

Kenanga Investment Bank Berhad
(Company No. 15678-H)

Unaudited Condensed Interim Financial Statements
31 March 2019

**KENANGA INVESTMENT BANK BERHAD
(15678-H)**

**UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2019**

<u>Group</u>	Note	As at 31 March 2019 RM'000	As at 31 December 2018 RM'000 Restated
ASSETS			
Cash and bank balances	A11	1,419,889	1,351,260
Financial assets at fair value through profit or loss ("FVTPL")	A12	351,790	189,224
Financial investments at fair value through other comprehensive income ("FVOCI")	A13 (i)	1,725,300	1,661,676
Financial investments at amortised cost	A13 (ii)	112,702	121,256
Derivative financial assets	B11	64,744	71,992
Loans, advances and financing	A14	1,973,600	2,004,915
Balances due from clients and brokers	A15	339,406	296,323
Other assets	A16	428,411	175,873
Statutory deposit with Bank Negara Malaysia	A17	116,331	116,619
Tax recoverable		16,611	25,428
Investment in associates		61,522	58,809
Investment in a joint venture company		17,045	14,077
Property, plant and equipment		184,281	186,322
Intangible assets		266,182	266,222
Right-of-use assets		11,792	13,649
Deferred tax assets		6,134	6,532
TOTAL ASSETS		7,095,740	6,560,177
LIABILITIES			
Deposits from customers	A18	4,622,498	4,562,104
Deposits and placements of banks and other financial institutions	A19	172,947	95,016
Balances due to clients and brokers		470,536	481,932
Derivative financial liabilities	B11	15,779	12,693
Other liabilities	A20	638,900	308,722
Obligations on securities sold under repurchase agreements		159,010	83,067
Borrowings	A21	112,500	119,300
Lease liabilities		12,027	13,649
Provision for taxation and zakat		5,689	12,688
TOTAL LIABILITIES		6,209,886	5,689,171
EQUITY			
Share capital		246,249	246,249
Treasury shares		(16,990)	(16,808)
Reserves		656,595	641,565
TOTAL EQUITY		885,854	871,006
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		7,095,740	6,560,177
Commitments and contingencies	A29	2,986,156	3,120,704
Net assets per share attributable to equity holders of the Bank (RM)		1.27	1.25

The condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2018.

**KENANGA INVESTMENT BANK BERHAD
(15678-H)**

**UNAUDITED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2019**

<u>Bank</u>	Note	As at 31 March 2019 RM'000	As at 31 December 2018 RM'000 Restated
ASSETS			
Cash and bank balances	A11	1,236,897	1,116,117
Financial assets at FVTPL	A12	350,975	188,576
Financial investments at FVOCI	A13 (i)	1,725,300	1,661,676
Financial investments at amortised cost	A13 (ii)	112,702	121,256
Derivative financial assets	B11	64,744	71,992
Loans, advances and financing	A14	1,939,216	1,975,765
Balances due from clients and brokers	A15	339,406	296,323
Other assets	A16	326,145	85,413
Statutory deposit with Bank Negara Malaysia	A17	116,331	116,619
Tax recoverable		11,419	18,114
Investment in subsidiaries		70,428	70,428
Investment in an associate		56,235	56,235
Investment in a joint venture company		35,000	30,000
Property, plant and equipment		180,858	183,131
Intangible assets		305,409	305,409
Right-of-use assets		10,714	12,765
Deferred tax assets		3,237	3,666
TOTAL ASSETS		6,885,016	6,313,485
LIABILITIES			
Deposits from customers	A18	4,679,982	4,613,788
Deposits and placements of banks and other financial institutions	A19	172,947	95,016
Balances due to clients and brokers		228,760	221,083
Derivative financial liabilities	B11	15,779	12,693
Other liabilities	A20	597,568	258,080
Obligations on securities sold under repurchase agreements		159,010	83,067
Borrowings	A21	75,000	77,800
Lease liabilities		10,901	12,765
Provision for taxation and zakat		4,757	11,963
TOTAL LIABILITIES		5,944,704	5,386,255
EQUITY			
Share capital		246,249	246,249
Treasury shares		(16,990)	(16,808)
Reserves		711,053	697,789
TOTAL EQUITY		940,312	927,230
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		6,885,016	6,313,485
Commitments and contingencies	A29	3,110,993	3,245,541
Net assets per share (RM)		1.35	1.33

The condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2018.

KENANGA INVESTMENT BANK BERHAD
(15678-H)

CONDENSED INTERIM FINANCIAL STATEMENTS

**UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2019**

	Note	Individual Quarter		Cumulative Quarter	
		3 months ended 31 March 2019 RM'000	3 months ended 31 March 2018 RM'000 (Restated)	3 months ended 31 March 2019 RM'000	3 months ended 31 March 2018 RM'000 (Restated)
Group					
Interest income	A22	62,294	65,571	62,294	65,571
Interest expense	A23	(41,871)	(44,372)	(41,871)	(44,372)
Net interest income		20,423	21,199	20,423	21,199
Net income from Islamic banking business	A33	4,806	2,831	4,806	2,831
Other operating income	A24	83,003	97,512	83,003	97,512
Net income		108,232	121,542	108,232	121,542
Other operating expenses	A25	(101,895)	(109,013)	(101,895)	(109,013)
Operating profit		6,337	12,529	6,337	12,529
Credit loss reversal/(expenses)	A26	4,881	(14)	4,881	(14)
Bad debts recovered	A27	279	13,526	279	13,526
		11,497	26,041	11,497	26,041
Share of results of associates and joint venture		(528)	(2,459)	(528)	(2,459)
Profit before taxation and zakat		10,969	23,582	10,969	23,582
Taxation and zakat	B5	(3,183)	(8,146)	(3,183)	(8,146)
Profit for the period		7,786	15,436	7,786	15,436
Other comprehensive income					
Items that will not be reclassified subsequently to profit or loss:					
Revaluation loss on equity instruments at FVOCI		(578)	-	(578)	-
Share of other comprehensive profit					
in associates		2,276	593	2,276	593
Income tax related to the above		139	-	139	-
Items that will be reclassified subsequently to profit or loss:					
Foreign exchange differences on consolidation		(1,066)	(3,266)	(1,066)	(3,266)
Net gain on fair value changes of debt instrument at FVOCI		7,644	171	7,644	171
Income tax relating to the components of other comprehensive income		(1,835)	(41)	(1,835)	(41)
Other comprehensive income/(loss) for the period, net of tax		6,580	(2,543)	6,580	(2,543)
Total comprehensive income for the period, net of tax		14,366	12,893	14,366	12,893

**KENANGA INVESTMENT BANK BERHAD
(15678-H)**

CONDENSED INTERIM FINANCIAL STATEMENTS

**UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2019**

	Note	Individual Quarter		Cumulative Quarter	
		3 months ended 31 March 2019 RM'000	3 months ended 31 March 2018 RM'000	3 months ended 31 March 2019 RM'000	3 months ended 31 March 2018 RM'000
Profit for the period attributable to:					
Equity holders of the Bank		7,786	15,436	7,786	15,436
		<u>7,786</u>	<u>15,436</u>	<u>7,786</u>	<u>15,436</u>
Total comprehensive income attributable to:					
Equity holders of the Bank		14,366	12,893	14,366	12,893
		<u>14,366</u>	<u>12,893</u>	<u>14,366</u>	<u>12,893</u>
Earnings per share					
Basic (sen)	B9	1.11	2.14	1.11	2.14
Fully diluted (sen)	B9	<u>1.11</u>	<u>2.13</u>	<u>1.11</u>	<u>2.13</u>

The condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2018.

**KENANGA INVESTMENT BANK BERHAD
(15678-H)**

**CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2019**

	Note	Individual Quarter		Cumulative Quarter	
		3 months ended 31 March 2019 RM'000	3 months ended 31 March 2018 RM'000 (Restated)	3 months ended 31 March 2019 RM'000	3 months ended 31 March 2018 RM'000 (Restated)
Bank					
Interest income	A22	60,246	63,969	60,246	63,969
Interest expense	A23	(41,795)	(44,346)	(41,795)	(44,346)
Net interest income		18,451	19,623	18,451	19,623
Net income from Islamic banking business	A33	4,806	2,831	4,806	2,831
Other operating income	A24	61,157	79,357	61,157	79,357
Net income		84,414	101,811	84,414	101,811
Other operating expenses	A25	(79,124)	(87,698)	(79,124)	(87,698)
Operating profit		5,290	14,113	5,290	14,113
Credit loss reversal	A26	4,811	129	4,811	129
Bad debts recovered	A27	279	13,526	279	13,526
Profit before taxation and zakat		10,380	27,768	10,380	27,768
Taxation and zakat		(3,150)	(8,050)	(3,150)	(8,050)
Profit for the period		7,230	19,718	7,230	19,718
Other comprehensive income					
Items that will not be reclassified subsequently to profit or loss:					
Revaluation loss on equity instruments at FVOCI		(578)	-	(578)	-
Income tax related to the above		139	-	139	-
Items that will be reclassified subsequently to profit or loss:					
Net gain on fair value changes of debt instruments at FVOCI		7,644	171	7,644	171
Income tax relating to the components of other comprehensive income		(1,835)	(41)	(1,835)	(41)
Other comprehensive income for the period, net of tax		5,370	130	5,370	130
Total comprehensive income for the period, net of tax		12,600	19,848	12,600	19,848

The condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2018.

**KENANGA INVESTMENT BANK BERHAD
(15678-H)**

**UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2019**

Group	Non- Distributable					Distributable			Total Equity RM'000
	Ordinary Shares RM'000	ESS Reserve RM'000	Fair Value (Deficit)/Reserve RM'000	Regulatory Reserve RM'000	Exchange Reserve RM'000	Capital Reserve RM'000	Treasury Shares RM'000	Retained Profits RM'000	
At 1 January 2019	246,249	2,588	(4,120)	25,488	18,783	88,938	(16,808)	509,888	871,006
Net profit for the financial period	-	-	-	-	-	-	-	7,786	7,786
Share of other comprehensive income/(loss) of associates	-	-	(857)	-	-	-	-	3,133	2,276
Other comprehensive income/(loss)	-	-	5,370	-	(1,066)	-	-	-	4,304
Total comprehensive income/(loss)	-	-	4,513	-	(1,066)	-	-	10,919	14,366
Share based payment under Employees' Share Options Scheme ("ESS")	-	664	-	-	-	-	-	-	664
Buy-back of shares	-	-	-	-	-	-	(182)	-	(182)
Transfer to regulatory reserve	-	-	-	2,250	-	-	-	(2,250)	-
At 31 March 2019	246,249	3,252	393	27,738	17,717	88,938	(16,990)	518,557	885,854

The condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2018.

**KENANGA INVESTMENT BANK BERHAD
(15678-H)**

**UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2019**

Group	Non- Distributable						Distributable		Total Equity RM'000
	Ordinary Shares RM'000	ESS Reserve RM'000	Fair Value (Deficit)/Reserve RM'000	Regulatory Reserve RM'000	Exchange Reserve RM'000	Capital Reserve RM'000	Treasury Shares RM'000	Retained Profits RM'000	
At 1 January 2018	246,137	-	(5,655)	25,277	17,398	88,938	-	519,053	891,148
Net profit for the financial period	-	-	-	-	-	-	-	15,436	15,436
Share of other comprehensive income of associates	-	-	104	-	-	-	-	489	593
Other comprehensive income/(loss)	-	-	130	-	(3,266)	-	-	-	(3,136)
Total comprehensive income/(loss)	-	-	234	-	(3,266)	-	-	15,925	12,893
Share based payment under ESS	-	625	-	-	-	-	-	-	625
Issue of shares pursuant to exercise of ESS	38	-	-	-	-	-	-	6	44
Transfer to regulatory reserve	-	-	-	4,864	-	-	-	(4,864)	-
At 31 March 2018	246,175	625	(5,421)	30,141	14,132	88,938	-	530,120	904,710

The condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2018.

KENANGA INVESTMENT BANK BERHAD
(15678-H)

UNAUDITED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2019

	Non- Distributable					Distributable		Total Equity RM'000
	Ordinary Shares RM'000	Regulatory Reserve RM'000	ESS Reserve RM'000	Fair Value Reserve RM'000	Capital Reserve RM'000	Treasury Shares RM'000	Retained Profits RM'000	
Bank								
At 1 January 2019	246,249	25,488	2,588	2,175	153,863	(16,808)	513,675	927,230
Net profit for the financial year	-	-	-	-	-	-	7,230	7,230
Other comprehensive income	-	-	-	5,370	-	-	-	5,370
Total comprehensive income	-	-	-	5,370	-	-	7,230	12,600
Share based payment under ESS	-	-	664	-	-	-	-	664
Buy-back of shares	-	-	-	-	-	(182)	-	(182)
Transfer to regulatory reserve	-	2,250	-	-	-	-	(2,250)	-
At 31 March 2019	246,249	27,738	3,252	7,545	153,863	(16,990)	518,655	940,312

The condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2018.

**KENANGA INVESTMENT BANK BERHAD
(15678-H)**

**UNAUDITED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2019**

	<u>Non- Distributable</u>				<u>Distributable</u>		Total Equity RM'000
	Ordinary Shares RM'000	Regulatory Reserve RM'000	ESS Reserve RM'000	Fair Value (Deficit)/Reserve RM'000	Capital Reserve RM'000	Retained Profits RM'000	
Bank							
At 1 January 2018	246,137	25,277	-	(3,866)	153,863	512,175	933,586
Net profit for the financial year	-	-	-	-	-	19,718	19,718
Other comprehensive income	-	-	-	130	-	-	130
Total comprehensive income	-	-	-	130	-	19,718	19,848
Share based payment under ESS	-	-	625	-	-	-	625
Issue of shares pursuant to exercise of ESS	38	-	-	-	-	6	44
Transfer to regulatory reserve	-	4,864	-	-	-	(4,864)	-
At 31 March 2018	246,175	30,141	625	(3,736)	153,863	527,035	954,103

The condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2018.

KENANGA INVESTMENT BANK BERHAD
(15678-H)

UNAUDITED CONDENSED STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2019

	Group		Bank	
	31 March 2019 RM'000	31 March 2018 RM'000	31 March 2019 RM'000	31 March 2018 RM'000
Cash flows from operating activities				
Profit before taxation	10,969	23,582	10,380	27,768
Adjustments for:				
Depreciation of property, plant and equipment	3,608	3,295	3,471	3,176
Amortisation of intangible assets	44	69	-	-
Amortisation of right-of-use assets	2,272	-	2,051	-
Lease interest expenses	341	-	322	-
ESS expenses	595	545	595	545
Credit loss expense	(4,881)	(25)	(4,811)	(167)
Property, plant and equipment written off	1	-	1	-
Non-cash items	1,980	3,884	1,629	3,554
Net (gain)/loss from sale of financial assets at FVTPL and derivatives	(16,335)	31,366	(16,335)	31,366
Net gain from sale of financial investments other than those measured at FVTPL	(1,791)	(342)	(1,791)	(342)
Gross dividend income from investments	(114)	(584)	(90)	(533)
Loss/(Gain) on revaluation of financial assets at FVTPL and derivatives	6,582	(44,504)	7,326	(44,504)
Share of results of associates and joint venture	528	2,459	-	-
Non-operating items - investing	(11,130)	(11,605)	(10,890)	(14,013)
Adjustments for non-operating and non-cash items	(9,150)	(7,721)	(9,261)	(10,459)
Operating profit before working capital changes	1,819	15,861	1,119	17,309
Changes in working capital:				
Net changes in operating assets	(235,962)	159,129	(242,521)	170,927
Net changes in operating liabilities	533,119	54,975	567,302	56,513
Cash generated from operations	298,976	229,965	325,900	244,749
Taxation and zakat paid	(2,664)	(4,256)	(4,928)	(4,164)
Net operating cash flow	296,312	225,709	320,972	240,585
Cash flows from investing activities				
Dividends received from other investments	114	584	90	533
Purchase of property, plant and equipment and intangible assets	(1,571)	(4,088)	(1,198)	(3,789)
Proceeds from disposal of property, plant and equipment and intangible assets	-	3	-	-
Capital injection in a joint venture	(5,000)	-	(5,000)	-
Net purchase of securities	(188,253)	(669,574)	(188,830)	(673,494)
Net investing cash flow	(194,710)	(673,075)	(194,938)	(676,750)
Cash flows from financing activities				
Rental/lease payments	(2,378)	-	(2,186)	-
Net (repayment)/drawdown of borrowings	(6,800)	32,200	(2,800)	7,200
Buy-back of shares	(182)	-	(182)	-
Net financing cash flow	(9,360)	32,200	(5,168)	7,200

**KENANGA INVESTMENT BANK BERHAD
(15678-H)**

**UNAUDITED CONDENSED STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2019**

	Group		Bank	
	31 March 2019 RM'000	31 March 2018 RM'000	31 March 2019 RM'000	31 March 2018 RM'000
Net change in cash and cash equivalents during the financial year	92,242	(415,166)	120,866	(428,965)
Cash and cash equivalents brought forward	<u>1,096,373</u>	<u>1,143,077</u>	<u>1,053,573</u>	<u>1,032,060</u>
Cash and cash equivalents carried forward	<u>1,188,615</u>	<u>727,911</u>	<u>1,174,439</u>	<u>603,095</u>

Cash and Cash Equivalents

Cash and cash equivalents consist of cash and short-term funds, excluding segregated funds from customers, deposits and monies held in trust on behalf of dealer's representatives. Cash and cash equivalents included in the statements of cash flows comprise of the following amounts in the statements of financial position:

	Group		Bank	
	As at 31 March 2019 RM'000	As at 31 March 2018 RM'000	As at 31 March 2019 RM'000	As at 31 March 2018 RM'000
Cash and short-term funds	1,337,984	824,611	1,236,897	665,484
Deposits and placements with banks and other financial institutions	81,905	79,260	-	-
Less: Segregated funds from customers	(168,816)	(113,571)	-	-
Less: Cash and bank balances and deposits held in trust	<u>(62,458)</u>	<u>(62,389)</u>	<u>(62,458)</u>	<u>(62,389)</u>
	<u>1,188,615</u>	<u>727,911</u>	<u>1,174,439</u>	<u>603,095</u>

**KENANGA INVESTMENT BANK BERHAD
(15678-H)**

**NOTES TO INTERIM FINANCIAL REPORT
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019**

A1. Basis Of Preparation

The interim financial statements, for the financial period ended 31 March 2019, have been prepared in accordance with Malaysian Financial Reporting Standard ("MFRS") 134 Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial statements have also incorporated those activities relating to the Islamic banking business undertaken by the Group.

The significant accounting policies adopted in preparing these interim financial statements are consistent with those of the audited financial statements for the financial year ended 31 December 2018, except for the adoption of new standard, MFRS 16 Leases which is effective as of 1 January 2019. The Group has not early adopted any other standard, interpretation or amendment that have been issued but not effective yet.

MFRS 16 introduced a single accounting model for a lessee and eliminates the distinction between finance lease and operating lease. All leases were brought onto the balance sheet as off-balance sheet leases are no longer allowed except for some limited practical exemptions. Assets and liabilities were recognised for all leases with a term of more than 12 months, unless the underlying assets were low-value assets. Upon adoption of MFRS 16, the Group and the Bank have accounted for the rental of branch premises and equipments in the balance sheet by recognizing the 'right-of-use' assets and lease liabilities.

The Group and the Bank applied MFRS 16 using modified retrospective approach and measured the right-of-use assets equals to the lease liabilities at 1 January 2019 with no restatement of comparative information.

On transition to MFRS 16, the Group and the Bank recognised an amount of RM13,648,750 and RM12,765,349 respectively of right-of-use assets and lease liabilities.

When measuring lease liabilities, the Group and the Bank discounted lease payments based on pre-tax weighted average cost of capital plus an appropriate risk premium.

A2. Condensed financial statements

The interim financial statements have been prepared on a condensed basis and as such should be read in conjunction with the audited financial statements for the financial year ended 31 December 2018. The explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to the understanding of the changes in the financial position and performance of the Group since the financial year ended 31 December 2018.

A3. Preceding financial year audit report

The preceding financial year audit report in respect of the financial year ended 31 December 2018 was not qualified by the external auditors.

NOTES TO INTERIM FINANCIAL REPORT
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

A4. Seasonal or Cyclical Factors

The Group's performance was mainly dependent on Bursa Malaysia market volume and value which in turn were affected by market sentiment and the country's macro economic conditions.

A5. Nature and amounts in relation to assets, liabilities, equity, net income or cash flows that are unusual because of their nature, size or incidence

There were no exceptional items which have affected the assets, liabilities, equity, net income or cash flows.

A6. Changes in the nature and amount of estimated figures reported in prior interim periods and or financial years

There were no changes made to the estimated figures reported in prior interim period.

A7. Issuance, cancellation, repurchase, resale or repayment of debt and equity securities

There were no issuance, cancellation, repurchase, resale or repayment of debt and equity securities during the financial period ended 31 March 2019, other than the Bank repurchased 310,000 ordinary shares of its issued share capital from the open market at an average cost of RM0.57859 per share. The total consideration paid for the share buy-back, including transaction costs was RM182 thousand, and was financed by internally generated fund.

As at 31 March 2019, the number of treasury shares held was 24,053,900 shares.

A8. Dividends paid per share

No dividend was paid during the current financial period.

A9. Significant event during and subsequent to the financial interim period

There was no significant event during and subsequent to the financial interim period other than as disclosed in Note B10.

A10. Changes in composition of the Group

There were no changes in the composition of the Group during the current quarter ended 31 March 2019.

**KENANGA INVESTMENT BANK BERHAD
(15678-H)**

**NOTES TO INTERIM FINANCIAL REPORT
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2019**

	Group		Bank	
	As at 31 March 2019 RM'000	As at 31 December 2018 RM'000	As at 31 March 2019 RM'000	As at 31 December 2018 RM'000
A11. Cash and bank balances				
Cash and balances with banks and other financial institutions	176,804	257,762	95,599	144,307
Money at call and deposit placements	1,243,085	1,093,498	1,141,298	971,810
	<u>1,419,889</u>	<u>1,351,260</u>	<u>1,236,897</u>	<u>1,116,117</u>
Included in cash and bank balances are:				
Cash and cash equivalents	1,188,615	1,096,373	1,174,439	1,053,573
Monies held in trust on behalf of dealer's representatives and segregated funds for customers	231,274	254,887	62,458	62,544
	<u>1,419,889</u>	<u>1,351,260</u>	<u>1,236,897</u>	<u>1,116,117</u>
A12. Financial Assets At FVTPL				
At fair value				
Money Market Instruments:				
Malaysian Government Securities	61,113	-	61,113	-
Malaysian Government Investment Certificates	81,523	-	81,523	-
	<u>142,636</u>	<u>-</u>	<u>142,636</u>	<u>-</u>
Quoted Securities:				
Shares in Malaysia	57,279	37,491	57,279	37,491
Shares outside Malaysia	119	147	119	147
	<u>57,398</u>	<u>37,638</u>	<u>57,398</u>	<u>37,638</u>
Unquoted Securities:				
Shares and funds in Malaysia	131,892	131,725	131,077	131,077
Unquoted Debt Securities in Malaysia:				
Islamic Corporate Bills	19,864	19,861	19,864	19,861
	<u>19,864</u>	<u>19,861</u>	<u>19,864</u>	<u>19,861</u>
Total Financial Assets At FVTPL	<u>351,790</u>	<u>189,224</u>	<u>350,975</u>	<u>188,576</u>

**KENANGA INVESTMENT BANK BERHAD
(15678-H)**

**NOTES TO INTERIM FINANCIAL REPORT
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2019**

Group and Bank	
As at 31 March 2019 RM'000	As at 31 December 2018 RM'000

A13. Financial investments other than those measured at FVTPL

(i) Financial investments at FVOCI

Money market instruments:

Malaysian Government Securities	61,830	40,182
Malaysian Government Investment Certificates	103,289	195,055
Negotiable Instruments of Deposits	-	50,000
Islamic Negotiable Instruments of Deposits	787,649	629,165
	952,768	914,402

Equity instruments in Malaysia:

Unquoted Shares	1,176	1,754
-----------------	-------	-------

Debt instruments in Malaysia:

Islamic Corporate Sukuk	610,040	584,853
Corporate Bonds	161,316	160,667
	771,356	745,520

Total Financial investments at FVOCI:

1,725,300	1,661,676
------------------	------------------

Included in financial investments at FVOCI are financial assets sold under repurchase agreements as follows:

Islamic Corporate Sukuk	111,671	83,067
-------------------------	---------	--------

Impairment losses on debt instrument measured at FVOCI:

Group and Bank

	2019			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
<u>Movement in Expected Credit Loss ("ECL")</u>				
As at 1 January 2019	225	-	-	225
New assets originated or purchased	5	-	-	5
As at 31 March 2019	230	-	-	230
	2018			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
<u>Movement in ECL</u>				
As at 1 January 2018	17	-	-	17
New assets originated or purchased	208	-	-	208
As at 31 December 2018	225	-	-	225

**KENANGA INVESTMENT BANK BERHAD
(15678-H)**

**NOTES TO INTERIM FINANCIAL REPORT
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2019**

Group and Bank	
As at 31 March 2019 RM'000	As at 31 December 2018 RM'000

A13. Financial investments other than those measured at FVTPL (cont'd.)

(ii) Financial investment at amortised cost:

Money market instruments:

Malaysian Government Investment Certificates

9,880	9,876
9,880	9,876

Debt instruments in Malaysia:

At cost

Islamic Corporate Sukuk

Corporate Bonds

Less: Allowance for ECL

83,201	92,202
20,037	20,038
(416)	(860)
102,822	111,380

Total financial investment at amortised cost:

112,702	121,256
----------------	----------------

Impairment losses on debt instrument measured at Amortised Cost ("AC")

Group and Bank

	2019			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Movement in ECLs				
As at 1 January 2019	-	860	-	860
Impact of net re-measurement of ECL	-	(444)	-	(444)
As at 31 March 2019	-	416	-	416

	2018			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Movement in ECLs				
As at 1 January 2018	64	952	-	1,016
Impact of net re-measurement of ECL	(64)	(92)	-	(156)
As at 31 December 2018	-	860	-	860

Included in financial investments at amortised cost are financial assets sold under repurchase agreements as follows:

Malaysian Government Investment Certificates
Islamic Corporate Sukuk

9,508	-
37,831	-
47,339	-

**KENANGA INVESTMENT BANK BERHAD
(15678-H)**

**NOTES TO INTERIM FINANCIAL REPORT
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2019**

	Group		Bank	
	As at 31 March 2019 RM'000	As at 31 December 2018 RM'000	As at 31 March 2019 RM'000	As at 31 December 2018 RM'000
A14. Loans, Advances and Financing				
At Amortised Cost				
Share margin financing	1,406,997	1,419,617	1,406,997	1,419,617
Term loans	526,257	554,282	549,295	577,312
Subordinated term loan	-	-	10,119	10,278
Other lending and factoring receivables	67,754	62,735	-	-
Advances to group employees	49	60	49	60
Gross loans, advances and financing	<u>2,001,057</u>	<u>2,036,694</u>	<u>1,966,460</u>	<u>2,007,267</u>
Less: Allowance for ECL				
- Stage 1- 12-month ECL	(1,238)	(898)	(1,791)	(1,402)
- Stage 2- Lifetime ECL non-credit impaired	-	(8,847)	-	(8,847)
- Stage 3- Lifetime ECL credit impaired	(26,219)	(22,034)	(25,453)	(21,253)
Net Loans, Advances and Financing	<u>1,973,600</u>	<u>2,004,915</u>	<u>1,939,216</u>	<u>1,975,765</u>
(i) By Type of Customer				
Domestic business enterprise				
- Small medium enterprise	234,844	233,392	214,558	213,770
- Others	580,681	587,463	580,681	587,463
Individuals	1,134,443	1,149,370	1,120,132	1,139,565
Foreign enterprises	51,089	66,469	51,089	66,469
Gross Loans, Advances and Financing	<u>2,001,057</u>	<u>2,036,694</u>	<u>1,966,460</u>	<u>2,007,267</u>
(ii) By Geographical Distribution				
In Malaysia	1,923,936	1,944,629	1,889,339	1,915,202
Outside Malaysia	77,121	92,065	77,121	92,065
Gross Loans, Advances and Financing	<u>2,001,057</u>	<u>2,036,694</u>	<u>1,966,460</u>	<u>2,007,267</u>
(iii) By Interest Rate/ Profit Rate Sensitivity				
Fixed rate				
- Other fixed rate loans	1,474,751	1,482,352	1,406,996	1,419,617
Variable rate				
- Other variable rates	507,830	535,855	540,988	569,163
- Base lending rate plus	18,427	18,427	18,427	18,427
Interest free	49	60	49	60
Gross Loans, Advances and Financing	<u>2,001,057</u>	<u>2,036,694</u>	<u>1,966,460</u>	<u>2,007,267</u>
(iv) By Purpose				
- Purchase of securities	1,640,571	1,715,237	1,631,494	1,704,785
- Working capital	153,817	154,549	151,067	159,238
- Others	206,669	166,908	183,899	143,244
Gross Loans, Advances and Financing	<u>2,001,057</u>	<u>2,036,694</u>	<u>1,966,460</u>	<u>2,007,267</u>

KENANGA INVESTMENT BANK BERHAD
(15678-H)

NOTES TO INTERIM FINANCIAL REPORT
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2019

	Group		Bank	
	As at 31 March 2019 RM'000	As at 31 December 2018 RM'000	As at 31 March 2019 RM'000	As at 31 December 2018 RM'000
A14. Loans, Advances and Financing (cont'd.)				
(v) By Residual Contractual Maturity				
- Within one year	1,619,341	1,656,272	1,596,947	1,640,660
- More than one year	381,716	380,422	369,513	366,607
Gross Loans, Advances and Financing	2,001,057	2,036,694	1,966,460	2,007,267
(vi) Movements in impaired loans, advances and financing ("Impaired loans")				
At beginning of the financial period	59,068	2,737	58,283	1,910
Impaired during the financial period	30,885	57,814	30,885	57,814
Amount written off against allowance for ECL	-	(1,441)	-	(1,441)
Amount recovered	(19,630)	(42)	(19,615)	-
At end of the financial period	70,323	59,068	69,553	58,283
Less: Allowance for ECL	(26,219)	(22,034)	(25,453)	(21,253)
Net impaired loans	44,104	37,034	44,100	37,030
Net impaired loans as a % of gross loans, advances and financing less allowance	2.23%	1.85%	2.27%	1.87%
(vii) Impaired loans by Geographical Distribution				
In Malaysia	38,414	11,863	37,644	11,078
Outside Malaysia	31,909	47,205	31,909	47,205
Gross impaired loans	70,323	59,068	69,553	58,283
(viii) Impaired loans by Purpose				
Working capital	770	785	-	-
Purchase of securities	69,553	58,283	69,553	58,283
Gross impaired loans	70,323	59,068	69,553	58,283

**KENANGA INVESTMENT BANK BERHAD
(15678-H)**

**NOTES TO INTERIM FINANCIAL REPORT
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2019**

A14. Loans, Advances and Financing (cont'd.)

(ix) Impairment allowance for loans, advances and financing are as follows:

An analysis of changes in the ECL allowances in relation to share margin financing is, as follows:

Share margin financing:

Group and Bank

	2019			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Movement in ECL				
As at 1 January 2019	-	8,847	21,253	30,100
New assets originated or purchased	-	-	3,500	3,500
Assets derecognised or repaid (excluding write-offs)	-	-	(8,147)	(8,147)
Transfers of stages	-	(8,847)	8,847	-
As at 31 March 2019	-	-	25,453	25,453

Group and Bank

	2018			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Movement in ECL				
As at 1 January 2018	-	-	1,441	1,441
New assets originated or purchased	-	8,847	21,253	30,100
Amounts written off	-	-	(1,441)	(1,441)
As at 31 December 2018	-	8,847	21,253	30,100

An analysis of changes in the ECL allowances in relation to term loan and subordinated term loan is, as follows:

Term loan and subordinated term loan:

Group

	2019			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Movement in ECL				
As at 1 January 2019	815	-	-	815
New assets originated or purchased	380	-	-	380
Assets derecognised or repaid (excluding write-offs)	(110)	-	-	(110)
As at 31 March 2019	1,085	-	-	1,085

	2018			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Movement in ECL				
As at 1 January 2018	1,302	-	-	1,302
New assets originated or purchased	1,048	-	-	1,048
Assets derecognised or repaid (excluding write-offs)	(1,535)	-	-	(1,535)
As at 31 December 2018	815	-	-	815

**KENANGA INVESTMENT BANK BERHAD
(15678-H)**

**NOTES TO INTERIM FINANCIAL REPORT
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2019
A14. Loans, Advances and Financing (cont'd.)**

(ix) Impairment allowance for loans, advances and financing are as follows (cont'd.):

Term loan and subordinated term loan (cont'd):

Bank

	2019			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Movement in ECL				
As at 1 January 2019	1,201	-	-	1,201
New assets originated or purchased	380	-	-	380
Assets derecognised or repaid (excluding write-offs)	(71)	-	-	(71)
As at 31 March 2019	1,510	-	-	1,510
	2018			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Movement in ECL				
As at 1 January 2018	1,720	-	-	1,720
New assets originated or purchased	1,048	-	-	1,048
Assets derecognised or repaid (excluding write-offs)	(1,567)	-	-	(1,567)
As at 31 December 2018	1,201	-	-	1,201

An analysis of changes in the ECL allowances in relation to other loans and financing is, as follows:

Others lending and factoring receivables

Group

	2019			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Movement in ECL				
As at 1 January 2019	23	-	781	804
Assets derecognised or repaid (excluding write-offs)	(10)	-	(15)	(25)
As at 31 March 2019	13	-	766	779
	2018			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Movement in ECL				
As at 1 January 2018	21	-	823	844
New assets originated or purchased	2	-	-	2
Assets derecognised or repaid (excluding write-offs)	-	-	(42)	(42)
As at 31 December 2018	23	-	781	804

**KENANGA INVESTMENT BANK BERHAD
(15678-H)**

**NOTES TO INTERIM FINANCIAL REPORT
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2019**

A14. Loans, Advances and Financing (cont'd.)

(ix) Impairment allowance for loans, advances and financing are as follows (cont'd.):

Undrawn commitment:

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

Group

	2019			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Movement in ECL				
As at 1 January 2019	60	-	-	60
New assets originated or purchased	80	-	-	80
As at 31 March 2019	140	-	-	140

	2018			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Movement in ECL				
As at 1 January 2018	13	-	-	13
New assets originated or purchased	60	-	-	60
Exposure derecognised or matured/lapsed (excluding write-offs)	(13)	-	-	(13)
As at 31 December 2018	60	-	-	60

Bank

	2019			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Movement in ECLs				
As at 1 January 2019	201	-	-	201
New assets originated or purchased	80	-	-	80
As at 31 March 2019	281	-	-	281

	2018			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Movement in ECL				
As at 1 January 2018	154	-	-	154
New assets originated or purchased	60	-	-	60
Exposure derecognised or matured/lapsed (excluding write-offs)	(13)	-	-	(13)
As at 31 December 2018	201	-	-	201

**KENANGA INVESTMENT BANK BERHAD
(15678-H)**

**NOTES TO INTERIM FINANCIAL REPORT
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2019**

Group and Bank
As at
31 March As at
2019 **31 December**
RM'000 **2018**
RM'000

A15. Balances due from clients and brokers

Balances due from clients and brokers	353,800	310,778
Less:		
Allowance for ECL	(14,394)	(14,455)
	339,406	296,323

An analysis of changes in the ECL allowances in relation to balance due from clients and brokers is, as follows:

Group and Bank

	2019		
Movement in ECL	Non-Credit Impaired RM'000	Credit- Impaired RM'000	Total RM'000
As at 1 January 2019	1,517	12,938	14,455
Charge during the period	19	20	39
Written back during the period	(15)	(85)	(100)
As at 31 March 2019	1,521	12,873	14,394

	2018		
Movement in ECL	Non-Credit Impaired RM'000	Credit- Impaired RM'000	Total RM'000
As at 1 January 2018	1,516	12,904	14,420
Charge during the year	103	218	321
Written back during the year	(102)	(184)	(286)
As at 31 December 2018	1,517	12,938	14,455

	Group		Bank	
	As at 31 March 2019 RM'000	As at 31 December 2018 RM'000	As at 31 March 2019 RM'000	As at 31 December 2018 RM'000

A16. Other Assets

Assets segregated for customers	83,845	78,127	-	-
Interest/income receivable	15,508	12,847	15,159	12,456
Prepayments and deposits	24,385	18,666	18,074	17,439
Other debtors	35,118	31,528	21,609	19,153
Treasury trade receivables	274,319	39,530	274,319	39,530
Amount due from subsidiaries	-	-	383	289
Amount due from related parties	33	31	33	31
	433,208	180,729	329,577	88,898
Allowance for ECL	(4,797)	(4,856)	(3,432)	(3,485)
	428,411	175,873	326,145	85,413

**KENANGA INVESTMENT BANK BERHAD
(15678-H)**

**NOTES TO INTERIM FINANCIAL REPORT
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2019**

A16. Other Assets (cont'd.)

Group

Movement in ECL

As at 1 January 2019	
Charge during the period	
Written back during the period	
As at 31 March 2019	

Movement in ECL

As at 1 January 2018	
Charge during the year	
Written back during the year	
As at 31 December 2018	

Bank

Movement in ECL

As at 1 January 2019	
Charge during the period	
Written back during the period	
As at 31 March 2019	

Movement in ECL

As at 1 January 2018	
Charge during the year	
Written back during the year	
As at 31 December 2018	

2019		
Non-Credit Impaired RM'000	Credit- Impaired RM'000	Total RM'000
259	4,597	4,856
23	111	134
(111)	(83)	(194)
171	4,625	4,796

2018		
Non-Credit Impaired RM'000	Credit Impaired RM'000	Total RM'000
473	4,267	4,740
96	407	503
(310)	(77)	(387)
259	4,597	4,856

2019		
Non-Credit Impaired RM'000	Credit Impaired RM'000	Total RM'000
259	3,226	3,485
23	111	134
(105)	(82)	(187)
177	3,255	3,432

2018		
Non-Credit Impaired RM'000	Credit Impaired RM'000	Total RM'000
473	2,879	3,352
96	407	503
(310)	(60)	(370)
259	3,226	3,485

**KENANGA INVESTMENT BANK BERHAD
(15678-H)**

**NOTES TO INTERIM FINANCIAL REPORT
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2019**

	Group		Bank	
	As at 31 March 2019 RM'000	As at 31 December 2018 RM'000	As at 31 March 2019 RM'000	As at 31 December 2018 RM'000
A17. Statutory deposit with Bank Negara Malaysia				
Statutory Deposit	116,331	116,619	116,331	116,619
The non-interest bearing statutory deposit is maintained by the Bank with Bank Negara Malaysia in compliance with Section 26(2) (c) of the Central Bank of Malaysia Act 2009, and is determined as a set percentage of net eligible				
A18. Deposits from customers				
(i) By type of deposit				
Fixed term deposits	3,639,068	3,645,634	3,655,136	3,683,800
Short term money deposits	838,449	782,435	879,487	795,578
Call money deposits	98,479	88,246	98,479	88,246
Negotiable instruments of deposit	46,502	45,789	46,880	46,164
	4,622,498	4,562,104	4,679,982	4,613,788
(ii) By type of customer				
Government and other statutory bodies	982,768	972,649	982,768	972,649
Individuals	114,060	125,692	114,059	125,692
Business enterprises	920,299	1,076,432	926,100	1,076,432
Non-bank financial institutions	2,511,051	2,315,172	2,511,051	2,315,172
Subsidiaries and related companies	94,320	72,159	146,004	123,843
	4,622,498	4,562,104	4,679,982	4,613,788
(iii) By maturity structure				
Due within six months	3,501,879	3,332,226	3,559,363	3,383,910
More than six months to one year	865,184	1,014,878	865,184	1,014,878
More than one year	255,435	215,000	255,435	215,000
	4,622,498	4,562,104	4,679,982	4,613,788

**KENANGA INVESTMENT BANK BERHAD
(15678-H)**

**NOTES TO INTERIM FINANCIAL REPORT
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2019**

	Group		Bank	
	As at 31 March 2019 RM'000	As at 31 December 2018 RM'000	As at 31 March 2019 RM'000	As at 31 December 2018 RM'000
A19. Deposits and placements of banks and financial institutions				
Licenced banks	100,000	-	100,000	-
Licenced investment banks	-	50,000	-	50,000
Others financial institutions	72,947	45,016	72,947	45,016
	172,947	95,016	172,947	95,016
A20. Other liabilities				
Interest/Income payable	28,772	35,902	28,152	35,563
Accruals and provision	71,564	64,374	40,620	37,871
Retention for contra losses	487	487	487	487
Structured products	36,779	37,222	36,779	37,222
Treasury trade payables	361,711	19,458	361,711	19,458
Deposits and other creditors	75,583	67,929	67,360	64,476
Amounts held in trust on behalf of				
Dealer's Representatives	62,458	62,544	62,458	62,544
Amount due to trustee	1,546	20,806	-	-
Amount due to subsidiaries	-	-	1	459
	638,900	308,722	597,568	258,080
A21. Borrowings				
Secured:				
Revolving bank loan	50,000	52,800	50,000	52,800
Unsecured:				
Revolving bank loans	37,500	41,500	-	-
Subordinated notes	25,000	25,000	25,000	25,000
	112,500	119,300	75,000	77,800

**KENANGA INVESTMENT BANK BERHAD
(15678-H)**

**NOTES TO INTERIM FINANCIAL REPORT
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2019**

	Individual Quarter		Cumulative Quarter	
	3 months ended 31 March 2019 RM'000	3 months ended 31 March 2018 RM'000 (Restated)	3 months ended 31 March 2019 RM'000	3 months ended 31 March 2018 RM'000 (Restated)
A22. Interest Income				
Group				
Loans, advances and financing	34,595	38,029	34,595	38,029
Money at call and deposit placements with financial institutions	12,044	13,482	12,044	13,482
Financial assets at FVTPL	790	705	790	705
Financial investments at FVOCI	10,321	8,526	10,321	8,526
Financial investments at amortised cost	1,099	627	1,099	627
Others	3,445	4,202	3,445	4,202
	62,294	65,571	62,294	65,571
Bank				
Loans, advances and financing	33,286	37,023	33,286	37,023
Money at call and deposit placements with financial institutions	11,310	12,886	11,310	12,886
Financial assets at FVTPL	790	705	790	705
Financial investments at FVOCI	10,321	8,526	10,321	8,526
Financial investments at amortised cost	1,099	627	1,099	627
Others	3,440	4,202	3,440	4,202
	60,246	63,969	60,246	63,969
A23. Interest Expense				
Group				
Deposits from customers	37,225	41,489	37,225	41,489
Deposits and placement from banks and other financial institutions	2,020	761	2,020	761
Borrowings	1,466	1,083	1,466	1,083
Others	1,160	1,039	1,160	1,039
	41,871	44,372	41,871	44,372
Bank				
Deposits from customers	37,689	41,874	37,689	41,874
Deposits and placement from banks and other financial institutions	2,020	761	2,020	761
Borrowings	945	672	945	672
Others	1,141	1,039	1,141	1,039
	41,795	44,346	41,795	44,346

**KENANGA INVESTMENT BANK BERHAD
(15678-H)**

**NOTES TO INTERIM FINANCIAL REPORT
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2019**

	Individual Quarter		Cumulative Quarter	
	3 months ended 31 March 2019 RM'000	3 months ended 31 March 2018 RM'000	3 months ended 31 March 2019 RM'000	3 months ended 31 March 2018 RM'000
A24. Other Operating Income				
Group				
(a) Fee income:				
Brokerage fees	37,281	52,565	37,281	52,565
Corporate advisory fees	2,093	2,432	2,093	2,432
Processing fees on loans, advances and financing	555	1,818	555	1,818
Commissions	1,557	1,828	1,557	1,828
Management fee income	18,223	15,600	18,223	15,600
Placement fees	2,730	1,987	2,730	1,987
Underwriting commission	217	239	217	239
Other fee income	3,350	3,220	3,350	3,220
	<u>66,006</u>	<u>79,689</u>	<u>66,006</u>	<u>79,689</u>
(b) Net gain/(loss) arising from sale/ redemption of:				
Financial assets at FVTPL and derivatives	15,455	(31,040)	15,455	(31,040)
Financial investments at FVOCI	1,396	361	1,396	361
	<u>16,851</u>	<u>(30,679)</u>	<u>16,851</u>	<u>(30,679)</u>
(c) Gross dividend income from:				
Financial assets at FVTPL	103	572	103	572
Financial investments at FVOCI	11	12	11	12
	<u>114</u>	<u>584</u>	<u>114</u>	<u>584</u>
(d) Unrealised (loss)/gain on revaluation of financial assets at FVTPL and derivatives	<u>(6,317)</u>	<u>44,397</u>	<u>(6,317)</u>	<u>44,397</u>
(e) Other income:				
Net foreign exchange income	1,820	1,705	1,820	1,705
Other operating income	244	392	244	392
Other non-operating income				
- Rental income	1,106	681	1,106	681
- Others	3,179	743	3,179	743
	<u>6,349</u>	<u>3,521</u>	<u>6,349</u>	<u>3,521</u>
Total other operating income	<u>83,003</u>	<u>97,512</u>	<u>83,003</u>	<u>97,512</u>

**KENANGA INVESTMENT BANK BERHAD
(15678-H)**

**NOTES TO INTERIM FINANCIAL REPORT
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2019**

	Individual Quarter		Cumulative Quarter	
	3 months ended 31 March 2019 RM'000	3 months ended 31 March 2018 RM'000	3 months ended 31 March 2019 RM'000	3 months ended 31 March 2018 RM'000
A24. Other Operating Income (cont'd.)				
Bank				
(a) Fee income:				
Brokerage fees	37,281	52,565	37,281	52,565
Corporate advisory fees	2,122	2,441	2,122	2,441
Processing fees on loans, advances and financing	415	1,507	415	1,507
Management fee income	244	146	244	146
Placement fees	2,728	1,987	2,728	1,987
Underwriting commission	217	239	217	239
Other fee income	1,943	2,356	1,943	2,356
	<u>44,950</u>	<u>61,241</u>	<u>44,950</u>	<u>61,241</u>
(b) Net gain/(loss) arising from sale/redemption of:				
Financial assets at FVTPL and derivatives	15,455	(31,058)	15,455	(31,058)
Financial investments at FVOCI	1,396	379	1,396	379
	<u>16,851</u>	<u>(30,679)</u>	<u>16,851</u>	<u>(30,679)</u>
(c) Gross dividend from:				
Financial assets at FVTPL	79	521	79	521
Financial investments at FVOCI	11	12	11	12
	<u>90</u>	<u>533</u>	<u>90</u>	<u>533</u>
(d) Unrealised (loss)/gain on revaluation of financial assets at FVTPL and derivatives	<u>(7,061)</u>	<u>44,397</u>	<u>(7,061)</u>	<u>44,397</u>
(e) Other income:				
Net foreign exchange income	1,835	1,744	1,835	1,744
Other operating income	303	497	303	497
Other non-operating income				
- Rental income	1,166	1,103	1,166	1,103
- Others	3,023	521	3,023	521
	<u>6,327</u>	<u>3,865</u>	<u>6,327</u>	<u>3,865</u>
Total other operating income	<u>61,157</u>	<u>79,357</u>	<u>61,157</u>	<u>79,357</u>

**KENANGA INVESTMENT BANK BERHAD
(15678-H)**

**NOTES TO INTERIM FINANCIAL REPORT
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2019**

	Individual Quarter		Cumulative Quarter	
	3 months ended 31 March 2019 RM'000	3 months ended 31 March 2018 RM'000	3 months ended 31 March 2019 RM'000	3 months ended 31 March 2018 RM'000
A25. Other operating expenses				
Group				
Personnel costs	43,822	41,595	43,822	41,595
- Salaries, allowances and bonuses	34,382	32,522	34,382	32,522
- EPF	4,308	4,232	4,308	4,232
- Others	5,132	4,841	5,132	4,841
Establishment costs	11,897	11,391	11,897	11,391
- Depreciation of property, plant and equipment	3,608	3,295	3,608	3,295
- Amortisation of intangible assets	44	69	44	69
- Amortisation of right-of-use assets	2,272	-	2,272	-
- Rental of premises	49	2,373	49	2,373
- Rental of equipment	114	161	114	161
- Repairs and maintenance	1,142	1,152	1,142	1,152
- Information technology expenses	3,041	2,625	3,041	2,625
- Others	1,627	1,716	1,627	1,716
Marketing expenses	3,331	2,899	3,331	2,899
- Promotion and advertisements	2,191	1,604	2,191	1,604
- Travel and entertainment	879	1,117	879	1,117
- Others	261	178	261	178
Administration and general expenses	42,845	53,128	42,845	53,128
- Communication expenses	1,322	1,183	1,322	1,183
- Professional fees and legal fees	904	2,100	904	2,100
- Regulatory charges	5,252	5,631	5,252	5,631
- Fees and brokerage	31,032	39,111	31,032	39,111
- Administrative expenses	3,974	4,709	3,974	4,709
- Printing and stationery	361	394	361	394
	101,895	109,013	101,895	109,013

**KENANGA INVESTMENT BANK BERHAD
(15678-H)**

**NOTES TO INTERIM FINANCIAL REPORT
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2019**

	<u>Individual Quarter</u>		<u>Cumulative Quarter</u>	
	3 months ended 31 March 2019 RM'000	3 months ended 31 March 2018 RM'000	3 months ended 31 March 2019 RM'000	3 months ended 31 March 2018 RM'000
Bank				
Personnel costs	33,791	32,105	33,791	32,105
- Salaries, allowances and bonuses	27,266	25,939	27,266	25,939
- EPF	3,532	3,278	3,532	3,278
- Others	2,993	2,888	2,993	2,888
Establishment costs	10,433	9,859	10,433	9,859
- Depreciation of property, plant and equipment	3,471	3,176	3,471	3,176
- Amortisation of right-of-use assets	2,051	-	2,051	-
- Rental of premises	26	2,197	26	2,197
- Rental of equipment	75	73	75	73
- Repair and maintenance	875	918	875	918
- Information technology expenses	3,037	2,609	3,037	2,609
- Others	898	886	898	886
Marketing expenses	1,784	1,584	1,784	1,584
- Promotion and advertisement	1,000	600	1,000	600
- Travel and entertainment	557	815	557	815
- Others	227	169	227	169
Administration and general expenses	33,116	44,150	33,116	44,150
- Communication expenses	1,155	1,021	1,155	1,021
- Professional fees and legal fees	810	2,038	810	2,038
- Regulatory charges	4,753	5,236	4,753	5,236
- Fees and brokerages	22,605	31,444	22,605	31,444
- Administrative expenses	3,555	4,151	3,555	4,151
- Printing and stationery	238	260	238	260
	79,124	87,698	79,124	87,698

**KENANGA INVESTMENT BANK BERHAD
(15678-H)**

**NOTES TO INTERIM FINANCIAL REPORT
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2019**

A26. Credit loss (expense)/reversal

The tables below show the ECL charges on financial instruments for the period recorded in the income statement:

Group

Individual and Cumulative Quarter

(i) Movement in ECL on debt instruments, loan commitments, loans, advances, and financing

	2019			
	Stage 1	Stage 2	Stage 3	Total
	RM'000	RM'000	RM'000	RM'000
Debt instruments at FVOCI	(5)	-	-	(5)
Debt instruments at amortised cost	-	444	-	444
Loans, advances and financing	(260)	-	4,662	4,402
Loan commitments	(80)	-	-	(80)
Credit loss (expense)/reversal	(345)	444	4,662	4,761

	2018			
	Stage 1	Stage 2	Stage 3	Total
	RM'000	RM'000	RM'000	RM'000
Debt instruments at FVOCI	-	-	-	-
Debt instruments at amortised cost	1	108	-	109
Loans, advances and financing	(51)	-	-	(51)
Loan commitments	6	-	-	6
Credit loss (expense)/reversal	(44)	108	-	64

(ii) Movement in ECL on other financial assets

	2019		
	Non-Credit Impaired RM'000	Credit- Impaired RM'000	Total RM'000
Balance due from clients and brokers	(4)	65	61
Other debtors	88	(29)	59
Credit loss reversal	84	36	120

	2018		
	Non-Credit Impaired RM'000	Credit- Impaired RM'000	Total RM'000
Balance due from clients and brokers	(8)	(15)	(23)
Other debtors	(43)	(12)	(55)
Credit loss expense	(51)	(27)	(78)

**KENANGA INVESTMENT BANK BERHAD
(15678-H)**

**NOTES TO INTERIM FINANCIAL REPORT
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2019**

A26. Credit loss (expense)/reversal (cont'd.)

Bank

Individual and Cumulative Quarter

(iii) Movement in ECL on debt instruments, loan commitments, loans, advances, and financing

	2019			
	Stage 1	Stage 2	Stage 3	Total
	RM'000	RM'000	RM'000	RM'000
Debt instruments at FVOCI	(5)	-	-	(5)
Debt instruments at amortised cost	-	444	-	444
Loans, advances and financing	(309)	-	4,647	4,338
Loan commitments	(80)	-	-	(80)
Credit loss (expense)/reversal	(394)	444	4,647	4,697

	2018			
	Stage 1	Stage 2	Stage 3	Total
	RM'000	RM'000	RM'000	RM'000
Debt instruments at FVOCI	-	-	-	-
Debt instruments at amortised cost	1	108	-	109
Loans, advances and financing	108	-	-	108
Loan commitments	6	-	-	6
Credit loss reversal	115	108	-	223

(iv) Movement in ECL on other financial assets

	2019		
	Non-Credit Impaired RM'000	Credit- Impaired RM'000	Total RM'000
Balance due from clients and brokers	(4)	65	61
Other debtors	82	(29)	53
Credit loss reversal	78	36	114

	2018		
	Non-Credit Impaired RM'000	Credit- Impaired RM'000	Total RM'000
Balance due from clients and brokers	(8)	(15)	(23)
Other debtors	(43)	(28)	(71)
Credit loss expense	(51)	(43)	(94)

A27. Bad debts recovered

	Individual Quarter		Cumulative Quarter	
	3 months ended 31 March 2019 RM'000	3 months ended 31 March 2018 RM'000	3 months ended 31 March 2019 RM'000	3 months ended 31 March 2018 RM'000
Loans, advances and financing	275	13,501	275	13,501
Amount due from clients and brokers	4	29	4	29
Other receivables	-	(4)	-	(4)
	279	13,526	279	13,526

Group and Bank

Loans, advances and financing	275	13,501	275	13,501
Amount due from clients and brokers	4	29	4	29
Other receivables	-	(4)	-	(4)
	279	13,526	279	13,526

**NOTES TO INTERIM FINANCIAL REPORT
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2019**

A28. Fair value of financial instruments

Fair value measurements

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

Level 1 - quoted (unadjusted) market prices in active markets for identical assets or 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 that have a significant effect on the recorded fair value that are not based on observable market data.

Valuation techniques and sensitivity analysis

Financial instruments are classified as Level 1 if their value is observable in an active market. Such instruments are valued by reference to unadjusted quoted prices for identical assets or liabilities in active markets where the quoted prices is readily available, and the price represents actual and regularly occurring market transactions. An active market is one in which transactions occur with sufficient volume and frequency to provide pricing information on an on-going basis. This would include quoted securities.

Where fair value is determined using unquoted market prices in less active markets or quoted prices for similar assets and liabilities, such instruments are generally classified as Level 2. In cases where quoted prices are generally not available, the Group and the Bank then determine fair value based upon valuation techniques that use inputs, market parameters including but not limited to yield curves, volatilities and foreign exchange rates. The majority of valuation techniques employ only observable market data. These would include certain bonds, government bonds, corporate debt securities and derivatives.

NOTES TO INTERIM FINANCIAL REPORT
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2019

A28. Fair value of financial instruments (cont'd.)

Group

31 March 2019

	Level 1	Level 2	Level 3	Total
	RM'000	RM'000	RM'000	RM'000
Financial assets measured at fair value				
Financial assets at FVTPL				
- Debt securities	-	257,553	-	257,553
- Equity securities	57,398	5,762	31,077	94,237
Financial investments at FVOCI				
- Debt securities	-	936,475	-	936,475
- Equity securities	-	-	1,176	1,176
- Islamic Negotiable Instruments of Deposit	-	787,649	-	787,649
Derivative financial assets	-	64,744	-	64,744
Financial assets at amortised cost for which fair values are disclosed				
Financial investments at amortised cost	-	116,463	-	116,463
Loans, advances and financing	-	-	1,972,795	1,972,795
	<u>57,398</u>	<u>2,168,646</u>	<u>2,005,048</u>	<u>4,231,092</u>

Financial liabilities measured at fair value

Derivative financial liabilities	8,406	7,373	-	15,779
Obligations on securities sold under repurchase agreements	-	159,010	-	159,010
Borrowings	-	101,389	-	101,389
	<u>8,406</u>	<u>267,772</u>	<u>-</u>	<u>276,178</u>

31 December 2018

	Level 1	Level 2	Level 3	Total
	RM'000	RM'000	RM'000	RM'000
Financial assets measured at fair value				
Financial assets at FVTPL				
- Debt securities	-	114,171	-	114,171
- Equity securities	37,638	6,338	31,077	75,053
Financial investments at FVOCI				
- Debt securities	-	980,757	-	980,757
- Equity securities	-	-	1,754	1,754
- Negotiable Instruments of Deposit	-	50,000	-	50,000
- Islamic Negotiable Instruments of Deposit	-	629,165	-	629,165
Derivative financial assets	-	71,992	-	71,992
Financial assets at amortised cost for which fair values are disclosed				
Financial investments at amortised cost	-	125,156	-	125,156
Loans, advances and financing	-	-	2,002,626	2,002,626
	<u>37,638</u>	<u>1,977,579</u>	<u>2,035,457</u>	<u>4,050,674</u>
Financial liabilities measured at fair value				
Derivative financial liabilities	1,854	10,839	-	12,693
Obligations on securities sold under repurchase agreements	-	83,067	-	83,067
Borrowings	-	114,409	-	114,409
	<u>1,854</u>	<u>208,315</u>	<u>-</u>	<u>210,169</u>

NOTES TO INTERIM FINANCIAL REPORT
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2019

A28. Fair value of financial instruments (cont'd.)

Bank

31 March 2019

	Level 1	Level 2	Level 3	Total
	RM'000	RM'000	RM'000	RM'000
Financial assets measured at fair value				
Financial assets at FVTPL				
- Debt securities	-	262,500	-	262,500
- Equity securities	57,398	-	31,077	88,475
Financial investments at FVOCI				
- Debt securities	-	936,475	-	936,475
- Equity securities	-	-	1,176	1,176
- Islamic Negotiable Instruments of Deposit	-	787,649	-	787,649
Derivative financial assets	-	64,744	-	64,744
Financial assets at amortised cost for which fair values are disclosed				
Financial investments at amortised cost	-	116,463	-	116,463
Loans, advances and financing	-	-	1,938,672	1,938,672
	57,398	2,167,831	1,970,925	4,196,154

Financial liabilities measured at fair value

Derivative financial liabilities	8,406	7,373	-	15,779
Obligations on securities sold under repurchase agreements	-	159,010	-	159,010
Borrowings	-	69,889	-	69,889
	8,406	236,272	-	244,678

31 December 2018

	Level 1	Level 2	Level 3	Total
	RM'000	RM'000	RM'000	RM'000
Financial assets measured at fair value				
Financial assets at FVTPL				
- Debt securities	-	119,861	-	119,861
- Equity securities	37,638	-	31,077	68,715
Financial investments at FVOCI				
- Debt securities	-	980,757	-	980,757
- Equity securities	-	-	1,754	1,754
- Negotiable Instruments of Deposit	-	50,000	-	50,000
- Islamic Negotiable Instruments of Deposit	-	629,165	-	629,165
Derivative financial assets	-	71,992	-	71,992
Financial assets at amortised cost for which fair values are disclosed				
Financial investments at amortised cost	-	125,156	-	125,156
Loans, advances and financing	-	-	1,973,758	1,973,758
	37,638	1,976,931	2,006,589	4,021,158
Financial liabilities measured at fair value				
Derivative financial liabilities	1,854	10,839	-	12,693
Obligations on securities sold under repurchase agreements	-	83,067	-	83,067
Borrowings	-	72,908	-	72,908
	1,854	166,814	-	168,668

There has been no transfer between level 1 & level 2 during the financial period ended 31 March 2019 and year ended 31 December 2018.

**KENANGA INVESTMENT BANK BERHAD
(15678-H)**

**NOTES TO INTERIM FINANCIAL REPORT
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2019**

	As at 31 March 2019	As at 31 December 2018
	Principal Amount RM'000	Principal Amount RM'000
A29. <u>Commitments and Contingencies</u>		
Group		
Commitments to extend credit with maturity of less than 1 year :-		
- share margin financing	1,804,220	1,871,277
- corporate loan	25,971	25,551
- foreign exchange related contract	36,837	58,155
- equity exchange related contract	107,674	105,036
Commitments to extend credit with maturity of more than 1 year :-		
- corporate loan	81,161	97,854
- equity related contract	2,498	2,113
Client trust in respect of the stockbroking business	700,102	689,222
Derivative financial assets		
- dual currency investment - options	11,689	13,636
- equity related contracts - options	101,345	100,319
- equity related contracts - swaps	22,667	14,771
Derivative financial liabilities		
- dual currency investment - options	11,689	13,636
- equity related contracts - options	78,206	122,122
- equity related contracts - swaps	911	5,900
Capital commitment:		
- Authorised and contracted for	1,186	1,112
	<u>2,986,156</u>	<u>3,120,704</u>

**KENANGA INVESTMENT BANK BERHAD
(15678-H)**

**NOTES TO INTERIM FINANCIAL REPORT
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2019**

As at 31 March 2019	As at 31 December 2018
Principal Amount RM'000	Principal Amount RM'000

A29. Commitments and Contingencies

Bank

Commitments to extend credit with maturity of less than

1 year :-

- share margin financing	1,804,220	1,871,277
- corporate loan	102,971	102,551
- foreign exchange related contract	36,837	58,155
- equity exchange related contract	107,674	105,036

Commitments to extend credit with maturity of more than

1 year :-

- corporate loan	111,161	127,854
- equity exchange related contract	2,498	2,113

Client trust in respect of the stockbroking business

700,102	689,222
---------	---------

Derivative financial assets

- dual currency investment - options	11,689	13,636
- equity related contracts - options	101,345	100,319
- equity related contracts - swaps	22,667	14,771

Derivative financial liabilities

- dual currency investment - options	11,689	13,636
- equity related contracts - options	78,206	122,122
- equity related contracts - swaps	911	5,900

Capital commitment:

- Authorised and contracted for	1,169	1,095
Investment in equity fund	17,854	17,854

3,110,993	3,245,541
------------------	------------------

**KENANGA INVESTMENT BANK BERHAD
(15678-H)**

**NOTES TO INTERIM FINANCIAL REPORT
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2019**

	Group		Bank	
	31 March 2019 RM'000	31 December 2018 RM'000	31 March 2019 RM'000	31 December 2018 RM'000
A30. Operating lease arrangements				
Future minimum rental payable:				
Within one year	-	8,114	-	7,706
Between one and five years	-	6,372	-	6,171
	<u>-</u>	<u>14,486</u>	<u>-</u>	<u>13,877</u>
Future minimum sublease receipts:				
Subsidiaries	-	-	2,945	2,945
External parties	4,458	4,458	4,458	4,458
	<u>4,458</u>	<u>4,458</u>	<u>7,403</u>	<u>7,403</u>

A31. Capital Adequacy

(i) Components of Common Equity Tier 1 ("CET 1") capital ratio, Tier 1 and Tier 2 capital:

	Group		Bank	
	31 March 2019 RM'000	31 December 2018 RM'000	31 March 2019 RM'000	31 December 2018 RM'000
<u>CET 1 / Tier 1 capital</u>				
Paid-up share capital	246,249	246,249	246,249	246,249
Retained profits	510,771	509,888	511,425	513,675
Other reserves	138,038	131,677	192,398	184,114
Less: Regulatory adjustments:				
Deferred tax assets	(6,134)	(6,532)	(3,237)	(3,666)
55% of cumulative gains on financial investments at FVOCI	(216)	-	(4,149)	(1,196)
Goodwill	(208,754)	(208,754)	(252,909)	(252,909)
Other intangibles	(57,428)	(57,468)	(52,500)	(52,500)
Regulatory reserve	(27,738)	(25,488)	(27,738)	(25,488)
Treasury shares	(16,990)	(16,808)	(16,990)	(16,808)
Regulatory adjustments applied to CET 1 Capital due to insufficient Tier 2 Capital *	(78,567)	(72,885)	(161,462)	(156,462)
Total CET 1/Tier 1 capital	<u>499,231</u>	<u>499,879</u>	<u>431,087</u>	<u>435,009</u>
<u>Tier 2 capital</u>				
Subordinated obligations capital	25,000	25,000	25,000	25,000
Impairment provision and regulatory reserves	17,360	18,447	17,018	18,180
Total Tier 2 capital	<u>42,360</u>	<u>43,447</u>	<u>42,018</u>	<u>43,180</u>
Total capital	<u>541,591</u>	<u>543,326</u>	<u>473,105</u>	<u>478,189</u>

**KENANGA INVESTMENT BANK BERHAD
(15678-H)**

**NOTES TO INTERIM FINANCIAL REPORT
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2019**

A31. Capital Adequacy (cont'd.)

(i) Components of Common Equity Tier 1 ("CET 1") capital ratio, Tier 1 and Tier 2 capital (cont'd.):

	Group		Bank	
	31 March 2019	31 December 2018	31 March 2019	31 December 2018
Before deducting interim dividend #				
CET 1 capital ratio	22.774%	23.237%	21.206%	21.714%
Tier 1 capital ratio	22.774%	23.237%	21.206%	21.714%
Total capital ratio	24.706%	25.257%	23.273%	23.869%
After deducting interim dividend #				
CET 1 capital ratio	22.424%	22.750%	20.828%	21.190%
Tier 1 capital ratio	22.424%	22.750%	20.828%	21.190%
Total capital ratio	24.356%	22.769%	22.895%	23.346%

* The portion of regulatory adjustments not deducted from Tier 2 (as the Bank does not have enough Tier 2 to satisfy the deduction) is deducted from the next higher level of capital; as per paragraph 31.1 of the Bank Negara Malaysia's Capital Adequacy Framework (Capital Components).

Refer to interim dividends declared during the financial period.

(ii) Breakdown of risk-weighted assets in the various categories of risks are as follows:

	Group		Group	
	31 March 2019		31 December 2018	
	Notional amount RM'000	Risk-weighted amount RM'000	Notional amount RM'000	Risk-weighted amount RM'000
Credit Risk	5,676,192	1,388,812	5,267,199	1,475,789
Market Risk	-	185,078	-	59,609
Operational Risk	-	588,826	-	586,419
Large exposure risk	-	29,385	-	29,385
Total Risk Weighted Assets	5,676,192	2,192,101	5,267,199	2,151,202
	Bank		Bank	
	31 March 2019		31 December 2018	
	Notional amount RM'000	Risk-weighted amount RM'000	Notional amount RM'000	Risk-weighted amount RM'000
Credit Risk	5,423,535	1,361,437	4,980,663	1,454,395
Market Risk	-	169,234	-	42,180
Operational Risk	-	472,792	-	477,424
Large exposure risk	-	29,385	-	29,385
Total Risk Weighted Assets	5,423,535	2,032,848	4,980,663	2,003,384

**KENANGA INVESTMENT BANK BERHAD
(15678-H)**

**NOTES TO INTERIM FINANCIAL REPORT
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2019**

A31. Capital Adequacy (cont'd.)

The capital adequacy ratios of the Group and the Bank are computed in accordance with Bank Negara Malaysia's Revised Risk-weighted Capital Adequacy Framework: Standardised Approach for Credit Risk and Market Risk, and Basic Indicator Approach for Operational Risk ("RWCAF Basel II").

A32. Segmental reporting

The Group has five major operating divisions as described below. The division form the basis of which the Group reports its segment information.

- (i) Investment bank - Investment banking business, treasury and related financial services;
- (ii) Stockbroking - Dealings in equity securities and investment related services;
- (iii) Futures broking- Futures broking business
- (iv) Money lending and financing - Money lending, islamic factoring and leasing;
- (v) Investment and Wealth Management - Management of funds and unit trusts; and
- (vi) Corporate and others - Support services comprise all middle and back office functions, and, includes business operations conducted by the Group's associates in the Kingdom of Saudi Arabia and Sri Lanka and joint venture company.

**KENANGA INVESTMENT BANK BERHAD
(15678-H)**

**NOTES TO INTERIM FINANCIAL REPORT
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2019**

A32. Segmental reporting (cont'd.)

	Investment banking RM'000	Stock broking RM'000	Futures broking RM'000	Money lending and financing RM'000	Investment and wealth management RM'000	Corporate and Others RM'000	Elimination/ consolidation adjustments RM'000	Total RM'000
2019								
Revenue								
External sales	66,345	61,748	2,352	1,714	21,508	2,973	-	156,640
- Interest income	56,363	13,849	795	1,468	1,410	2,886	-	76,771
- Fee income	5,292	39,751	1,557	246	20,012	83	-	66,941
- Trading and investment income	3,433	7,457	-	-	24	-	-	10,914
- Other operating income	1,257	691	-	-	62	4	-	2,014
Inter-segment sales	604	61	249	-	677	-	(1,591)	-
Total revenue	66,949	61,809	2,601	1,714	22,185	2,973	(1,591)	156,640
Result								
Net income	18,119	58,871	2,688	926	22,322	5,354	(48)	108,232
Other operating expenses	(13,834)	(60,546)	(3,464)	(1,096)	(21,648)	(2,111)	804	(101,895)
Credit loss reversal/(expenses)	131	4,713	-	25	-	(33)	45	4,881
Bad debt recovery	-	29	-	-	-	250	-	279
Share of results of associates and a joint venture company	-	-	-	-	-	(528)	-	(528)
Profit/(loss) before taxation and zakat	4,416	3,067	(776)	(145)	674	2,932	801	10,969
Taxation and zakat								(3,183)
Net profit for the financial period								<u>7,786</u>

**KENANGA INVESTMENT BANK BERHAD
(15678-H)**

**NOTES TO INTERIM FINANCIAL REPORT
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2019**

A32. Segmental reporting (cont'd.)

	Investment banking and stockbroking RM'000	Futures broking RM'000	Money lending and financing RM'000	Investment and wealth management RM'000	Corporate and Others RM'000	Elimination/ consolidation adjustments RM'000	Notes	Total RM'000
2019 (cont'd.)								
Other information								
Net interest and finance income	18,021	1,146	605	1,550	1,984	29	-	23,335
Depreciation and amortisation	1,528	28	9	156	1,931	-	-	3,652
Non cash expenses								
- Unrealised (losses)/gains on revaluation of financial assets at FVTPL and derivatives	(7,326)	-	-	744	-	-	-	(6,582)
Assets								
Investments in associate companies	-	-	-	-	61,522	-		61,522
Investment in a joint venture company					17,045			17,045
Addition to non-current assets	1,198	-	12	360			A	1,570
Segment assets	6,885,016	278,165	77,423	68,365	17,072	(230,301)	B	7,095,740
Liabilities								
Segment liabilities	5,944,705	254,862	65,835	31,429	5,164	(92,109)	C	6,209,886

**KENANGA INVESTMENT BANK BERHAD
(15678-H)**

**NOTES TO INTERIM FINANCIAL REPORT
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2019**

A32. Segmental reporting (cont'd.)

	Investment banking RM'000	Stock broking RM'000	Futures broking RM'000	Money lending and financing RM'000	Investment and wealth management RM'000	Corporate and Others RM'000	Elimination/ consolidation adjustments RM'000	Total RM'000
2018								
Revenue								
External sales	63,914	86,269	2,623	1,572	17,405	3,330	-	175,113
- Interest income	57,961	15,372	795	1,143	549	2,966	-	78,786
- Fee income	5,846	55,549	1,828	429	16,800	89	-	80,541
- Trading and investment income	(649)	14,361	-	-	51	301	-	14,064
- Other operating income	756	987	-	-	5	(26)	-	1,722
Inter-segment sales	448	105	272	-	469	-	(1,294)	-
Total revenue	64,362	86,374	2,895	1,572	17,874	3,330	(1,294)	175,113
Result								
Net income	14,476	82,605	2,718	1,177	17,574	3,723	(731)	121,542
Other operating expenses	(11,999)	(70,699)	(3,491)	(1,201)	(19,088)	(3,265)	730	(109,013)
Credit loss reversal/(expenses)	192	(84)	-	-	7	30	(159)	(14)
Bad debt recovery	-	24	-	-	-	13,502	-	13,526
Share of results of associates and a joint venture company	-	-	-	-	-	(2,459)	-	(2,459)
Profit/(loss) before taxation and zakat	2,669	11,846	(773)	(24)	(1,507)	11,531	(160)	23,582
Taxation and zakat								(8,146)
Net profit for the financial period								15,436

**KENANGA INVESTMENT BANK BERHAD
(15678-H)**

**NOTES TO INTERIM FINANCIAL REPORT
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2019**

A32. Segmental reporting (cont'd.)

	Investment banking and stockbroking RM'000	Futures broking RM'000	Investment and wealth management RM'000	Money lending and financing RM'000	Corporate and Others RM'000	Elimination/ consolidation adjustments RM'000	Notes	Total RM'000
2018 (cont'd.)								
Other information								
Net interest and finance income	19,320	922	524	193	2,108	414	-	23,481
Depreciation and amortisation	1,404	23	9	156	1,774	-	-	3,366
Non cash expenses								
- Unrealised gain on financial assets at FVTPL and derivatives	44,504	-	-	-	-	-	-	44,504
Assets								
Investments in associate companies	-	-	-	-	58,199	-		58,199
Investment in a joint venture company	-	-	-	-	11,160	-		11,160
Addition to non-current assets	3,789	43	43	215	-		A	4,090
Segment assets	6,337,926	245,798	78,096	101,325	18,272	(197,126)	B	6,584,291
Liabilities								
Segment liabilities	5,383,268	219,900	66,388	69,367	6,409	(67,312)	C	5,678,020

Notes

A Additions to non-current assets consist of:

	2019 RM'000	2018 RM'000
Property, plant and equipment		
- Additions during the financial period	1,549	4,047
Intangible assets		
- Additions during the financial period	21	43
	1,570	4,090

KENANGA INVESTMENT BANK BERHAD
(15678-H)

NOTES TO INTERIM FINANCIAL REPORT
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2019

A32. Segmental reporting (cont'd.)

B The following items are deducted from to segment assets to arrive at total assets reported in the consolidated statement of financial position.

	2019	2018
	RM'000	RM'000
Investment in subsidiaries	(79,619)	(81,755)
Investment in associates and joint venture	(13,412)	(7,836)
Intangible assets	(40,095)	(40,095)
Inter-segment assets	(97,175)	(67,440)
	<u>(230,301)</u>	<u>(197,126)</u>

C The following items are deducted from segment liabilities to arrive at total liabilities reported in the consolidated statement of financial position.

	2019	2018
	RM'000	RM'000
Deposits accepted from subsidiaries	(57,486)	(42,787)
Inter-segment liabilities	(34,623)	(24,525)
	<u>(92,109)</u>	<u>(67,312)</u>

**KENANGA INVESTMENT BANK BERHAD
(15678-H)**

**NOTES TO INTERIM FINANCIAL REPORT
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2019**

A33. Operations of Islamic Banking

**(a) Unaudited Statement of Financial Position
As at 31 March 2019**

	Note	Group and Bank	
		As at 31 March 2019 RM '000	As at 31 December 2018 RM '000
ASSETS			
Cash and bank balances	(e)	453,441	420,144
Financial assets at FVTPL	(f)	170,841	119,861
Financial investment at FVOCI	(g)(i)	734,810	774,466
Financial investment at amortised cost	(g)(ii)	30,100	30,102
Financing and advances	(h)	129,768	173,911
Balances due from clients and brokers		257	929
Other assets		6,313	26,489
Property, plant and equipment		76	89
TOTAL ASSETS		1,525,606	1,545,991
LIABILITIES			
Deposits from customers	(i)	1,222,177	1,274,758
Balances due to clients and brokers		1,585	1,712
Other liabilities	(j)	144,213	114,945
Deferred tax liabilities		619	92
Provision for taxation and zakat		1,391	3,432
TOTAL LIABILITIES		1,369,985	1,394,939
ISLAMIC BANKING CAPITAL FUNDS			
Islamic banking funds		120,000	120,000
Reserves		35,621	31,052
TOTAL ISLAMIC BANKING CAPITAL FUNDS		155,621	151,052
TOTAL LIABILITIES AND ISLAMIC BANKING CAPITAL FUNDS		1,525,606	1,545,991

**NOTES TO INTERIM FINANCIAL REPORT
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2019**

A33. Operations of Islamic Banking (cont'd.)

**(b) Unaudited Statement Of Profit Or Loss And Other Comprehensive Income
For the financial period ended 31 March 2019**

		Group and Bank			
		Individual Quarter		Cumulative Quarter	
		3 months ended	3 months ended	3 months ended	3 months ended
		31 March 2019	31 March 2018	31 March 2019	31 March 2018
		RM'000	RM'000	RM'000	RM'000
Income derived from investment of depositors' funds	(k)	14,290	12,873	14,290	12,873
Income derived from investment of shareholders' funds	(l)	2,360	1,913	2,360	1,913
Credit loss reversal		14	167	14	167
Total attributable income		16,664	14,953	16,664	14,953
Profit distributed to depositors	(m)	(11,329)	(11,235)	(11,329)	(11,235)
Net income		5,335	3,718	5,335	3,718
Finance cost		(515)	(720)	(515)	(720)
Personnel expenses	(n)	(173)	(165)	(173)	(165)
Other overhead expenses	(o)	(692)	(646)	(692)	(646)
Profit before taxation and zakat		3,955	2,187	3,955	2,187
Taxation and zakat		(1,051)	(560)	(1,051)	(560)
Profit for the financial period		2,904	1,627	2,904	1,627

For consolidation with the conventional banking operations, income from Islamic Banking Window as shown on the face of the consolidated statements of profit or loss and statements of profit or loss, comprise the following items:

Income derived from investment of depositors' funds		14,290	12,873	14,290	12,873
Income derived from investment of shareholders' funds		2,360	1,913	2,360	1,913
Total income before impairment allowances and overhead expenses		16,650	14,786	16,650	14,786
Profit distributed to depositors		(11,329)	(11,235)	(11,329)	(11,235)
Finance cost		(515)	(720)	(515)	(720)
Income from Islamic Banking Window operations reported in the statement of profit or loss of the Group and the Bank		4,806	2,831	4,806	2,831

**KENANGA INVESTMENT BANK BERHAD
(15678-H)**

**NOTES TO INTERIM FINANCIAL REPORT
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2019**

A33. Operations Of Islamic Banking (cont'd.)

**(c) Statement Of Changes In Islamic Banking Funds
For the financial period ended 31 March 2019**

Group and Bank

	Non-Distributable					Distributable	Total RM'000
	Islamic Banking Fund RM'000	Fair value Reserve RM'000	Regulatory Reserve RM'000	ESS Reserves RM'000	Capital Reserve * RM'000	Retained Profits RM'000	
At 1 January 2019	120,000	85	3,335	9	5,248	22,375	151,052
Profit for the financial period	-	-	-	-	-	2,904	2,904
Other comprehensive income for the financial period	-	1,663	-	-	-	-	1,663
Issue of shares pursuant to ESS	-	-	-	2	-	-	2
Transfer to regulatory reserve	-	-	(182)	-	-	182	-
At 31 March 2019	120,000	1,748	3,153	11	5,248	25,461	155,621
At 1 January 2018	120,000	48	1,928	-	5,248	14,290	141,514
Impact of adopting MFRS 9	-	-	-	-	-	(266)	(266)
Profit for the financial period	-	-	-	-	-	1,627	1,627
Other comprehensive income for the financial period	-	250	-	-	-	-	250
Issue of shares pursuant to ESS	-	-	-	2	-	-	2
Transfer to regulatory reserve	-	-	1,158	-	-	(1,158)	-
At 31 March 2018	120,000	298	3,086	2	5,248	14,493	143,127

* Capital reserve arose from the merger adjustment to reflect the capital restructuring as a result of the group internal reorganisation exercise.

**KENANGA INVESTMENT BANK BERHAD
(15678-H)**

**NOTES TO INTERIM FINANCIAL REPORT
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2019**

A33. Operations of Islamic Banking (cont'd.)

**(d) Unaudited Condensed Statements Of Cash Flows
For the financial year ended 31 March 2019**

	Group and Bank	
	31 March 2019 RM '000	31 March 2018 RM '000
Cash flows from operating activities		
Profit before tax expense and zakat	3,955	2,187
Adjustments for:		
Depreciation of plant and equipment	12	11
Credit loss reversal	(14)	(167)
Net (gain)/loss from sale of financial assets at FVTPL	(880)	326
Net (gain)/loss from sale of financial investments other than those measured at FVTPL	(395)	19
Loss/(Gain) on revaluation of financial assets at FVTPL	265	(107)
Operating profit before working capital changes	2,943	2,269
Changes in operating assets:		
Financing and advances	44,143	7,431
Balances due from clients and brokers	672	6,538
Other assets	20,177	19,075
Changes in operating liabilities:		
Deposits from customers	(52,581)	304,474
Balances due to clients and brokers	(127)	(89)
Other liabilities	26,178	102,707
Cash generated from operating activities	41,405	442,405
Taxation and zakat paid	-	-
Net cash generated from operating activities	41,405	442,405
Cash flows from investing activities		
Purchase of property, plant and equipment	-	(20)
Net purchase of securities	(8,108)	(762,331)
Net investing cash flow	(8,108)	(762,351)
Net change in cash and cash equivalents	33,297	(319,946)
Cash and cash equivalents at beginning of the financial period	420,144	532,663
Cash and cash equivalents at end of the financial period	453,441	212,717

**KENANGA INVESTMENT BANK BERHAD
(15678-H)**

**NOTES TO INTERIM FINANCIAL REPORT
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2019**

A33. Operations Of Islamic Banking (cont'd.)

	Group and Bank	
	As at 31 March 2019 RM'000	As at 31 December 2018 RM'000
(e) Cash and short-term funds		
Current account with Bank Negara Malaysia and banks	3,441	1,644
Money at call and deposit placements with:		
Licensed banks	200,000	368,500
Bank Negara Malaysia	150,000	-
Domestic non-bank financial institutions	100,000	50,000
	<u>453,441</u>	<u>420,144</u>
(f) Financial assets at FVTPL		
At Fair Value		
Malaysian Government Investment Certificates	50,977	-
Unquoted Securities in Malaysia:		
Funds	100,000	100,000
Corporate Bills	19,864	19,861
	<u>170,841</u>	<u>119,861</u>
(g) Financial investments other than those measured at FVTPL		
(i) Financial investments at FVOCI		
(a) Money market instruments:		
Malaysian Government Investment Certificates	51,260	81,766
Negotiable Instruments of Deposits	528,660	549,173
	<u>579,920</u>	<u>630,939</u>
(b) Debt instruments:		
Corporate Sukuk	154,890	143,527
	<u>154,890</u>	<u>143,527</u>
Total financial investments at FVOCI	<u>734,810</u>	<u>774,466</u>
(ii) Financial investments at amortised cost:		
Debt instruments:		
Corporate Sukuk	30,100	30,102
Total financial investment at amortised cost:	<u>30,100</u>	<u>30,102</u>
Total financial investments other than those measured at FVTPL	<u>764,910</u>	<u>804,568</u>

NOTES TO INTERIM FINANCIAL REPORT
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2019

A33. Operations Of Islamic Banking (cont'd.)

(g) Financial investment other than those measured at FVTPL (cont'd.)

(iii) Impairment losses on financial instruments subject to impairment assessment

Debt instrument measured at Amortised Cost ("AC"):

An analysis of changes in the ECLs is, as follows:

Group and Bank

	2019			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
<u>Movement in ECL</u>				
As at 1 January and 31 March 2019	-	-	-	-
	2018			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
<u>Movement in ECL</u>				
As at 1 January 2018	32	-	-	32
Impact of net re-measurement of ECL	(32)	-	-	(32)
As at 31 December 2018	-	-	-	-

Group and Bank	
As at 31 March 2019 RM'000	As at 31 December 2018 RM'000

(h) Financing and advances

At Amortised Cost

Commodity Murabahah share margin financing

- Shariah contract - others

7,281 7,793

Commodity Murabahah revolving credit

- Shariah contract - others

- 15,043

Commodity Murabahah term financing

- Shariah contract - others

122,487 151,075

129,768 173,911

Less: Allowance for ECL

- -

Net financing and advances

129,768 173,911

(i) Gross financing and advances analysed by type of customer
are as follows:

Domestic business enterprise - others

97,408 141,039

Individuals

32,360 32,872

129,768 173,911

(ii) Gross financing and advances analysed by geographical
distribution are as follows:

In Malaysia

129,768 173,911

A33. Operations Of Islamic Banking (cont'd.)

	Group and Bank	
	As at	As at
	31 March	31 December
	2019	2018
	RM'000	RM'000
(iii) Gross financing and advances analysed by profit rate sensitivity are as follows:		
Fixed rate		
- Other fixed rate financings	7,281	7,793
Variable rate:		
- Cost plus	122,487	166,118
	<u>129,768</u>	<u>173,911</u>
(v) Gross financing and advances analysed by economic purpose are as follows:		
- Purchase of securities	41,089	107,969
- Others	88,679	65,942
	<u>129,768</u>	<u>173,911</u>
(vi) Gross financing and advances analysed by residual contractual maturity are as follows:		
- Within one year	32,352	32,864
- More than one year	97,415	141,047
	<u>129,767</u>	<u>173,911</u>
(i) Deposits from customers		
(i) By type of deposit		
Term deposits		
- Tawarruq (Commodity Murabahah deposits)	1,222,177	1,274,758
	<u>1,222,177</u>	<u>1,274,758</u>
(ii) By type of customers		
Domestic non-bank institutions	815,448	755,520
Government and other statutory bodies	200,000	200,000
Business enterprises	205,731	318,249
Individuals	998	989
	<u>1,222,177</u>	<u>1,274,758</u>
(iii) By maturity		
- Due within six months	951,281	1,005,258
- Due more than six months	270,896	269,500
	<u>1,222,177</u>	<u>1,274,758</u>
(j) Other liabilities		
Mudarabah Specific Investment Account	34,800	54,000
Profit payable	4,829	4,423
Other payable	104,584	56,522
	<u>144,213</u>	<u>114,945</u>

A33. Operations Of Islamic Banking (cont'd.)

	Group and Bank		Group and Bank	
	Individual Quarter		Cumulative Quarters	
	3 months	3 months	3 months	3 months
	ended	ended	ended	ended
	31 March	31 March	31 March	31 March
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
(k) Income derived from investment of depositors' funds				
Finance income and hibah				
Financing and advances	978	1,241	978	1,241
Deposits placements with financial institutions	3,036	2,594	3,036	2,594
Financial assets at FVTPL	1,769	1,103	1,769	1,103
Financial investment other than those measured at FVTPL	6,795	7,552	6,795	7,552
Accretion of discount	(181)	(166)	(181)	(166)
	12,397	12,324	12,397	12,324
Other operating income				
Net gain/(loss) on sale of financial assets at FVTPL	616	(219)	616	(219)
Net gain/(loss) on sale of financial investments other than those measured at FVTPL	395	(19)	395	(19)
Fees on financing and advances	456	400	456	400
Brokerage fee	413	402	413	402
Profit income	18	-	18	-
Advisory fee	49	69	49	69
Direct trading fees	(65)	(84)	(65)	(84)
Other non-operating income	11	-	11	-
	1,893	549	1,893	549
	14,290	12,873	14,290	12,873
(l) Income derived from investment of shareholders' funds				
Finance income and hibah				
Financing and advances	2,026	1,766	2,026	1,766
Financial investment other than those measured at FVTPL	368	161	368	161
Accretion of discount	(34)	(14)	(34)	(14)
	2,360	1,913	2,360	1,913
(m) Profit distributed to depositors				
Deposits from customers and financial institutions - Murabahah Fund	10,283	10,207	10,283	10,207
Others	1,046	1,028	1,046	1,028
	11,329	11,235	11,329	11,235

NOTES TO INTERIM FINANCIAL REPORT
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2019

A33. Operations Of Islamic Banking (cont'd.)

	Group and Bank Individual Quarter		Group and Bank Cumulative Quarters	
	3 months ended 31 March 2019 RM'000	3 months ended 31 March 2018 RM'000	3 months ended 31 March 2019 RM'000	3 months ended 31 March 2018 RM'000
(n) Personnel costs				
- Salaries, wages, allowances and bonus	134	130	134	130
- EPF	20	20	20	20
- Other staff related expenses	19	15	19	15
	173	165	173	165
(o) Other overhead expenses:				
Establishment costs				
- Depreciation	12	11	12	11
- Office rental	14	14	14	14
- Repairs and maintenance	1	1	1	1
- Others	1	1	1	1
	28	27	28	27
Marketing and travelling expenses				
- Advertisement and promotions	1	2	1	2
- Travelling and entertainment expenses	1	1	1	1
	2	3	2	3
Administration and general expenses				
- Fees and brokerage	66	116	66	116
- Support service charges	448	384	448	384
- Shariah committee expenses	54	50	54	50
- Others	94	66	94	66
	662	616	662	616
	692	646	692	646

**KENANGA INVESTMENT BANK BERHAD
(15678-H)**

**NOTES TO INTERIM FINANCIAL REPORT
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2019**

A33. Operations Of Islamic Banking (cont'd.)

	Group and Bank	
	As at 31 March 2019 RM'000	As at 31 December 2018 RM'000
(p) Capital adequacy		
CET 1 / Tier 1 Capital		
Islamic Banking funds	120,000	120,000
Retained profits	22,557	22,375
Other reserves	10,160	8,677
Less:		
Regulatory reserves	(4,115)	(3,335)
Total CET 1 / Tier 1 capital	<u>148,602</u>	<u>147,717</u>
Tier 2 Capital		
Impairment provision and regulatory reserves	3,154	3,335
Total Tier 2 capital	<u>3,154</u>	<u>3,335</u>
Total capital	<u>151,756</u>	<u>151,052</u>
CET 1 capital ratio	38.620%	40.155%
Tier 1 capital ratio	38.620%	40.155%
Total capital ratio	<u>39.440%</u>	<u>41.061%</u>

The breakdown of risk-weighted assets (excluding any deferred tax assets) in the various categories of risk-weights are as follows:

	Group and Bank			
	As at 31 March 2019		As at 31 December 2018	
	RM'000	RM'000	RM'000	RM'000
	Notional amount	Risk- weighted amount	Notional amount	Risk- weighted amount
Credit risk	1,365,488	333,714	1,451,588	344,078
Market risk	-	27,385	-	1,119
Operational risk	-	23,680	-	22,673
Total Risk Weighted Assets	<u>1,365,488</u>	<u>384,779</u>	<u>1,451,588</u>	<u>367,870</u>

NOTES TO INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2019

REQUIREMENTS OF PART A, APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA
MALAYSIA SECURITIES BERHAD

B1. Performance Review

Group:

	Individual period		Cumulative period	
	3 months ended	3 months ended	3 months ended	3 months ended
	31 March 2019 (1Q19)	31 March 2018 (1Q18)	31 March 2019 (1Q19)	31 March 2018 (1Q18)
(RM'000)				
Revenue	156,640	175,113	156,640	175,113
Net income	108,232	121,542	108,232	121,542
Profit before tax	10,969	23,582	10,969	23,582
Profit after tax	7,786	15,436	7,786	15,436

Lower revenue was registered for current quarter ("1Q19") compared to the corresponding quarter last year ("1Q18") as a result of lower brokerage fees, interest income and trading and investment income mainly due to weaker market condition.

The Group reported profit before tax ("PBT") of RM11.0 million for 1Q19 compared to profits of RM23.6 million for 1Q18. The decrease in PBT was mainly due to lower bad debt recovery partially mitigated by higher management fee income achieved and reversal of credit loss expense during current quarter.

Stockbroking:

	Individual period		Cumulative period	
	3 months ended	3 months ended	3 months ended	3 months ended
	31 March 2019 (1Q19)	31 March 2018 (1Q18)	31 March 2019 (1Q19)	31 March 2018 (1Q18)
(RM'000)				
Revenue	61,809	86,374	61,809	86,374
Net income	58,871	82,605	58,871	82,605
Profit before tax	3,067	11,846	3,067	11,846

Lower PBT of RM3.1 million was recorded from stockbroking segment for current quarter mainly due to lower net brokerage income and net trading income from call warrant activities. Lower brokerage income was recorded as a consequences of lower Bursa trading volume transacted of 339.2 billion (2018: 398.8 billion).

KENANGA INVESTMENT BANK BERHAD
(15678-H)

NOTES TO INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2019

REQUIREMENTS OF PART A, APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA
MALAYSIA SECURITIES BERHAD

B1. Performance Review (cont'd.)

Investment Banking:

	Individual period		Cumulative period	
	3 months ended	3 months ended	3 months ended	3 months ended
	31 March 2019 (1Q19)	31 March 2018 (1Q18)	31 March 2019 (1Q19)	31 March 2018 (1Q18)
(RM'000)				
Revenue	66,949	64,362	66,949	64,362
Net income	18,119	14,476	18,119	14,476
Profit before tax	4,416	2,669	4,416	2,669

Investment Banking ("IB") registered higher PBT of RM4.4 million for 1Q19 compared to RM2.7 million for 1Q18 mainly due to increase in net trading and investment gain on government securities.

Investment and Wealth Management:

	Individual period		Cumulative period	
	3 months ended	3 months ended	3 months ended	3 months ended
	31 March 2019 (1Q19)	31 March 2018 (1Q18)	31 March 2019 (1Q19)	31 March 2018 (1Q18)
(RM'000)				
Revenue	22,185	17,874	22,185	17,874
Net income	22,322	17,574	22,322	17,574
Profit/(Loss) before tax	674	(1,507)	674	(1,507)

This segment has achieved PBT of RM0.1 million for 1Q19 compared to LBT of RM1.5 million for 1Q18 mainly due to higher management fees income generated.

KENANGA INVESTMENT BANK BERHAD
(15678-H)

NOTES TO INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2019

REQUIREMENTS OF PART A, APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA
MALAYSIA SECURITIES BERHAD

B1. Performance Review (cont'd.)

Futures broking:

	Individual period		Cumulative period	
	3 months ended	3 months ended	3 months ended	3 months ended
	31 March 2019 (1Q19)	31 March 2018 (1Q18)	31 March 2019 (1Q19)	31 March 2018 (1Q18)
(RM'000)				
Revenue	2,601	2,895	2,601	2,895
Net income	2,688	2,718	2,688	2,718
Loss before tax	(776)	(773)	(776)	(773)

Futures business recorded marginal increase in LBT for 1Q19 compared to 1Q18 mainly due lower commission income partially mitigated by higher interest income generated.

Money lending and financing:

	Individual period		Cumulative period	
	3 months ended	3 months ended	3 months ended	3 months ended
	31 March 2019 (1Q19)	31 March 2018 (1Q18)	31 March 2019 (1Q19)	31 March 2018 (1Q18)
(RM'000)				
Revenue	1,714	1,572	1,714	1,572
Net income	926	1,177	926	1,177
Loss before tax	(145)	(24)	(145)	(24)

Current loss for period to date was weaker than LBT recorded same period last year mainly due to lower fee income from loan and financing.

KENANGA INVESTMENT BANK BERHAD
(15678-H)

NOTES TO INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2019

REQUIREMENTS OF PART A, APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA
MALAYSIA SECURITIES BERHAD

B1. Performance Review (cont'd.)

Corporate and others:

	Individual period		Cumulative period	
	3 months ended	3 months ended	3 months ended	3 months ended
	31 March	31 March	31 March	31 March
	2019	2018	2019	2018
(RM'000)	(1Q19)	(1Q18)	(1Q19)	(1Q18)
Revenue	2,973	3,330	2,973	3,330
Net income	5,354	3,723	5,354	3,723
Profit before tax	2,932	11,531	2,932	11,531

Weaker result was recorded for this segment with PBT of RM2.9 million for 1Q19 compared to PBT for 1Q18 of RM11.5 million mainly due to one-off bad debt recovered of RM12.0 million from net settlement of a court case during same period last year.

B2. Explanatory comments on any material change in profit before taxation (current quarter) as compared with the immediate preceding quarter

Current quarter versus previous quarter

Group:

	Current quarter	Previous quarter
	3 months ended 31 March 2019 (1Q19)	3 months ended 31 December 2018 (4Q18)
(RM'000)		
Revenue	156,640	171,368
Net income	108,232	117,898
Profit before tax	10,969	(9,418)
Profit after tax	7,786	(12,437)

For 1Q19, the Group's has recorded PBT compared to LBT registered in previous quarter ended 31 December 2018 mainly due to reversal of credit loss expense and recovery from insurance claims during the current quarter.

**KENANGA INVESTMENT BANK BERHAD
(15678-H)**

**NOTES TO INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2019**

**REQUIREMENTS OF PART A, APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA
MALAYSIA SECURITIES BERHAD**

B3. Prospects for 2019

Malaysia's Gross Domestic Product (GDP) growth is being projected to slow down from 2018's 4.7% to 4.5% in 2019 on the back of the impacts of the US China trade war, the current global tech down cycle as well as the broader slowdown in growth in China and Europe. Domestic economic activities are also showing signs of fatigue as the policies of the new Malaysian government seem to have had minimal impact in spurring higher private sector investment and consumer spending. Alongside efforts to consolidate the fiscal budget, GDP growth is expected to remain subdued in 2019 at 4.5%.

Meanwhile, headline inflation fell for the first two months of the year, the first time it has had two consecutive months of decline since the 2009 global financial crisis. Core inflation remained subdued, raising concerns that the economy is slowing. Bank Negara Malaysia had on 7 May 2019 reduced the Overnight Policy Rate to 3.00% from 3.25% to support growth amid price stability.

The Group is of the view that the current financial year will be challenging. Kenanga Group will continue its focus on innovation, digitalisation and productivity to weather these headwinds.

B4. Variance From Profit Forecast And Profit Guarantee

This is not applicable as the Company did not issue any profit forecast or profit guarantee during the financial year.

NOTES TO INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2019

SELECTED EXPLANATORY NOTES
REQUIREMENTS OF PART A, APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA
SECURITIES BERHAD

B5. Taxation and zakat

	<u>Individual Quarter</u>		<u>Cumulative Quarters</u>	
	<u>3 months ended 31 March 2019</u>	<u>3 months ended 31 March 2018</u>	<u>3 months ended 31 March 2019</u>	<u>3 months ended 31 March 2018</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Income tax and zakat	(4,482)	(3,712)	(4,482)	(3,712)
Deferred taxation	1,299	(4,434)	1,299	(4,434)
Total	(3,183)	(8,146)	(3,183)	(8,146)

The effective tax rate of the Group for the first quarter was higher than the statutory tax rate mainly due to non-deductibility of certain expenses for tax purpose.

B6. Borrowings

	<u>Group</u>		<u>Bank</u>	
	<u>As at 31 March 2019</u>	<u>As at 31 December 2018</u>	<u>As at 31 March 2019</u>	<u>As at 31 December 2018</u>
	<u>RM '000</u>	<u>RM '000</u>	<u>RM '000</u>	<u>RM '000</u>
Secured				
Revolving bank loan denominated in RM				
- More than one year	50,000	52,800	50,000	52,800
Unsecured				
Revolving bank loans denominated in RM				
- Within one year	37,500	41,500	-	-
Subordinated notes denominated in RM				
- More than one year	25,000	25,000	25,000	25,000
	<u>112,500</u>	<u>119,300</u>	<u>75,000</u>	<u>77,800</u>

B7. Dividend

On 22 March 2019, the Board of Directors of the Bank declared an interim dividend in respect of the financial year ended 31 December 2018 of 1.1 sen per share amounting to a dividend payable of approximately RM7,688,972. This is computed based on issued and paid-up capital as of 31 December 2018 of 698,997,499 ordinary shares.

This interim dividend was paid on 19 April 2019.

NOTES TO INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2019

SELECTED EXPLANATORY NOTES
REQUIREMENTS OF PART A, APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA
SECURITIES BERHAD

B8. Earnings per share

	<u>Individual Quarter</u>		<u>Cumulative Quarter</u>	
	3 months ended 31 March 2019	3 months ended 31 March 2018	3 months ended 31 March 2019	3 months ended 31 March 2018
	RM'000	RM'000	RM'000	RM'000
Profit for the period attributable to equity holders of the Bank	7,786	15,436	7,786	15,436
Weighted average number of ordinary shares in issue ('000)	698,747	722,561	698,747	722,561
Effects of dilution	-	1,260	-	1,260
Adjusted weighted average number of ordinary shares in issue ('000)	698,747	723,821	698,747	723,821
Earnings per share (sen)				
- basic	1.11	2.14	1.11	2.14
- fully diluted	1.11	2.13	1.11	2.13

There were no potential dilutive ordinary shares outstanding as at 31 March 2019 and 31 March 2018.

B9. Changes in Material Litigation

The status of material litigations are as follows:

- (a) The Bank was served with a sealed Writ of Summons and Statement of Claim filed by Choo Lai Hong ("the Plaintiff") on 9 May 2019.

The Plaintiff is alleging that, inter alia, the 2nd Defendant (who is a Dealer's Representative ("DR") of the Bank) recommended for the Plaintiff to purchase 2,200,000 shares of a public listed company with the total purchase price of RM2,635,618.04 on the basis that a subsequent purchase at a higher price was guaranteed. The Plaintiff alleges that the 2nd Defendant has failed to arrange for the sale of the said shares at the anticipated value which caused the Plaintiff to suffer losses and claims, *inter alia*, the amount of RM2,080,592.00. The Plaintiff claims against the Bank on the basis that the 2nd Defendant is a DR with the Bank.

The Bank will contest the Plaintiff's claims in the court.

NOTES TO INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2019

REQUIREMENTS OF PART A, APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

B9. Changes in Material Litigation (Cont'd.)

- (b) On 22 December 2017, the Court of Appeal in Court of Appeal Civil Appeal No. Q-02(W) 1276-08/2015 and Court of Appeal No. Q-02(W) 1277-08/2015, Kenanga Investment Bank Berhad (KIBB) v Swee Joo Berhad ("SJB"), Asia Bulkers Sdn Bhd and others (collectively referred to as the "Respondents"), had dismissed the Respondents' claims and judgment was granted in favour of KIBB. On 19 January 2018, the Respondents had filed an application for leave to appeal to the Federal Court against the Court of Appeal's judgment.

The proceedings arose from SJB's default in repayment of a term loan granted by KIBB to SJB. KIBB's claim against the Respondents was to recover the outstanding balance under the term loan.

Following the judgment, two (2) of the Respondents (referred to as the "Applicants") and KIBB have agreed to a settlement in an agreement dated 9 February 2018. In consideration of KIBB agreeing to a discharge of the Applicants, the Applicants had agreed to pay RM13,500,000 to KIBB in one lump sum as final settlement and had withdrew their application for leave to appeal to the Federal Court.

The agreement is for the discharge of only the Applicants and KIBB shall continue to execute the judgment granted by the Court of Appeal against the remaining six (6) Respondents. The Federal Court hearing was held on 24 and 25 October 2018 and the Court of Appeal allowed the share chargors application for leave to the Federal Court on 4 questions raised. Case Management was held on 13 December 2018 and the next hearing date has not been fixed.

Meanwhile, on 4 January 2019 the share chargors have filed an application for stay of execution against KIBB's Court of Appeal Judgment obtained on 22 December 2017 pending the Federal Court hearing. The Court of Appeal has fixed to hear the matter on 25 April 2019.

KIBB has also proceeded with bankruptcy and winding-up proceedings against the share chargors as follows:-

- (i) Bankruptcy
The share chargors application to set aside KIBB's Bankruptcy Notice (BN) was dismissed by the Judge in Chambers on 8 January 2019.

The share chargors have filed an application to the Court of Appeal on 11 January 2019 appealing against the decision granted by the Judge in Chambers. The Court of Appeal has fixed to hear the matter on 25 April 2019.

- (ii) Winding-up
KIBB has also filed application to wind-up 2 of the share chargors and the hearing has been fixed for 30 January 2019. The winding-up hearing has been fixed for decision on 5 August 2019.

**KENANGA INVESTMENT BANK BERHAD
(15678-H)**

**NOTES TO INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2019**

**REQUIREMENTS OF PART A, APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA
MALAYSIA SECURITIES BERHAD**

B10. Status of corporate proposal

Kenanga Investors Berhad ("KIB"), a wholly-owned subsidiary of the Bank, had on 28 March 2018 entered into a conditional Share Purchase Agreement with ECM Libra Financial Group Berhad ("Vendor") ("SPA") to acquire the entire issued share capital of Libra Invest Berhad ("Libra Invest") comprising 6,500,000 ordinary shares in Libra Invest held by the Vendor, subject to the terms and conditions as stipulated in the SPA ("Proposed Acquisition").

The Bank had, on 11 April 2019, submitted an application to Bank Negara Malaysia ("BNM") to seek its approval for KIB to acquire the entire issued share capital of Libra Invest.

KIB had also on the same date, submitted an application to the Securities Commission Malaysia to seek its approval for the Proposed Acquisition.

Pursuant to KIB obtaining approval from BNM on 23 April 2019 to undertake financial advisory business, and in line with the requirement of the Financial Services Act 2013, KIB had, on 7 May 2019, submitted an application seeking BNM's approval in respect of the Proposed Acquisition.

B11. Derivative financial instruments

Derivative financial instruments are as follows:

Group and Bank

Items	As at 31 March 2019		As at 31 December 2018	
	Contract/Notional Value RM'000	Fair Value RM'000	Contract/Notional Value RM'000	Fair Value RM'000
<u>Derivative financial assets</u>				
Equity related contract- options	101,345	63,723	100,319	69,585
Equity related contract- swaps	22,667	1,010	14,771	2,292
Dual currency investment- options	11,689	11	13,636	115
	135,701	64,744	128,726	71,992
<u>Derivative financial liabilities</u>				
Equity related contract- options	78,206	15,469	122,122	12,559
Equity related contract- swaps	911	299	5,900	23
Dual currency investment- options	11,689	11	13,636	111
	90,806	15,779	141,658	12,693

**NOTES TO INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2019**

**REQUIREMENTS OF PART A, APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA
MALAYSIA SECURITIES BERHAD**

B11. Derivative financial instruments (Cont'd.)

**Changes in the risk, cash requirement, policies in place and accounting policies reported in
prior financial years**

There have been no changes since the end of the previous financial year ended 31 December 2018 in respect of the following:

- (i) the market risk and credit risk associated with the derivatives;
- (ii) the cash requirements of the derivatives;
- (iii) the policies in place for mitigating or controlling the risks associated with the derivatives; and
- (iv) the related accounting policies

Types of derivative financial instruments

Options are contractual agreements or embedded in other financial instruments under which seller/issuer grants the purchaser the right, but not the obligation, either to buy a call option or sell a put option at or by a pre-defined date during a pre-defined period, a specific amount of an underlying assets at a pre-determined price.

The Seller may receive a premium from the purchaser in consideration of risk. Options may be either exchange-traded, negotiated between the purchaser and the seller at the over-the-counter market or embedded components in other financial instruments.

A swap is an agreement between two parties to exchange a series of future cash flows. Each cash flow comprises one leg of the swap. One cash flow is generally fixed, while the other is variable and based on a benchmark interest rate, floating currency exchange rate or index price.

A swap contract is essentially a derivative contract in which the value of the contract derived from the assets it represents. These assets are called the underlying assets and their value typically changes, resulting in a change of the value of the derivative itself. Most swaps contracts are traded over-the-counter that are customized to the needs of both parties.

Purposes of engaging in derivative financial instruments

There have been no changes since the end of the financial year in respect of the type of derivative financial instruments, the rationale and expected benefits accruing to the Group from these derivative financial instruments.

Loss arising from fair value change of derivative financial instruments

The unrealised loss arising from fair value changes of derivative financial instruments for the current quarter amounted to RM6,563,527 (4Q18 loss: RM3,675,390). This was arrived at based on the fluctuation in the market prices of the derivative financial instruments or underlying assets which are listed on Bursa Malaysia.