets originated or purchased | 5 | - | - | 5 |
| Financial assets that have matured | (238) | - | - | (238) |
| ECL allowance as at 31 December 2021 | 920 | - | - | 920 |
| Net carrying amount (after ECL) | 35,475 | - | - | 35,475 |

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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> | 31-Mar-22 | | | |
|---------------------------|-------------------|-------------------|-------------------|-----------------|
| | Stage 1 RM'000 | Stage 2 RM'000 | Stage 3 RM'000 | Total RM'000 |
| Internal rating grade : | | | | |
| Performing | 99,671 | - | - | 99,671 |
| Past due but not impaired | - | - | - | - |
| Total | 99,671 | - | - | 99,671 |

| <u>Group and Bank</u> | 31-Dec-21 | | | |
|---------------------------|-------------------|-------------------|-------------------|-----------------|
| | Stage 1 RM'000 | Stage 2 RM'000 | Stage 3 RM'000 | Total RM'000 |
| Internal rating grade : | | | | |
| Performing | 97,271 | - | - | 97,271 |
| Past due but not impaired | - | - | - | - |
| Total | 97,271 | - | - | 97,271 |

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

| <u>Group and Bank</u> | 31-Mar-22 | | | |
|---|-------------------|-------------------|-------------------|-----------------|
| | Stage 1 RM'000 | Stage 2 RM'000 | Stage 3 RM'000 | Total RM'000 |
| Gross carrying amount as at 1 January 2022 | 97,271 | - | - | 97,271 |
| Net remeasurement of outstanding balance | 297 | - | - | 297 |
| New financial assets originated or purchased | 2,103 | - | - | 2,103 |
| Gross carrying amount as at 31 March 2022 | 99,671 | - | - | 99,671 |

| <u>Group and Bank</u> | 31-Mar-22 | | | |
|--|-------------------|-------------------|-------------------|-----------------|
| | Stage 1 RM'000 | Stage 2 RM'000 | Stage 3 RM'000 | Total RM'000 |
| ECL allowance as at 1 January 2022 | 1,128 | - | - | 1,128 |
| Net remeasurement of loss allowance | (350) | - | - | (350) |
| New financial assets originated or purchased | 3 | - | - | 3 |
| ECL allowance as at 31 March 2022 | 781 | - | - | 781 |
| Net carrying amount (after ECL) | 98,890 | - | - | 98,890 |

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

| Group and Bank | 31-Dec-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 | (13,099) | - | - | (13,099) |
| Financial assets that have matured | - | - | - | - |
| Gross carrying amount as at 31 December 2021 | 97,271 | - | - | 97,271 |

| Group and Bank | 31-Dec-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) |
| Financial assets that have matured | - | - | - | - |
| ECL allowance as at 31 December 2021 | 1,128 | - | - | 1,128 |
| Net carrying amount (after ECL) | 96,143 | - | - | 96,143 |

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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 | 31-Mar-22 | | | |
|---------------------------|---------------------------|---------------------------|---------------------------|-------------------------|
| | Stage 1 RM'000 | Stage 2 RM'000 | Stage 3 RM'000 | Total RM'000 |
| Internal rating grade : | | | | |
| Performing | 225,040 | 2,312 | 303 | 227,654 |
| Past due but not impaired | - | - | - | - |
| Individually impaired | - | - | - | - |
| Total | 225,040 | 2,312 | 303 | 227,654 |

| Group and Bank | 31-Dec-21 | | | |
|---------------------------|---------------------------|---------------------------|---------------------------|-------------------------|
| | Stage 1 RM'000 | Stage 2 RM'000 | Stage 3 RM'000 | Total RM'000 |
| Internal rating grade : | | | | |
| Performing | 243,852 | 3,882 | 73 | 247,807 |
| Past due but not impaired | - | - | - | - |
| Individually impaired | - | - | - | - |
| Total | 243,852 | 3,882 | 73 | 247,807 |

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 | 31-Mar-22 | | | |
|---|---------------------------|---------------------------|---------------------------|-------------------------|
| | Stage 1 RM'000 | Stage 2 RM'000 | Stage 3 RM'000 | Total RM'000 |
| Gross carrying amount as at 1 January 2022 | 243,852 | 3,883 | 73 | 247,807 |
| Transfer to 12-month ECL | 2,483 | (2,483) | - | (0) |
| Transfer to lifetime ECL not credit impaired | (6,549) | 6,549 | - | - |
| Net remeasurement of outstanding balance | 9,342 | (3,898) | (447) | 4,997 |
| New financial assets originated or purchased | 120,865 | - | - | 120,865 |
| Financial assets that have matured | (144,840) | (1,144) | (31) | (146,015) |
| Gross carrying amount as at 31 March 2022 | 225,040 | 2,312 | 303 | 227,654 |

| Group and Bank | 31-Mar-22 | | | |
|--|---------------------------|---------------------------|---------------------------|-------------------------|
| | Stage 1 RM'000 | Stage 2 RM'000 | Stage 3 RM'000 | Total RM'000 |
| ECL allowance as at 1 January 2022 | 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 | (1,292) | - | - | (1,292) |
| New financial assets originated or purchased | 75 | - | - | 75 |
| Financial assets that have matured | - | - | - | - |
| ECL allowance as at 31 March 2022 | 398 | - | - | 398 |
| Net carrying amount (after ECL) | 224,641 | 2,312 | 303 | 227,256 |

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

| Group and Bank | 31-Dec-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 | 200 | (200) | - | - |
| Transfer to lifetime ECL not credit impaired | (468) | 468 | - | - |
| Net remeasurement of outstanding balance | 4,785 | 3,443 | (830) | 7,398 |
| New financial assets originated or purchased | 215,410 | - | - | 215,410 |
| Financial assets that have matured | (368,539) | (8,012) | - | (376,551) |
| Gross carrying amount as at 31 December 2021 | 243,852 | 3,883 | 73 | 247,807 |

| Group and Bank | 31-Dec-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 |
| 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 31 December 2021 | 1,615 | - | - | 1,615 |
| Net carrying amount (after ECL) | 242,237 | 3,883 | 73 | 246,192 |

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A22 Capital Adequacy

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

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

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

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

| | Group | | Bank | |
|--|----------------|----------------|----------------|----------------|
| | 31 Mar 2022 | 31 Dec 2021 | 31 Mar 2022 | 31 Dec 2021 |
| Common Equity Tier I / Tier I Capital Ratio | | | | |
| Credit risk | 43.553% | 43.231% | 43.121% | 42.804% |
| Credit, market, operational and large exposure risks | 38.715% | 38.502% | 38.207% | 38.004% |
| Total Capital Ratio | | | | |
| Credit risk | 44.803% | 44.481% | 44.371% | 44.054% |
| Credit, market, operational and large exposure risks | 39.826% | 39.615% | 39.314% | 39.114% |

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A22 Capital Adequacy (Cont' d.)

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

| | Group | | Bank | |
|--------------------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| | 31 Mar 2022 RM'000 | 31 Dec 2021 RM'000 | 31 Mar 2022 RM'000 | 31 Dec 2021 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 | 207,491 | 207,491 | 207,491 | 207,491 |
| Other reserves | 24,482 | 30,725 | 18,783 | 25,025 |
| | 1,657,245 | 1,663,488 | 1,651,546 | 1,657,788 |
| Less: Deferred tax assets (net) | (52,208) | (52,208) | (52,208) | (52,208) |
| Less: Investment in subsidiaries | - | - | (10,200) | (10,200) |
| Total CET I / Tier I capital | 1,605,037 | 1,611,280 | 1,589,138 | 1,595,380 |
| <u>Tier II capital</u> | | | | |
| Collective impairment on financing | 46,066 | 46,589 | 46,066 | 46,589 |
| Total Tier II capital | 46,066 | 46,589 | 46,066 | 46,589 |
| Total capital | 1,651,103 | 1,657,869 | 1,635,204 | 1,641,969 |

(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 | |
|--|--------------------------|--------------------------|--------------------------|--------------------------|
| | 31 Mar 2022 RM'000 | 31 Dec 2021 RM'000 | 31 Mar 2022 RM'000 | 31 Dec 2021 RM'000 |
| Computation of Total Risk-Weighted Assets (RWA) | | | | |
| Total Credit RWA | 3,685,262 | 3,727,140 | 3,685,262 | 3,727,140 |
| Total Market RWA | 5,619 | 6,023 | 5,619 | 6,023 |
| Total Operational RWA | 454,902 | 451,812 | 468,426 | 464,750 |
| Large Exposure Risk RWA for Equity Holdings | - | - | - | - |
| Total Risk-Weighted Assets | 4,145,782 | 4,184,975 | 4,159,306 | 4,197,913 |
| Computation of Capital Ratios | | | | |
| Core Capital | 1,605,037 | 1,611,280 | 1,589,138 | 1,595,380 |
| Capital Base | 1,651,103 | 1,657,869 | 1,635,204 | 1,641,969 |
| CET I / Tier I Capital Ratio | 38.715% | 38.502% | 38.207% | 38.004% |
| Total Capital Ratio | 39.826% | 39.615% | 39.314% | 39.114% |

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A23 FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

Determination of fair value and fair value hierarchy

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

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

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

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

| Group | Level 2 | Level 3 | Total |
|---|------------------|------------------|------------------|
| | RM'000 | RM'000 | RM'000 |
| 31 Mar 2022 | | | |
| Financial assets | | | |
| Debt instruments measured at FVOCI | 3,025,717 | - | 3,025,717 |
| Financing, advances and other receivables | 1,542,363 | 2,062,089 | 3,604,452 |
| Hedging financial instruments | 752 | - | 752 |
| Total | 4,568,832 | 2,062,089 | 6,630,922 |
| Financial liability | | | |
| Deposits from customers | 3,549,571 | - | 3,549,571 |
| Hedging financial instruments | 774 | - | 774 |
| | 3,550,346 | - | 3,550,346 |
| 31 Dec 2021 | | | |
| Financial assets | | | |
| Debt instruments measured at FVOCI | 3,137,512 | - | 3,137,512 |
| Equity instruments at FVOCI | - | - | - |
| Financing, advances and other receivables | 1,591,346 | 2,077,110 | 3,668,456 |
| Hedging financial instruments | 5,805 | - | 5,805 |
| Total | 4,734,663 | 2,077,110 | 6,811,773 |
| Financial liability | | | |
| Deposits from customers | 3,889,657 | - | 3,889,657 |
| Hedging financial instruments | 5,517 | - | 5,517 |
| | 3,895,174 | - | 3,895,174 |

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

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

| | Level 2 | Level 3 | Total |
|---|------------------|------------------|------------------|
| | RM'000 | RM'000 | RM'000 |
| Bank | | | |
| 31 Mar 2022 | | | |
| Financial assets | | | |
| Debt instruments measured at FVOCI | 3,025,717 | - | 3,025,717 |
| Financing, advances and other receivables | 1,542,363 | 2,062,089 | 3,604,452 |
| Hedging financial instruments | 752 | - | 752 |
| Total | 4,568,832 | 2,062,089 | 6,630,922 |
| Financial liability | | | |
| Deposits from customers | 3,565,475 | - | 3,565,475 |
| Hedging financial instruments | 774 | - | 774 |
| | 3,566,250 | - | 3,566,250 |
| 31 Dec 2021 | | | |
| Financial assets | | | |
| Debt instruments measured at FVOCI | 3,137,512 | - | 3,137,512 |
| Equity instruments at FVOCI | - | - | - |
| Financing, advances and other receivables | 1,591,346 | 2,077,110 | 3,668,456 |
| Hedging financial instruments | 5,805 | - | 5,805 |
| Total | 4,734,663 | 2,077,110 | 6,811,773 |
| Financial liability | | | |
| Deposits from customers | 3,904,997 | - | 3,904,997 |
| Hedging financial instruments | 5,517 | - | 5,517 |
| | 3,910,514 | - | 3,910,514 |

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

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

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

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

| | | Group | | | |
|---|------------------|------------------|------------|----------------|------------|
| | | 31 Mar 2022 | | 31 Dec 2021 | |
| | | Carrying Value | Fair Value | Carrying Value | Fair Value |
| | | RM'000 | RM'000 | RM'000 | RM'000 |
| Financial Assets | | | | | |
| Financing, advances and other receivables | | | | | |
| | 3,605,384 | 3,604,452 | | 3,669,301 | 3,668,456 |
| | 3,605,384 | 3,604,452 | | 3,669,301 | 3,668,456 |
| Financial Liabilities | | | | | |
| Deposits from customers | | | | | |
| | 3,574,189 | 3,549,571 | | 3,915,548 | 3,889,657 |
| | 3,574,189 | 3,549,571 | | 3,915,548 | 3,889,657 |

| | | Bank | | | |
|---|------------------|------------------|------------|----------------|------------|
| | | 31 Mar 2022 | | 31 Dec 2021 | |
| | | Carrying Value | Fair Value | Carrying Value | Fair Value |
| | | RM'000 | RM'000 | RM'000 | RM'000 |
| Financial Assets | | | | | |
| Financing, advances and other receivables | | | | | |
| | 3,605,384 | 3,604,452 | | 3,669,301 | 3,668,456 |
| | 3,605,384 | 3,604,452 | | 3,669,301 | 3,668,456 |
| Financial Liabilities | | | | | |
| Deposits from customers | | | | | |
| | 3,590,106 | 3,565,475 | | 3,931,455 | 3,904,997 |
| | 3,590,106 | 3,565,475 | | 3,931,455 | 3,904,997 |

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

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

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

(a)

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

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

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

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

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

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

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

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

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

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

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

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

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

(d) Financing, Advances and Other Receivables

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

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

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

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A24 FINANCIAL RISK MANAGEMENT

(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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A24 FINANCIAL RISK MANAGEMENT (Cont'd.)

(c) MARKET RISK (Cont'd.)

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

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

| Group | Non-trading book | | | | | 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 | | | | |
| 31 Mar 2022 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | % | |
| ASSETS | | | | | | | | | |
| Cash and short-term funds | 115,735 | - | - | - | - | 145,745 | - | 261,479 | 1.52 |
| Deposits and placements with banks and other financial institutions | 4,986 | - | - | - | - | - | - | 4,986 | |
| Securities FVOCI | 21,462 | - | 259,326 | 931,657 | 1,813,273 | - | - | 3,025,717 | 4.28 |
| Financing, advances and receivables | 1,498,392 | 527,939 | 12,962 | 285,768 | 1,130,323 | 150,002 | - | 3,605,384 | 5.09 |
| Musarakah capital investment | - | - | - | - | - | - | - | - | |
| Other assets | - | - | - | - | - | 375,539 | - | 375,539 | |
| Hedging Financial Instrument Assets | 382 | 223 | 146 | - | - | - | - | 752 | |
| TOTAL ASSETS | 1,640,956 | 528,162 | 272,434 | 1,217,425 | 2,943,596 | 671,285 | - | 7,273,857 | |

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A24 FINANCIAL RISK MANAGEMENT (Cont'd.)

(c) MARKET RISK (Cont'd.)

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

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

| Group 31 Mar 2022 | 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 | 936,051 | 712,169 | 1,361,400 | 452,068 | - | 112,501 | - | 3,574,189 | 1.88 |
| Deposits and placements of banks and other financial institutions | 871,922 | 763,983 | 232,127 | - | - | - | - | 1,868,032 | 1.93 |
| Investment accounts of customers | 4,986 | - | - | - | - | - | - | 4,986 | - |
| Hedging financial instrument liabilities | 514 | 222 | - | 39 | - | - | - | 774 | - |
| Other liabilities | - | - | - | - | - | 147,364 | - | 147,364 | - |
| Total Liabilities | 1,813,472 | 1,476,374 | 1,593,528 | 452,108 | - | 259,865 | - | 5,595,346 | - |
| Shareholder's equity | - | - | - | - | - | 1,678,511 | - | 1,678,511 | - |
| Total Liabilities and Shareholder's equity | 1,813,472 | 1,476,374 | 1,593,528 | 452,108 | - | 1,938,376 | - | 7,273,857 | - |
| On-balance sheet profit sensitivity gap | (172,516) | (948,211) | (1,321,094) | 765,317 | 2,943,596 | (1,267,091) | - | 0 | - |
| Off-balance sheet profit sensitivity gap | - | - | - | - | - | - | - | - | - |
| Total profit sensitivity gap | (172,516) | (948,211) | (1,321,094) | 765,317 | 2,943,596 | (1,267,091) | - | 0 | - |

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A24 FINANCIAL RISK MANAGEMENT (Cont'd.)

(c) MARKET RISK (Cont'd.)

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

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

| | Non-trading book | | | | | | Trading book | Total | Effective profit rate |
|---|------------------|----------------|----------------|------------------|------------------|----------------------|--------------|------------------|-----------------------|
| | Up to 1 month | >1 - 3 months | >3 - 12 months | >1 - 5 years | Over 5 years | Non-profit sensitive | | | |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | | | |
| Group | | | | | | | | | |
| 31 Dec 2021 | | | | | | | | | |
| ASSETS | | | | | | | | | |
| Cash and short-term funds | 13,794 | - | - | - | - | 140,920 | - | 154,714 | 0.75 |
| Deposits and placements | | | | | | | | | |
| with banks and other financial institutions | 5,550 | - | 31,341 | - | - | - | - | 36,891 | 0.35 |
| Securities FVOCI | - | - | 92,996 | 1,185,577 | 1,858,939 | - | - | 3,137,512 | 4.30 |
| Financing, advances and receivables | 1,402,219 | 616,214 | 26,700 | 280,541 | 1,191,208 | 152,419 | - | 3,669,301 | 5.02 |
| Musarakah capital investment | - | - | - | - | - | - | - | - | - |
| Other assets | - | - | - | - | - | 362,186 | - | 362,186 | - |
| Hedging Financial Instrument Assets | 5,532 | 54 | 220 | - | - | - | - | 5,805 | - |
| TOTAL ASSETS | 1,427,095 | 616,268 | 151,257 | 1,466,119 | 3,050,146 | 655,525 | - | 7,366,409 | |

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A24 FINANCIAL RISK MANAGEMENT (Cont'd.)

(c) MARKET RISK (Cont'd.)

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

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

| Group 31 Dec 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 | 910,067 | 1,545,606 | 870,584 | 486,393 | - | 102,898 | - | 3,915,548 | 1.84 |
| Deposits and placements of banks and other financial institutions | 860,541 | 185,920 | 542,253 | - | - | - | - | 1,588,714 | 1.94 |
| Investment accounts of customers | 5,550 | - | - | - | - | - | - | 5,550 | |
| Hedging Financial Instrument Liabilities | 5,142 | - | 375 | - | - | - | - | 5,517 | |
| Other liabilities | - | - | - | - | - | 150,913 | - | 150,913 | |
| Total Liabilities | 1,781,300 | 1,731,526 | 1,413,212 | 486,393 | - | 253,811 | - | 5,666,242 | |
| Shareholder's equity | | | | | | 1,700,167 | | 1,700,167 | |
| Total Liabilities and Shareholder's equity | 1,781,300 | 1,731,526 | 1,413,212 | 486,393 | - | 1,953,978 | - | 7,366,409 | |
| On-balance sheet profit sensitivity gap | (354,206) | (1,115,258) | (1,261,955) | 979,726 | 3,050,146 | (1,298,453) | - | - | |
| Off-balance sheet profit sensitivity gap | - | - | - | - | - | - | - | - | - |
| Total profit sensitivity gap | (354,206) | (1,115,258) | (1,261,955) | 979,726 | 3,050,146 | (1,298,453) | - | - | |

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A24 FINANCIAL RISK MANAGEMENT (Cont'd.)

(c) MARKET RISK (Cont'd.)

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

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

| | Non-trading book | | | | | 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 Mar 2022 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | % |
| ASSETS | | | | | | | | | |
| Cash and short-term funds | 115,735 | - | - | - | - | 145,745 | - | 261,479 | 1.52 |
| Deposits and placements | | | | | | | | | |
| with banks and other financial institutions | 4,986 | - | - | - | - | - | - | 4,986 | |
| Securities FVOCI | 21,462 | - | 259,326 | 931,657 | 1,813,273 | - | - | 3,025,717 | 4.28 |
| Financing, advances and receivables | 1,498,392 | 527,939 | 12,962 | 285,768 | 1,130,323 | 150,002 | - | 3,605,384 | 5.09 |
| Musyarakah capital investment | - | - | - | - | - | - | - | - | |
| Other assets | - | - | - | - | - | 385,738 | - | 385,738 | |
| Hedging Financial Instrument Assets | 382 | 223 | 146 | - | - | - | - | 752 | |
| TOTAL ASSETS | 1,640,956 | 528,162 | 272,434 | 1,217,425 | 2,943,596 | 681,484 | - | 7,284,057 | |

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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

A24 FINANCIAL RISK MANAGEMENT (Cont'd.)

(c) MARKET RISK (Cont'd.)

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

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

| | Non-trading book | | | | | Trading book | Total | Effective profit rate | |
|---|------------------|------------------|--------------------|----------------|------------------|--------------------|----------|-----------------------|----------------------|
| | Up to 1 month | >1 - 3 months | >3 - 12 months | >1 - 5 years | Over 5 years | | | | Non-profit sensitive |
| Bank 31 Mar 2022 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | % | |
| LIABILITIES AND SHAREHOLDER'S EQUITY | | | | | | | | | |
| Deposits from customers | 941,303 | 712,169 | 1,361,400 | 462,733 | - | 112,501 | - | 3,590,106 | 1.88 |
| Deposits and placements of banks and other financial institutions | 871,922 | 763,983 | 232,127 | - | - | - | - | 1,868,032 | 1.93 |
| Investment accounts of customers | 4,986 | - | - | - | - | - | - | 4,986 | |
| Hedging Financial Instrument Liabilities | 514 | 222 | - | 39 | - | - | - | 774 | |
| Other liabilities | - | - | - | - | - | 147,347 | - | 147,347 | |
| Total Liabilities | 1,818,725 | 1,476,374 | 1,593,528 | 462,772 | - | 259,847 | - | 5,611,245 | |
| Shareholder's equity | - | - | - | - | - | 1,672,812 | - | 1,672,812 | - |
| Total Liabilities and Shareholder's equity | 1,818,725 | 1,476,374 | 1,593,528 | 462,772 | - | 1,932,659 | - | 7,284,057 | |
| On-balance sheet profit sensitivity gap | (177,769) | (948,211) | (1,321,094) | 754,653 | 2,943,596 | (1,251,174) | - | - | - |
| Off-balance sheet profit sensitivity gap | - | - | - | - | - | - | - | - | - |
| Total profit sensitivity gap | (177,769) | (948,211) | (1,321,094) | 754,653 | 2,943,596 | (1,251,174) | - | - | |

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A24 FINANCIAL RISK MANAGEMENT (Cont'd.)

(c) MARKET RISK (Cont'd.)

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

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

| | Non-trading book | | | | | Trading book | Total | Effective profit rate | |
|--|------------------|----------------|----------------|------------------|------------------|----------------|----------|-----------------------|----------------------|
| | Up to 1 month | >1 - 3 months | >3 - 12 months | >1 - 5 years | Over 5 years | | | | Non-profit sensitive |
| Bank 31 Dec 2021 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | % | |
| ASSETS | | | | | | | | | |
| Cash and short-term funds | 13,794 | - | - | - | - | 140,920 | - | 154,714 | 0.75 |
| Deposits and placements with banks and other financial institutions | 5,550 | - | 31,341 | - | - | - | - | 36,891 | 0.35 |
| Securities FVOCI | - | - | 92,996 | 1,185,577 | 1,858,939 | - | - | 3,137,512 | 4.30 |
| Financing, advances and receivables | 1,402,219 | 616,214 | 26,700 | 280,541 | 1,191,208 | 152,419 | - | 3,669,301 | 5.02 |
| Musarakah capital investment | - | - | - | - | - | - | - | - | |
| Hedging Financial Instrument Assets | 5,532 | 54 | 220 | - | - | - | - | 5,805 | |
| Other assets | - | - | - | - | - | 372,386 | - | 372,386 | |
| TOTAL ASSETS | 1,427,095 | 616,268 | 151,257 | 1,466,118 | 3,050,146 | 665,725 | - | 7,376,609 | |

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A24 FINANCIAL RISK MANAGEMENT (Cont'd.)

(c) MARKET RISK (Cont'd.)

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

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

| | Non-trading book | | | | | Trading book | Total | Effective profit rate | |
|---|------------------|--------------------|--------------------|----------------|------------------|--------------------|----------|-----------------------|----------------------|
| | Up to 1 month | >1 - 3 months | >3 - 12 months | >1 - 5 years | Over 5 years | | | | Non-profit sensitive |
| Bank 31 Dec 2021 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | % | |
| LIABILITIES AND SHAREHOLDER'S EQUITY | | | | | | | | | |
| Deposits from customers | 915,316 | 1,545,606 | 870,584 | 497,051 | - | 102,898 | - | 3,931,455 | 1.84 |
| Deposits and placements of banks and other financial institutions | 860,541 | 185,920 | 542,253 | - | - | - | - | 1,588,714 | 1.94 |
| Investment accounts of customers | 5,550 | - | - | - | - | - | - | 5,550 | |
| Hedging Financial Instrument Liabilities | 5,142 | - | 375 | - | - | - | - | 5,517 | |
| Other liabilities | - | - | - | - | - | 150,905 | - | 150,905 | |
| Total Liabilities | 1,786,550 | 1,731,526 | 1,413,212 | 497,051 | - | 253,804 | - | 5,682,142 | |
| Shareholder's equity | | | | | | 1,694,467 | | 1,694,467 | |
| Total Liabilities and Shareholder's equity | 1,786,550 | 1,731,526 | 1,413,212 | 497,051 | - | 1,948,271 | - | 7,376,609 | |
| On-balance sheet profit sensitivity gap | (359,455) | (1,115,258) | (1,261,955) | 969,068 | 3,050,146 | (1,282,546) | - | - | - |
| Off-balance sheet profit sensitivity gap | - | - | - | - | - | - | - | - | - |
| Total profit sensitivity gap | (359,455) | (1,115,258) | (1,261,955) | 969,068 | 3,050,146 | (1,282,546) | - | - | |

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

B1 Basis of Preparation of the Financial Statements

The unaudited condensed interim financial statements for the three months ended 31 March 2022 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 2021.

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

B2 Significant Accounting Policies

The interim financial statements of the Group and the Bank for the period ended 31 March 2022 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 2021.

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 17 Insurance Contracts | 1 January 2023 |
| MFRS 101 Presentation of Financial Statement (Amendments for Classification of Liabilities as Current or Non-current and Disclosure of accounting policies) | 1 January 2023 |
| MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors (Amendments for Definition of estimates) | 1 January 2023 |
| MFRS 112 Income Taxes (Amendments for deferred tax assets and liabilities arising from a single transaction) | 1 January 2023 |

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 2021 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 three months ended 31 March 2022.

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 three months ended 31 March 2022.

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 three months ended 31 March 2022.

However, the Bank has adopted additional management overlays to cater for potential additional ECL charge caused by COVID-19 pandemic during the three months ended 31 March 2022.

B7 Debt and Equity Securities

There were no issuances of debt and equity securities during the three months ended 31 March 2022.

B8 Dividends Paid

There were no dividends paid during the three months ended 31 March 2022.

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

(i) Primary Segment - By Business Segment

| Group | Treasury & Capital Markets | Corporate & Investment Banking | Commercial Banking | Others | Elimination | Total |
|--|---------------------------------------|---|---------------------------|---------------|--------------------|------------------|
| 31 Mar 2022 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| External revenue | 40,327 | 13,632 | 4,168 | 32,908 | | 91,035 |
| Revenue from other segments | 19,659 | 86 | 349 | 12,431 | (32,525) | - |
| Total Revenue | 59,986 | 13,718 | 4,517 | 45,339 | (32,525) | 91,035 |
| Segment results | 25,509 | 9,524 | 1,645 | 4,636 | - | 41,314 |
| Unallocated expenses | | | | | | (24,616) |
| Profit from operations | | | | | | 16,697 |
| Taxation | | | | | | (147) |
| Net profit for the year | | | | | | 16,550 |
| Other information | | | | | | |
| Segment assets | 3,287,074 | 1,069,195 | 113,952 | 2,758,582 | (26,117) | 7,202,686 |
| Unallocated corporate assets | | | | | | 71,171 |
| Total assets | | | | | | 7,273,857 |
| Segment liabilities | 7,718,593 | 354,324 | 405,903 | 6,720,520 | (15,917) | 15,183,423 |
| Unallocated corporate liabilities | | | | | | (9,588,077) |
| Total liabilities | | | | | | 5,595,346 |
| Other segment items | | | | | | |
| Purchase of property and equipment | | | | (291) | | (291) |
| Purchase of intangible assets | | | | 77 | | 77 |
| Depreciation of property and equipment | | | | 799 | | 799 |
| Amortisation of intangible assets | | | | 1,605 | | 1,605 |
| Other non-cash expense other than depreciation | - | 1,602 | (561) | (14,172) | - | (13,132) |

(ii) By Geographical Locations

| Group | Operating Revenue | Profit Before Zakat and Taxation | Total Assets |
|--------------------|--------------------------|---|---------------------|
| 31 Mar 2022 | RM'000 | RM'000 | RM'000 |
| Malaysia | 91,034 | 16,697 | 7,273,857 |

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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 |
|--|----------------------------|--------------------------------|--------------------|---------------|-----------------|------------------|
| 31 Mar 2021 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| External revenue | 38,349 | 16,473 | 4,059 | 35,308 | | 94,188 |
| Revenue from other segments | 26,619 | 104 | 311 | 11,418 | (38,452) | - |
| Total Revenue | 64,968 | 16,577 | 4,370 | 46,726 | (38,452) | 94,188 |
| Segment results | 20,357 | 12,048 | 2,516 | (1,929) | - | 32,991 |
| Unallocated expenses | | | | | | (21,389) |
| Loss from operations | | | | | | 11,602 |
| Zakat | | | | | | (2,980) |
| Taxation | | | | | | (2,980) |
| Net loss for the year | | | | | | 8,622 |
| Other information | | | | | | |
| Segment assets | 3,892,351 | 1,087,989 | 208,006 | 2,962,181 | (26,321) | 8,124,206 |
| Unallocated corporate assets | | | | | | 171,205 |
| Total assets | | | | | | 8,295,411 |
| Segment liabilities | 8,192,128 | 408,036 | 419,732 | 6,316,047 | (16,122) | 15,319,821 |
| Unallocated corporate liabilities | | | | | | (8,696,975) |
| Total liabilities | | | | | | 6,622,846 |
| Other segment items | | | | | | |
| Purchase of property and equipment | | | | 195 | | 195 |
| Purchase of intangible assets | | | | - | | - |
| Depreciation of property and equipment | | | | 894 | | 894 |
| Amortisation of intangible assets | | | | 1,255 | | 1,255 |
| Other non-cash expense other than depreciation | - | 2,495 | 749 | (20,920) | - | (17,676) |

(ii) By Geographical Locations

| Group | Operating Revenue RM'000 | Profit Before Zakat and Taxation RM'000 | Total Assets RM'000 |
|-------------|-----------------------------|--|------------------------|
| 31 Mar 2021 | | | |
| Malaysia | 94,188 | 11,602 | 8,295,411 |

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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 2021.

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 2021.

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 2021 other than those as disclosed in note A22.

B14 Capital Commitments

| | Group and Bank |
|--------------------------------------|-----------------------|
| | RM'000 |
| <u>Capital expenditure</u> | |
| Authorised and contracted for: | |
| - renovation | 56 |
| - purchase of equipment | 3 |
| - purchase of IT hardware | 28 |
| - purchase of IT software | 73 |
| | <u>160</u> |
| | |
| Authorised and not contracted for: | |
| - purchase of IT hardware & software | <u>52,302</u> |

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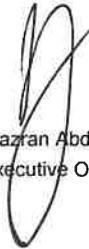
Certification of Financial Statements

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
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