

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

**Unaudited Condensed Interim Financial Statements**  
**31 March 2018**

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

**UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 MARCH 2018**

<u>Group</u>	Note	As at 31 March 2018 RM'000	As at 31 December 2017 RM'000
<b>ASSETS</b>			
Cash and bank balances	A11	903,871	1,347,517
Financial assets at fair value through profit or loss	A12	679,083	557,568
Financial instruments at fair value through other comprehensive income ("FVOCI")	A13 (i)	1,511,782	-
Financial instruments at amortised cost	A13 (ii)	76,188	-
Financial investments available-for-sale	A14 (i)	-	1,010,167
Financial investments held-to-maturity	A14 (ii)	-	38,001
Derivative financial assets	B11	79,463	67,393
Loans, advances and financing	A15	2,215,802	2,195,501
Balances due from clients and brokers	A16	339,606	494,883
Other assets	A17	115,676	118,417
Statutory deposit with Bank Negara Malaysia	A18	122,365	116,186
Tax recoverable		7,047	7,028
Investment in associates		57,362	60,438
Investment in a joint venture company		11,160	13,220
Property, plant and equipment		190,609	189,842
Intangible assets		266,374	266,414
Deferred tax assets		6,377	10,006
<b>TOTAL ASSETS</b>		<b>6,582,765</b>	<b>6,492,581</b>
<b>LIABILITIES</b>			
Deposits from customers	A19	4,725,717	4,233,914
Deposits and placements of banks and other financial institutions	A20	2,815	210,762
Balances due to clients and brokers		467,062	624,612
Derivative financial liabilities	B11	25,392	36,174
Other liabilities	A21	313,491	329,150
Obligations on securities sold under repurchase agreements		19,321	74,993
Borrowings	A22	122,200	90,000
Provision for taxation and zakat		2,057	1,510
<b>TOTAL LIABILITIES</b>		<b>5,678,055</b>	<b>5,601,115</b>
<b>EQUITY</b>			
Share capital		246,175	246,137
Reserves		658,535	645,329
<b>TOTAL EQUITY</b>		<b>904,710</b>	<b>891,466</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>6,582,765</b>	<b>6,492,581</b>
<b>Commitments and contingencies</b>		<b>3,580,274</b>	<b>3,293,234</b>
<b>Net assets per share attributable to equity holders of the Bank (RM)</b>		<b>1.25</b>	<b>1.23</b>

The condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2017.

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

**UNAUDITED STATEMENT OF FINANCIAL POSITION  
AS AT 31 MARCH 2018**

<u>Bank</u>	Note	As at 31 March 2018 RM'000	As at 31 December 2017 RM'000
<b>ASSETS</b>			
Cash and bank balances	A11	665,484	1,092,544
Financial assets at fair value through profit or loss	A12	673,399	549,735
Financial instruments at fair value through other comprehensive income ("FVOCI")	A13 (i)	1,511,782	-
Financial instruments at amortised cost	A13 (ii)	76,188	-
Financial investments available-for-sale	A14 (i)	-	1,010,167
Financial investments held-to-maturity	A14 (ii)	-	38,001
Derivative financial assets	B11	79,463	67,393
Loans, advances and financing	A15	2,170,622	2,180,080
Balances due from clients and brokers	A16	339,606	494,883
Other assets	A17	52,402	66,582
Statutory deposit with Bank Negara Malaysia	A18	122,365	116,186
Investment in subsidiaries		72,564	72,564
Investment in an associate		56,235	56,235
Investment in a joint venture company		20,000	20,000
Property, plant and equipment		187,592	186,978
Intangible assets		305,409	305,409
Deferred tax assets		4,295	7,798
<b>TOTAL ASSETS</b>		<b>6,337,406</b>	<b>6,264,555</b>
<b>LIABILITIES</b>			
Deposits from customers	A19	4,768,504	4,278,148
Deposits and placements of banks and other financial institutions	A20	2,815	210,762
Balances due to clients and brokers		259,603	416,960
Derivative financial liabilities	B11	25,392	36,174
Other liabilities	A21	229,818	243,234
Obligations on securities sold under repurchase agreements		19,321	74,993
Borrowings	A22	76,200	69,000
Provision for taxation and zakat		1,650	1,121
<b>TOTAL LIABILITIES</b>		<b>5,383,303</b>	<b>5,330,392</b>
<b>EQUITY</b>			
Share capital		246,175	246,137
Reserves		707,928	688,026
<b>TOTAL EQUITY</b>		<b>954,103</b>	<b>934,163</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>6,337,406</b>	<b>6,264,555</b>
<b>Commitments and contingencies</b>		<b>3,618,049</b>	<b>3,411,302</b>
<b>Net assets per share (RM)</b>		<b>1.32</b>	<b>1.29</b>

The condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2017.

**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 2018**

	Note	Individual Quarter		Cumulative Quarter	
		3 months ended 31 March 2018 RM'000	3 months ended 31 March 2017 RM'000	3 months ended 31 March 2018 RM'000	3 months ended 31 March 2017 RM'000
<b>Group</b>					
Interest income	A23	72,790	74,712	72,790	74,712
Interest expense	A24	(51,591)	(53,456)	(51,591)	(53,456)
Net interest income		21,199	21,256	21,199	21,256
Net income from Islamic banking business	A34	2,831	1,456	2,831	1,456
Other operating income	A25	97,449	89,132	97,449	89,132
Net income		121,479	111,844	121,479	111,844
Other operating expenses	A26	(108,950)	(102,164)	(108,950)	(102,164)
Operating profit		12,529	9,680	12,529	9,680
Credit loss expenses	A27	(14)	(795)	(14)	(795)
Bad debt recovered	A28	13,526	24	13,526	24
		26,041	8,909	26,041	8,909
Share of results of associates and joint venture		(2,459)	(3,422)	(2,459)	(3,422)
<b>Profit before taxation and zakat</b>		23,582	5,487	23,582	5,487
Taxation and zakat		(8,146)	(3,565)	(8,146)	(3,565)
<b>Profit for the period</b>		15,436	1,922	15,436	1,922
<b>Other comprehensive (loss)/income</b>					
Items that will not be reclassified subsequently to profit or loss:					
Share of associate's gain/(losses) on equity instruments at FVOCI		593	-	593	-
Items that will be reclassified subsequently to profit or loss:					
Foreign exchange differences on consolidation		(3,266)	(715)	(3,266)	(715)
Share of other comprehensive gain/(loss) in associates		-	(573)	-	(573)
Net gain on fair value changes of debt instrument at FVOCI		171	2,011	171	2,011
Income tax relating to the components of other comprehensive income		(41)	(483)	(41)	(483)
Other comprehensive (loss)/income for the period, net of tax		(2,543)	240	(2,543)	240
<b>Total comprehensive income for the period, net of tax</b>		12,893	2,162	12,893	2,162

**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 2018**

	<u>Individual Quarter</u>		<u>Cumulative Quarter</u>	
	<b>3 months ended 31 March 2018 RM'000</b>	<b>3 months ended 31 March 2017 RM'000</b>	<b>3 months ended 31 March 2018 RM'000</b>	<b>3 months ended 31 March 2017 RM'000</b>
<b>Profit for the period</b>				
<b>Attributable to:</b>				
Equity holders of the Bank	15,436	1,890	15,436	1,890
Non-controlling interests	-	32	-	32
	<u>15,436</u>	<u>1,922</u>	<u>15,436</u>	<u>1,922</u>
<b>Earnings per share</b>				
Basic (sen)	B9 2.14	0.26	2.14	0.26
Fully diluted (sen)	B9 2.13	0.26	2.13	0.26

The condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2017.

**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 2018**

	Note	Individual Quarter		Cumulative Quarter	
		3 months ended 31 March 2018 RM'000	3 months ended 31 March 2017 RM'000	3 months ended 31 March 2018 RM'000	3 months ended 31 March 2017 RM'000
<b>Bank</b>					
Interest income	A23	71,188	71,935	71,188	71,935
Interest expense	A24	(51,980)	(53,709)	(51,980)	(53,709)
Net interest income		19,208	18,226	19,208	18,226
Net income from Islamic banking business	A34	2,831	1,456	2,831	1,456
Other operating income	A25	79,194	73,924	79,194	73,924
Net income		101,233	93,606	101,233	93,606
Other operating expenses	A26	(87,120)	(83,092)	(87,120)	(83,092)
Operating profit		14,113	10,514	14,113	10,514
Credit loss reversal/(expenses)	A27	129	(788)	129	(788)
Bad debt recovered	A28	13,526	24	13,526	24
<b>Profit before taxation and zakat</b>		<b>27,768</b>	<b>9,750</b>	<b>27,768</b>	<b>9,750</b>
Taxation and zakat		(8,050)	(3,475)	(8,050)	(3,475)
<b>Profit for the period</b>		<b>19,718</b>	<b>6,275</b>	<b>19,718</b>	<b>6,275</b>
<b>Other comprehensive income</b>					
Items that will be reclassified subsequently to profit or loss:					
Net gain on fair value changes of debt instruments at FVOCI		171	2,011	171	2,011
Income tax relating to the components of other comprehensive income		(41)	(483)	(41)	(483)
Other comprehensive income for the period, net of tax		130	1,528	130	1,528
<b>Total comprehensive income for the period, net of tax</b>		<b>19,848</b>	<b>7,803</b>	<b>19,848</b>	<b>7,803</b>

The condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2017.

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

**UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2018**

Group	Non- Distributable					Distributable		Total Equity RM'000
	Ordinary Shares RM'000	ESOS Reserve RM'000	* Fair value Deficit RM'000	Regulatory Reserve RM'000	Exchange Reserve RM'000	Capital Reserve RM'000	Retained Profits RM'000	
<b>At 1 January 2018</b>	246,137	-	(6,629)	25,277	17,398	88,938	520,345	891,466
Impact of adopting MFRS 9 (Note A4)	-	-	974	-	-	-	(1,292)	(318)
Restated opening balance under MFRS 9	246,137	-	(5,655)	25,277	17,398	88,938	519,053	891,148
Net profit for the financial year	-	-	-	-	-	-	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 Employees' Share Options Scheme ("ESOS")	-	625	-	-	-	-	-	625
Issue of shares pursuant to ESOS	38	-	-	-	-	-	6	44
Transfer to regulatory reserve	-	-	-	4,864	-	-	(4,864)	-
<b>At 31 March 2018</b>	<b>246,175</b>	<b>625</b>	<b>(5,421)</b>	<b>30,141</b>	<b>14,132</b>	<b>88,938</b>	<b>530,120</b>	<b>904,710</b>

\* Fair value deficit replaced available-for-sale deficit as disclosed in the audited financial statements for the financial year ended 31 December 2017.

The condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2017.

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

**UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2017**

Group	Non- Distributable						Distributable		Non-Controlling Interests	Total Equity
	Ordinary Shares	Share Premium	Statutory Reserve	Available-For-Sale Deficit	Regulatory Reserve	Exchange Reserve	Capital Reserve	Retained Profits		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>At 1 January 2017</b>	180,637	65,500	465,741	(11,034)	23,929	24,388	88,938	47,857	10,236	896,192
Net profit for the financial period	-	-	-	-	-	-	-	1,890	32	1,922
Share of other comprehensive loss of associates	-	-	-	(573)	-	-	-	-	-	(573)
Other comprehensive income/(loss)	-	-	-	1,528	-	(715)	-	-	-	813
Total comprehensive income/(loss)	-	-	-	955	-	(715)	-	1,890	32	2,162
Transfer pursuant to Companies Act 2016	65,500	(65,500)	-	-	-	-	-	-	-	-
Transfer to regulatory reserve	-	-	-	-	628	-	-	(628)	-	-
<b>At 31 March 2017</b>	<b>246,137</b>	<b>-</b>	<b>465,741</b>	<b>(10,079)</b>	<b>24,557</b>	<b>23,673</b>	<b>88,938</b>	<b>49,119</b>	<b>10,268</b>	<b>898,354</b>

The condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2017



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

**UNAUDITED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2018**

	<u>Non- Distributable</u>				<u>Distributable</u>		Total Equity RM'000
	Ordinary Shares RM'000	Regulatory Reserve RM'000	ESOS Reserve RM'000	* Fair value Deficit RM'000	Capital Reserve RM'000	Retained Profits RM'000	
<b>Bank</b>							
<b>At 1 January 2018</b>	246,137	25,277	-	(4,840)	153,863	513,726	934,163
Impact of adopting MFRS 9 (Note A4)	-	-	-	974	-	(1,551)	(577)
Restated opening balance under MFRS 9	246,137	25,277	-	(3,866)	153,863	512,175	933,586
Net profit for the financial period	-	-	-	-	-	19,718	19,718
Other comprehensive income	-	-	-	130	-	-	130
Total comprehensive income	-	-	-	130	-	19,718	19,848
Share based payment under Employees' Share Options Scheme ("ESOS")	-	-	625	-	-	-	625
Issue of shares pursuant to ESOS	38	-	-	-	-	6	44
Transfer to regulatory reserve	-	4,864	-	-	-	(4,864)	-
<b>At 31 March 2018</b>	<b>246,175</b>	<b>30,141</b>	<b>625</b>	<b>(3,736)</b>	<b>153,863</b>	<b>527,035</b>	<b>954,103</b>

\* Fair value deficit replaced available-for-sale deficit as disclosed in the audited financial statements for the financial year ended 31 December 2017.

The condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2017.

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

**UNAUDITED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2017**

	<u>Non- Distributable</u>					<u>Distributable</u>		Total Equity RM'000
	Ordinary Shares RM'000	Share Premium RM'000	Regulatory Reserve RM'000	Statutory Reserve RM'000	Available-For- Sale Deficit RM'000	Capital Reserve RM'000	Retained Profits RM'000	
<b>Bank</b>								
<b>At 1 January 2017</b>	180,637	65,500	23,929	465,741	(7,373)	153,863	20,209	902,506
Net profit for the financial period	-	-	-	-	-	-	6,275	6,275
Other comprehensive income	-	-	-	-	1,528	-	-	1,528
Total comprehensive income	-	-	-	-	1,528	-	6,275	7,803
Transfer pursuant to Companies Act 2016	65,500	(65,500)	-	-	-	-	-	-
Transfer to regulatory reserve	-	-	628	-	-	-	(628)	-
<b>At 31 March 2017</b>	<b>246,137</b>	<b>-</b>	<b>24,557</b>	<b>465,741</b>	<b>(5,845)</b>	<b>153,863</b>	<b>25,856</b>	<b>910,309</b>

The condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2017.

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

**UNAUDITED CONDENSED STATEMENTS OF CASH FLOWS**  
**FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2018**

	Group		Bank	
	31 March 2018 RM'000	31 March 2017 RM'000	31 March 2018 RM'000	31 March 2017 RM'000
<b>Cash flows from operating activities</b>				
<b>Profit before taxation</b>	23,582	5,487	27,768	9,750
<b>Adjustments for:</b>				
Depreciation of property, plant and equipment	3,295	3,221	3,176	3,149
Amortisation of intangible assets	69	190	-	-
Amortisation of ESOS expenses	545	-	545	-
Credit loss (reversal)/expense on financial assets	(25)	795	(167)	788
Property, plant and equipment written off	-	308	-	308
<b>Non-cash items</b>	3,884	4,514	3,554	4,245
Net loss/(gain) from sale of financial assets at fair value through profit or loss and derivatives	31,366	(10,967)	31,366	(10,967)
Net gain from sale of financial investments available-for-sale	-	(1)	-	(1)
Net gain from sale of financial investments other than those measured at FVTPL	(342)	-	(342)	-
Gross dividend income from investments	(584)	(277)	(533)	(277)
Gain on revaluation of financial assets at FVTPL and derivatives	(44,504)	(2,276)	(44,504)	(2,276)
Share of results of associates and joint venture	2,459	3,422	-	-
<b>Non-operating items - investing</b>	(11,605)	(10,099)	(14,013)	(13,521)
Adjustments for non-operating and non-cash items	(7,721)	(5,585)	(10,459)	(9,276)
Operating profit/(loss) before working capital changes	15,861	(98)	17,309	474
<b>Changes in working capital:</b>				
Net changes in operating assets	159,129	83,229	170,927	(39,793)
Net changes in operating liabilities	54,975	428,054	56,513	496,172
Cash generated from operations	229,965	511,185	244,749	456,853
Taxation and zakat paid	(4,256)	(4,292)	(4,164)	(3,930)
<b>Net operating cash flow</b>	225,709	506,893	240,585	452,923
<b>Cash flows from investing activities</b>				
Dividends received from other investments	584	277	533	277
Purchase of property, plant and equipment and intangible assets	(4,088)	(8,517)	(3,789)	(8,302)
Proceeds from disposal of property, plant and equipment and intangible assets	3	-	-	-
Net purchase of securities	(669,574)	(395,109)	(673,494)	(394,671)
<b>Net investing cash flow</b>	(673,075)	(403,349)	(676,750)	(402,696)
<b>Cash flows from financing activities</b>				
Net drawdown/(repayment) of borrowings	32,200	(93,300)	7,200	(42,800)
<b>Net financing cash flow</b>	32,200	(93,300)	7,200	(42,800)

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

**UNAUDITED CONDENSED STATEMENTS OF CASH FLOWS  
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2018**

	<b>Group</b>		<b>Bank</b>	
	<b>31 March 2018 RM'000</b>	<b>31 March 2017 RM'000</b>	<b>31 March 2018 RM'000</b>	<b>31 March 2017 RM'000</b>
<b>Net change in cash and cash equivalents during the financial period</b>	(415,166)	10,244	(428,965)	7,427
<b>Cash and cash equivalents brought forward</b>	<u>1,143,077</u>	<u>1,044,011</u>	<u>1,032,060</u>	<u>893,741</u>
<b>Cash and cash equivalents carried forward</b>	<u>727,911</u>	<u>1,054,255</u>	<u>603,095</u>	<u>901,168</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:

	<b>Group</b>		<b>Bank</b>	
	<b>As at 31 March 2018 RM'000</b>	<b>As at 31 March 2017 RM'000</b>	<b>As at 31 March 2018 RM'000</b>	<b>As at 31 March 2017 RM'000</b>
Cash and short-term funds	824,611	1,062,725	665,484	960,128
Deposits and placements with banks and other financial institutions	79,260	136,050	-	-
Less: Segregated funds from customers	(113,571)	(85,560)	-	-
Less: Cash and bank balances and deposits held in trust	<u>(62,389)</u>	<u>(58,960)</u>	<u>(62,389)</u>	<u>(58,960)</u>
	<u>727,911</u>	<u>1,054,255</u>	<u>603,095</u>	<u>901,168</u>

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

**NOTES TO INTERIM FINANCIAL REPORT  
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2018**

**A1. Basis Of Preparation**

The interim financial statements, for the financial period ended 31 March 2018, 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 2017, except for the adoption of new standards, MFRS 15 Revenue from contracts with customers and MFRS 9 Financial Instruments effective as of 1 January 2018. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

There is no financial impact on the adoption of MFRS 15 as the existing policies applied by the Group and the Bank in respect of the recognition of revenue comply with the requirements of MFRS 15.

The Group applies, for the first time, MFRS 9 Financial Instruments where retrospective application is required but comparative information is not compulsory. The Group and the Bank has not restated comparative information for 2017 for financial instruments within the scope of MFRS 9. Therefore, the comparative information for 2017 is reported under MFRS 139 and is not comparable to the information presented for 2018. Differences arising from the adoption of MFRS 9 have been recognised directly in retained earnings and fair value reserves as of 1 January 2018.

As required by MFRS 134, the nature and impact of the changes are disclosed in note A4 below.

**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 2017. 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 2017.

**A3. Preceding financial year audit report**

The preceding financial year audit report in respect of the financial year ended 31 December 2017 was not qualified by the external auditors.

**NOTES TO INTERIM FINANCIAL REPORT  
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2018**

**A4. The nature and impact of MFRS 9 Financial Instruments**

MFRS 9 Financial Instruments replaces MFRS 139 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Bank's classification of its financial assets and liabilities and the quantitative impact of applying MFRS 9 as at 1 January 2018 are disclosed in Note A4(i) to (iv).

**(i) Changes to classification and measurement**

To determine their classification and measurement category, MFRS 9 requires all financial assets, except equity instruments and derivatives, to be assessed based on a combination of the entity's business model for managing the assets and the instruments' contractual cash flow characteristics.

The MFRS 139 measurement categories of financial assets have been replaced as follow:

Financial assets	Measurement Category	
	MFRS 139	MFRS 9
FVTPL <sup>1</sup>	FVTPL	FVTPL
AFS (debt) <sup>2</sup>	FVOCI <sup>3</sup>	FVOCI (with cumulative gain or losses recycle to profit or loss upon derecognition)
AFS (equity)	FVOCI	FVOCI (with no recycling of gain or losses to profit or loss upon derecognition)
AFS (equity)	Amortised Cost	FVOCI (with no recycling of gain or losses to profit or loss upon derecognition)
HTM <sup>4</sup>	Amortised Cost	Amortised Cost
Loans and receivables	Amortised Cost	Amortised Cost

The accounting for financial liabilities remains largely the same as it was under MFRS 139.

Under MFRS 9, embedded derivatives in financial assets are no longer separated from its host financial asset. Instead, such financial assets can be classified as FVTPL, FVOCI or amortised cost based on their business model and cash flow characteristic. The accounting for derivatives embedded in financial liabilities and in non-financial host contracts has not changed.

<sup>1</sup> FVTPL: Fair Value Through Profit Or Loss

<sup>2</sup> AFS: Available-for-Sale

<sup>3</sup> FVOCI: Fair Value Through Other Comprehensive Income

<sup>4</sup> HTM: Held-to-Maturity

**NOTES TO INTERIM FINANCIAL REPORT  
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2018**

**A4. The nature and impact of MFRS 9 Financial Instruments (cont'd)**

**(ii) Changes to the impairment calculation**

The adoption of MFRS 9 has fundamentally changed the Group's and the Bank's accounting for loan loss impairments by replacing MFRS 139's incurred loss approach with a forward-looking expected credit loss (ECL) approach. MFRS 9 requires the Group and the Bank to record an allowance for ECLs for all loans and other debt financial assets not held at FVTPL and loan commitments. The allowance is based on the ECLs associated with the probability of default in the next twelve months unless there has been a significant increase in credit risk since origination. If there has been a significant increase in the credit risk, lifetime expected credit loss will need to be provided. If the financial asset meets the definition of purchased or originated credit impaired (POCI), the allowance is based on the change in the ECLs over the life of the asset.

For contract assets and trade and other receivables, the Group and the Bank have applied the standard's simplified approach and has calculated ECLs based on lifetime expected credit losses.

The general mechanics of the ECL method are summarised below:

- Stage 1: Covers instruments that have not deteriorated significantly in credit quality since initial recognition or (where the optional low credit risk simplification is applied) that have low credit risk.
- Stage 2: Covers financial instruments that have deteriorated significantly in credit quality since initial recognition (unless the low credit risk simplification has been applied and is relevant) but that do not have objective evidence of a credit loss event.
- Stage 3: Covers financial assets that have objective evidence of impairment at the reporting date.

Measurement of ECL:

- Stage 1: For financial instruments in stage 1, the Group and the Bank are required to recognise 12 months ECL.
- Stage 2: When a financial instrument transfers to stage 2, the Group and the Bank are required to recognise lifetime ECL.
- Stage 3: For financial instruments in stage 3, the Bank will continue to recognise lifetime ECL but based on specific provision approach.

- (iii)** In addition to the adjustments described above, upon adoption of MFRS 9, other items of the primary financial statements such as deferred taxes, investment in the associates (arising from the financial instruments held by the entity) and retained earnings were adjusted as necessary.

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

**NOTES TO INTERIM FINANCIAL REPORT  
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2018**

**A4. The nature and impact of MFRS 9 Financial Instruments (cont'd)**

**(iv) Transition disclosures**

The following tables set out the impact of adopting MFRS 9 on the statement of financial position, and retained earnings including the effect of replacing MFRS 139's incurred credit loss calculations with MFRS 9's ECLs.

A reconciliation between the carrying amounts under MFRS 139 to the balances reported under MFRS 9 as of 1 January 2018 is, as follows:

Group	Note	MFRS 139		Re- classification	Remeasurement		MFRS 9	
		Category	Amount		ECL	Other	Amount	Category
			RM'000	RM'000	RM'000	RM'000	RM'000	
<b>Financial assets</b>								
Cash and Bank balances	L&R <sup>1</sup>		1,347,517	-	-	-	1,347,517	AC <sup>2</sup>
Financial assets at fair value through profit or loss	FVTPL		557,568	-	-	-	557,568	FVTPL
Debt instruments at fair value through other comprehensive income	A		N/A	1,009,677	(17)	17	1,009,677	FVOCI
Equity instruments at fair value through other comprehensive income	B		N/A	490	-	1,264	1,754	FVOCI
Debt instruments at amortised cost	C		N/A	38,001	(1,016)	-	36,985	AC
Financial investments available-for-sale	A&B	AFS	1,010,167	(1,010,167)	-	-	-	
Financial investments held-to-maturity	C	HTM	38,001	(38,001)	-	-	-	
Derivative financial assets		FVTPL	67,393	-	-	-	67,393	FVTPL
Loans, advances and financing		L&R	2,195,501	-	(667)	-	2,194,834	AC
Balances due from clients and brokers		L&R	494,883	-	-	-	494,883	AC
Other assets		L&R	118,417	-	-	-	118,417	AC
Statutory deposit with Bank Negara Malaysia		L&R	116,186	-	-	-	116,186	AC
			5,945,633	-	(1,700)	1,281	5,945,214	
<b>Non-financial assets</b>								
Deferred tax assets			10,006	-	408	(307)	10,107	
<b>Total assets</b>			<b>5,955,639</b>	<b>-</b>	<b>(1,292)</b>	<b>974</b>	<b>5,955,321</b>	

<sup>1</sup>L&R: Loans and receivables

<sup>2</sup>AC: Amortised cost



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

**NOTES TO INTERIM FINANCIAL REPORT  
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2018**

**A4. The nature and impact of MFRS 9 Financial Instruments (cont'd)**

**(iv) Transition disclosures (Cont'd)**

Bank	Note	MFRS 139		Re- classification	Remeasurement		MFRS 9	
		Category	Amount RM'000		ECL RM'000	Other RM'000	Amount RM'000	Category
<b>Financial assets</b>								
Cash and Bank balances		L&R <sup>1</sup>	1,092,544	-	-	-	1,092,544	AC <sup>2</sup>
Financial assets at fair value through profit or loss		FVTPL	549,735	-	-	-	549,735	FVTPL
Debt instruments at fair value through other comprehensive income	A		N/A	1,009,677	(17)	17	1,009,677	FVOCI
Equity instruments at fair value through other comprehensive income	B		N/A	490	-	1,264	1,754	FVOCI
Debt instruments at amortised cost	C		N/A	38,001	(1,016)	-	36,985	AC
Financial investments available-for-sale	A&B	AFS	1,010,167	(1,010,167)	-	-	-	
Financial investments held-to-maturity	C	HTM	38,001	(38,001)	-	-	-	
Derivative financial assets		FVTPL	67,393	-	-	-	67,393	FVTPL
Loans, advances and financing		L&R	2,180,080	-	(1,007)	-	2,179,073	AC
Balances due from clients and brokers		L&R	494,883	-	-	-	494,883	AC
Other assets		L&R	66,582	-	-	-	66,582	AC
Statutory deposit with Bank Negara Malaysia		L&R	116,186	-	-	-	116,186	AC
			5,615,571	-	(2,040)	1,281	5,614,812	
<b>Non-financial assets</b>								
Deferred tax assets			7,798	-	489	(307)	7,980	
Total assets			5,623,369	-	(1,551)	974	5,622,792	

The adoption of MFRS 9 has no impact on the classification and measurement of the Group and the Bank's financial liabilities.

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

**NOTES TO INTERIM FINANCIAL REPORT  
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2018**

**A4. The nature and impact of MFRS 9 Financial Instruments (cont'd)**

**(iv) Transition disclosures (Cont'd)**

Note:

- A. As at 1 January 2018, the Bank has assessed its treasury portfolio which had previously been classified as AFS debt instruments. The Bank concluded that these instruments are managed within a business model of collecting contractual cash flows and are sold for investment gain. Accordingly, the Bank has classified these investments as debt instruments measured at FVOCI.
- B. The Bank has elected the option to irrevocably designate an AFS equity instrument as Equity instruments at FVOCI.
- C. As at 1 January 2018, the Bank did not have any debt instruments that did not meet the solely payments of principal and interest ("SPPI") criterion within its held-to-maturity portfolio. Therefore, it elected to classify all of these instruments as debt instruments measured at amortised cost.

The impact of transition to MFRS 9 on reserves and retained earnings is, as follows:

	<b>Group RM'000</b>	<b>Bank RM'000</b>
<b>Fair value reserves</b>		
Closing balance under MFRS 139 (31 December 2017)	(6,629)	(4,840)
Reclassification adjustments in relation to adopting MFRS 9	1,264	1,264
Recognition of expected credit losses under MFRS 9	17	17
Deferred tax in relation to the above	(307)	(307)
Opening balance under MFRS 9 (1 January 2018)	<u>(5,655)</u>	<u>(3,866)</u>
<b>Retained earnings</b>		
Closing balance under MFRS 139 (31 December 2017)	520,345	513,726
Recognition of expected credit losses under MFRS 9	(1,700)	(2,040)
Deferred tax	408	489
Opening balance under MFRS 9 (1 January 2018)	<u>519,053</u>	<u>512,175</u>
Total change in equity due to adopting MFRS 9	<u>(318)</u>	<u>(577)</u>

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

**NOTES TO INTERIM FINANCIAL REPORT  
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2018**

**A4. The nature and impact of MFRS 9 Financial Instruments (cont'd)**

**(iv) Transition disclosures (Cont'd)**

The following table reconciles the aggregate opening loan loss provision under MFRS 139 and provisions for loan commitments in accordance with MFRS 137's Provision Contingent Liabilities and Contingent Assets to the ECL allowances under MFRS 9.

<b>Group</b>	Impairment allowance under MFRS 139/ MFRS 137 as at 31 December 2017	Re- measurement	ECLs under MFRS 9 as at 1 January 2018
	RM'000	RM'000	RM'000
Impairment allowance for:			
Financial investments available- for-sale per MFRS 139/ financial instruments at FVOCI under MFRS 9	-	17	17
Financial investments held- to-maturity per MFRS 139/ financial instruments at amortised cost under MFRS 9	-	1,016	1,016
Loans, advances and financing	2,933	654	3,587
	<u>29,040</u>	<u>1,687</u>	<u>30,727</u>
Undrawn loan commitment	-	13	13
	<u>29,040</u>	<u>1,700</u>	<u>30,740</u>
<b>Bank</b>			
Impairment allowance for:			
Financial investments available- for-sale per MFRS 139/ financial instruments at FVOCI under MFRS 9	-	17	17
Financial investments held- to-maturity per MFRS 139/ financial instruments at amortised cost under MFRS 9	-	1,016	1,016
Loans, advances and financing	2,308	853	3,161
	<u>27,027</u>	<u>1,886</u>	<u>28,913</u>
Undrawn loan commitment	-	154	154
	<u>27,027</u>	<u>2,040</u>	<u>29,067</u>

**NOTES TO INTERIM FINANCIAL REPORT**  
**FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2018**

**A5. 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 cycles.

**A6. 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 affecting assets, liabilities, equity, net income or cash flows other than the bad debt recovered amounting to RM13,500,000 from a final settlement with certain respondents of a court case which the Court of Appeal's judgement was granted in favour of the Bank.

Further details of the court case is described in note B10.

**A7. 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.

**A8. Issuance, cancellation, repurchases, resale and repayments of debt and equity securities**

There were no issuance, cancellation, repurchases, resale and repayments of equity securities, share buy-backs, shares held as treasury shares and resale of treasury shares during the financial period ended 31 March 2018, other than the following:

- (i) On 29 January 2018, the Bank issued the second tranche of RM10 million Subordinated Notes under the RM250 million in nominal value Tier 2 Subordinated Note Programme which was established on 27 March 2017.
- (ii) The share capital of the Bank increased from RM246,136,750 as at 31 December 2017 to RM246,174,700 as at 31 March 2018 via issuance of 66,000 new ordinary shares amounting to RM37,950 to eligible employees who exercised their options under the current Employees' Share Options Scheme ("ESOS").

**A9. Dividends paid per share**

No dividend was paid during the current financial period.

**A10. Significant event during and subsequent to the interim period**

There was no significant event during and subsequent to the financial interim period.

NOTES TO INTERIM FINANCIAL REPORT  
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2018

	Group		Bank	
	As at 31 March 2018 RM'000	As at 31 December 2017 RM'000	As at 31 March 2018 RM'000	As at 31 December 2017 RM'000
<b>A11. Cash and bank balances</b>				
Cash and balances with banks and other financial institutions	231,802	279,972	96,410	126,640
Money at call and deposit placements	672,069	1,067,545	569,074	965,904
	<u>903,871</u>	<u>1,347,517</u>	<u>665,484</u>	<u>1,092,544</u>
Included in cash and bank balances are:				
Cash and cash equivalents	727,911	1,143,077	603,095	1,032,060
Monies held in trust on behalf of dealer's representatives and segregated funds for customers	175,960	204,440	62,389	60,484
	<u>903,871</u>	<u>1,347,517</u>	<u>665,484</u>	<u>1,092,544</u>
<b>A12. Financial Assets At Fair Value Through Profit or Loss ("FVTPL")</b>				
<b>At fair value</b>				
<b>Money Market Instruments:</b>				
Malaysian Government Securities	28,046	20,254	28,046	20,254
Malaysian Government Investment Certificates	90,487	50,171	90,487	50,171
	<u>118,533</u>	<u>70,425</u>	<u>118,533</u>	<u>70,425</u>
<b>Quoted Securities:</b>				
Shares in Malaysia	184,743	216,060	184,743	216,060
Shares outside Malaysia	166	3,368	166	3,368
	<u>184,909</u>	<u>219,428</u>	<u>184,909</u>	<u>219,428</u>
<b>Unquoted Securities:</b>				
Shares and funds in Malaysia	116,549	18,041	110,865	10,208
<b>Unquoted Private Debt Securities in Malaysia:</b>				
Corporate Bills	89,557	89,733	89,557	89,733
Islamic Corporate Bills	169,535	159,941	169,535	159,941
	<u>259,092</u>	<u>249,674</u>	<u>259,092</u>	<u>249,674</u>
<b>Total Financial Assets At Fair Value Through Profit or Loss</b>	<b><u>679,083</u></b>	<b><u>557,568</u></b>	<b><u>673,399</u></b>	<b><u>549,735</u></b>

	Group		Bank	
	As at 31 March 2018 RM'000	As at 31 December 2017 RM'000	As at 31 March 2018 RM'000	As at 31 December 2017 RM'000
<b>A13. Financial investments other than those measured at FVTPL</b>				
<b>(i) Financial instrument at Fair Value Through Other Comprehensive Income ("FVOCI"):</b>				
<b>Money market instruments:</b>				
Malaysian Government Securities	30,025	-	30,025	-
Malaysian Government Investment Certificates	176,889	-	176,889	-
Sukuk Perumahan Kerajaan	10,061	-	10,061	-
Negotiable Instruments of Deposits	50,000	-	50,000	-
Islamic Negotiable Instruments of Deposits	588,582	-	588,582	-
	<b>855,557</b>	<b>-</b>	<b>855,557</b>	<b>-</b>
<b>Equity instruments in Malaysia:</b>				
Unquoted Shares	1,754	-	1,754	-
<b>Debt instruments in Malaysia:</b>				
Islamic Corporate Sukuk	494,514	-	494,514	-
Corporate Bonds	159,957	-	159,957	-
	<b>654,471</b>	<b>-</b>	<b>654,471</b>	<b>-</b>
<b>Total Financial instruments at FVOCI:</b>	<b>1,511,782</b>	<b>-</b>	<b>1,511,782</b>	<b>-</b>

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

Malaysian Government Investment Certificates	19,321	-	19,321	-
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**(ii) Financial investment at amortised cost:**

**Money market instruments:**

Malaysian Government Securities	9,864	-	9,864	-
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**Debt instruments in Malaysia:**

Islamic Corporate Sukuk				
At cost	67,231	-	67,231	-
Less: Allowance for ECL	(907)	-	(907)	-
	<b>66,324</b>	<b>-</b>	<b>66,324</b>	<b>-</b>

<b>Total financial investment at amortised cost:</b>	<b>76,188</b>	<b>-</b>	<b>76,188</b>	<b>-</b>
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**(iii) Impairment losses on financial instruments subject to impairment assessment**

**(a) Debt instrument measured at Fair Value Through Other Comprehensive Income ("FVOCI"):**

	2018			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Movement in ECLs				
As at 1 January 2018 and 31 March 2018	17	-	-	17

	Group		Bank	
	As at 31 March 2018 RM'000	As at 31 December 2017 RM'000	As at 31 March 2018 RM'000	As at 31 December 2017 RM'000

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

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

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

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

**Group and Bank**

Movement in ECLs	2018			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
As at 1 January 2018	64	952	-	1,016
Impact of net re-measurement of ECL	(1)	(108)	-	(109)
As at 31 March 2018	63	844	-	907

Note: Stages of ECL are as defined in note A4 (ii).

A14. (i) Financial Investments Available-for-Sale

**At Fair Value, or amortised cost**

**Money Market Instruments:**

Negotiable Instruments of Deposits	-	50,000	-	50,000
Malaysian Government Securities	-	49,534	-	49,534
Malaysian Government Investment Certificates	-	155,357	-	155,357
Sukuk Perumahan Kerajaan	-	10,076	-	10,076
	-	264,967	-	264,967

**Unquoted Securities in Malaysia:**

Shares	-	490	-	490
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**Unquoted Private Debt Securities in Malaysia:**

Islamic Corporate Sukuk	-	514,626	-	514,626
Corporate Bonds	-	230,084	-	230,084
	-	744,710	-	744,710

**Total Financial Investments Available-for-Sale**

	-	1,010,167	-	1,010,167
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Included in financial investments available-for-sale are financial assets sold under repurchase agreements as follows:

Malaysian Government Investment Certificates	-	37,861	-	37,861
Malaysian Government Securities	-	37,132	-	37,132
	-	74,993	-	74,993

A14. (ii) Financial Investments Held-To-Maturity

**Unquoted Private Debt Securities in Malaysia:**

Islamic Corporate Sukuk	-	38,001	-	38,001
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	Group		Bank	
	As at 31 March 2018 RM'000	As at 31 December 2017 RM'000	As at 31 March 2018 RM'000	As at 31 December 2017 RM'000
<b>A15. Loans, Advances and Financing</b>				
<b>At Amortised Cost</b>				
Share margin financing	1,556,874	1,557,649	1,556,874	1,557,649
Term loans	592,334	588,800	605,359	614,478
Subordinated term loan	-	-	10,112	10,261
Others	68,798	51,985	37	-
Gross loans, advances and financing	2,218,006	2,198,434	2,172,382	2,182,388
Less: Allowance for ECL/impairment losses	(2,204)	(2,933)	(1,760)	(2,308)
<b>Net Loans, Advances and Financing</b>	<b>2,215,802</b>	<b>2,195,501</b>	<b>2,170,622</b>	<b>2,180,080</b>
<b>(i) By Type of Customer</b>				
Domestic business enterprise - others	923,203	904,376	878,416	889,531
Individuals	1,230,285	1,230,307	1,229,448	1,229,106
Foreign enterprises	64,518	63,751	64,518	63,751
<b>Gross Loans, Advances and Financing</b>	<b>2,218,006</b>	<b>2,198,434</b>	<b>2,172,382</b>	<b>2,182,388</b>
<b>(ii) By Geographical Distribution</b>				
In Malaysia	2,142,578	2,124,179	2,096,954	2,108,133
Outside Malaysia	75,428	74,255	75,428	74,255
<b>Gross Loans, Advances and Financing</b>	<b>2,218,006</b>	<b>2,198,434</b>	<b>2,172,382</b>	<b>2,182,388</b>
<b>(iii) By Interest Rate/ Profit Rate Sensitivity</b>				
Fixed rate				
- Other fixed rate loans	1,625,634	1,609,617	1,556,874	1,557,633
Variable rate				
- Other variable rates	568,879	565,481	592,015	601,419
- Base lending rate plus	23,456	23,336	23,456	23,336
Zero rate	37	-	37	-
<b>Gross Loans, Advances and Financing</b>	<b>2,218,006</b>	<b>2,198,434</b>	<b>2,172,382</b>	<b>2,182,388</b>
<b>(iv) By Purpose</b>				
- Purchase of securities	1,839,328	1,836,502	1,800,627	1,819,194
- Working capital	186,052	193,274	187,232	203,635
- Others	192,626	168,658	184,523	159,559
<b>Gross Loans, Advances and Financing</b>	<b>2,218,006</b>	<b>2,198,434</b>	<b>2,172,382</b>	<b>2,182,388</b>
<b>(v) By Residual Contractual Maturity</b>				
- Within one year	1,800,981	1,778,176	1,745,245	1,751,870
- More than one year	417,025	420,258	427,137	430,518
<b>Gross Loans, Advances and Financing</b>	<b>2,218,006</b>	<b>2,198,434</b>	<b>2,172,382</b>	<b>2,182,388</b>



NOTES TO INTERIM FINANCIAL REPORT  
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2018

	Group		Bank	
	As at 31 March 2018 RM'000	As at 31 December 2017 RM'000	As at 31 March 2018 RM'000	As at 31 December 2017 RM'000
<b>A15. Loans, Advances and Financing (Cont'd)</b>				
<b>(vi) Movements in impaired loans, advances and financing ("Impaired loans")</b>				
At beginning of the financial period/year	2,737	2,608	1,910	1,735
Impaired during the financial period/year	21	176	-	176
Amount written off	(1,488)	-	(1,488)	-
Amount recovered	-	(47)	-	(1)
At end of the financial period/year	1,270	2,737	422	1,910
Less: Allowance for ECL/impairment losses	(844)	(2,264)	-	(1,441)
<b>Net impaired loans</b>	<b>426</b>	<b>473</b>	<b>422</b>	<b>469</b>
Net impaired loans as a % of gross loans, advances and financing less allowance	<b>0.02%</b>	<b>0.02%</b>	<b>0.02%</b>	<b>0.02%</b>

**(vii) Impaired loans by Geographical Distribution**

Malaysia	1,270	2,737	422	1,910
Gross impaired loans	1,270	2,737	422	1,910

**(viii) Impaired loans by Purpose**

Working capital	848	827	-	-
Purchase of securities	422	1,910	422	1,910
Gross impaired loans	1,270	2,737	422	1,910

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

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

**Term loan and subordinated term loan:**

**Group**

	2018			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
<b>Movement in ECLs</b>				
As at 1 January 2018	1,302	-	-	1,302
New assets originated or purchased	94	-	-	94
Assets derecognised or repaid (excluding write-offs)	(43)	-	-	(43)
As at 31 March 2018	1,353	-	-	1,353

**Bank**

	2018			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
<b>Movement in ECLs</b>				
As at 1 January 2018	1,720	-	-	1,720
New assets originated or purchased	94	-	-	94
Assets derecognised or repaid (excluding write-offs)	(202)	-	-	(202)
As at 31 March 2018	1,612	-	-	1,612

NOTES TO INTERIM FINANCIAL REPORT  
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2018

A15. Loans, Advances and Financing (Cont'd)

(ix) Impairment allowance for loans, advances and financing (Cont'd)

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

Others

Group

	2018			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
<b>Movement in ECLs</b>				
As at 1 January 2018 and 31 March 2018	-	-	844	844

Note: Stages of ECL are as defined in note A4 (ii).

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

	2018			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
<b>Movement in ECLs</b>				
As at 1 January 2018	13	-	-	13
Exposure derecognised or matured/lapsed (excluding write-offs)	(6)	-	-	(6)
As at 31 March 2018	7	-	-	7

Bank

	2018			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
<b>Movement in ECLs</b>				
As at 1 January 2018	154	-	-	154
Exposure derecognised or matured/lapsed (excluding write-offs)	(6)	-	-	(6)
As at 31 March 2018	148	-	-	148

An analysis of the allowance for impairment losses under MFRS139 for loan, advances and financing, for the financial year ended 31 December 2017 is, as follows:

	Group As at 31 December 2017 RM'000	Bank As at 31 December 2017 RM'000
<b>Individual allowance</b>		
At beginning of financial year	2,135	1,266
Allowance made during the year	176	176
Amount written back during the year	(47)	(1)
<b>At end of the financial year</b>	<b>2,264</b>	<b>1,441</b>
<b>Collective allowance</b>		
At beginning of financial year	432	871
Allowance made during the year	509	268
Amount written back during the year	(272)	(272)
<b>At end of the financial year</b>	<b>669</b>	<b>867</b>
Collective allowance as a % of gross loans, advances and financing less individual allowance	<b>0.03%</b>	<b>0.04%</b>

NOTES TO INTERIM FINANCIAL REPORT  
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2018

A16. Balances due from clients and brokers

	<b>Group and Bank</b>	
	<b>As at 31 March 2018 RM'000</b>	<b>As at 31 December 2017 RM'000</b>
Balances due from clients and brokers	354,049	516,250
Less:		
Allowance for impairment	(14,443)	(21,367)
	<b>339,606</b>	<b>494,883</b>

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

**Group and Bank**

	<b>2018</b>			
<b>Movement in ECLs</b>	<b>Stage 1 RM'000</b>	<b>Stage 2 RM'000</b>	<b>Stage 3 RM'000</b>	<b>Total RM'000</b>
As at 1 January 2018	-	1,506	12,914	14,420
Charge during the period	-	29	29	58
Written back during the period	-	(21)	(14)	(35)
As at 31 March 2018	-	1,514	12,929	14,443

Note: Stages of ECL are as defined in note A4 (ii).

An analysis of the allowance for impairment losses under MFRS139 for balance due from client and brokers, for the financial year ended 31 December 2017 is, as follows:

**Movements of impairment allowance for:**

	<b>Group and Bank As at 31 December 2017 RM'000</b>
<b><u>Individual Impairment</u></b>	
At beginning of the financial year	26,735
Allowance made during the year	6,262
Allowance for impairment losses written back	(6,163)
Amount written off against balances due from clients and brokers	(5,467)
<b>At end of the financial year</b>	<b>21,367</b>

NOTES TO INTERIM FINANCIAL REPORT  
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2018

A17. Other Assets

	Group		Bank	
	As at 31 March 2018 RM'000	As at 31 December 2017 RM'000	As at 31 March 2018 RM'000	As at 31 December 2017 RM'000
Assets segregated for customers	22,275	32,431	-	-
Interest/income receivable	13,343	11,989	12,959	11,547
Prepayments and deposits	19,125	18,699	17,871	17,435
Other debtors	65,694	40,019	24,332	20,817
Treasury trade receivables	-	19,986	-	19,986
Amount due from subsidiaries	-	-	629	116
Amount due from related parties	34	33	34	33
	<b>120,471</b>	<b>123,157</b>	<b>55,825</b>	<b>69,934</b>
Allowance for impairment	(4,795)	(4,740)	(3,423)	(3,352)
	<b>115,676</b>	<b>118,417</b>	<b>52,402</b>	<b>66,582</b>

**Group**

	2018			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
<b>Movement in ECLs</b>				
As at 1 January 2018	-	473	4,267	4,740
Charge during the period	-	79	69	148
Written back during the period	-	(37)	(52)	(89)
Written off during the period	-	-	(4)	(4)
As at 31 March 2018	-	515	4,280	4,795

**Bank**

	2018			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
<b>Movement in ECLs</b>				
As at 1 January 2018	-	473	2,879	3,352
Charge during the period	-	79	69	148
Written back during the period	-	(37)	(36)	(73)
Written off during the period	-	-	(4)	(4)
As at 31 March 2018	-	515	2,908	3,423

A18. Statutory deposit with Bank Negara Malaysia

	Group		Bank	
	As at 31 March 2018 RM'000	As at 31 December 2017 RM'000	As at 31 March 2018 RM'000	As at 31 December 2017 RM'000
Statutory Deposit	<b>122,365</b>	<b>116,186</b>	<b>122,365</b>	<b>116,186</b>

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 liabilities.

NOTES TO INTERIM FINANCIAL REPORT  
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2018

A19. Deposits from customers

	Group		Bank	
	As at 31 March 2018 RM'000	As at 31 December 2017 RM'000	As at 31 March 2018 RM'000	As at 31 December 2017 RM'000
<b>(i) By type of deposit</b>				
Fixed term deposits	3,514,196	2,856,250	3,524,289	2,866,250
Short term money deposits	1,097,267	1,293,200	1,129,599	1,327,071
Call money deposits	61,250	41,650	61,250	41,650
Negotiable instruments of deposit	53,004	42,814	53,366	43,177
	<b>4,725,717</b>	<b>4,233,914</b>	<b>4,768,504</b>	<b>4,278,148</b>
<b>(ii) By type of customer</b>				
Government and other statutory bodies	430,466	163,338	430,466	163,338
Individuals	128,500	131,371	128,500	131,371
Business enterprises	1,685,188	1,537,791	1,677,976	1,537,791
Non-bank financial institutions	2,481,563	2,401,414	2,481,563	2,401,414
Related companies	-	-	49,999	44,234
	<b>4,725,717</b>	<b>4,233,914</b>	<b>4,768,504</b>	<b>4,278,148</b>
<b>(iii) By maturity structure</b>				
Due within six months	3,892,335	3,737,649	3,935,122	3,781,883
More than six months to one year	833,382	496,265	833,382	496,265
	<b>4,725,717</b>	<b>4,233,914</b>	<b>4,768,504</b>	<b>4,278,148</b>

A20. Deposits and placements of banks and financial institutions

Licenced banks	-	70,000	-	70,000
Others financial institutions	2,815	140,762	2,815	140,762
	<b>2,815</b>	<b>210,762</b>	<b>2,815</b>	<b>210,762</b>

A21. Other liabilities

Interest/Income payable	18,001	23,000	17,125	22,465
Accruals and provision	108,689	74,571	38,775	37,353
Retention for contra losses	487	487	487	487
Structured products	40,667	46,961	40,667	46,961
Deposits and other creditors	78,971	101,688	70,374	74,328
Amounts held in trust on behalf of				
Dealers' Representatives	62,389	60,484	62,389	60,484
Amount due to trustee	4,287	21,959	-	-
Amount due to subsidiaries	-	-	1	1,156
	<b>313,491</b>	<b>329,150</b>	<b>229,818</b>	<b>243,234</b>

A22. Borrowings

<b>Secured:</b>				
Revolving bank loan	92,200	64,000	61,200	64,000
<b>Unsecured:</b>				
Revolving bank loans	15,000	21,000	-	-
Subordinated notes	15,000	5,000	15,000	5,000
	<b>122,200</b>	<b>90,000</b>	<b>76,200</b>	<b>69,000</b>

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

**NOTES TO INTERIM FINANCIAL REPORT  
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2018**

	<u>Individual Quarter</u>		<u>Cumulative Quarter</u>	
	<b>3 months ended 31 March 2018 RM'000</b>	<b>3 months ended 31 March 2017 RM'000</b>	<b>3 months ended 31 March 2018 RM'000</b>	<b>3 months ended 31 March 2017 RM'000</b>
<b>A23. Interest Income</b>				
<b><u>Group</u></b>				
Loans, advances and financing	38,029	35,856	38,029	35,856
Money at call and deposit placements with financial institutions	13,482	10,898	13,482	10,898
Financial assets at fair value through profit or loss	705	2,033	705	2,033
Financial instrument at FVOCI	8,526	-	8,526	-
Financial instrument at amortised cost	627	-	627	-
Financial investments available-for-sale	-	6,434	-	6,434
Financial investments held to maturity	-	492	-	492
Others	11,421	18,999	11,421	18,999
	<b>72,790</b>	<b>74,712</b>	<b>72,790</b>	<b>74,712</b>
<b><u>Bank</u></b>				
Loans, advances and financing	37,023	34,517	37,023	34,517
Money at call and deposit placements with financial institutions	12,886	9,460	12,886	9,460
Financial assets at fair value through profit or loss	705	2,033	705	2,033
Financial instrument at FVOCI	8,526	-	8,526	-
Financial instrument at amortised cost	627	-	627	-
Financial investments available-for-sale	-	6,434	-	6,434
Financial investments held to maturity	-	492	-	492
Others	11,421	18,999	11,421	18,999
	<b>71,188</b>	<b>71,935</b>	<b>71,188</b>	<b>71,935</b>
<b>A24. Interest Expense</b>				
<b><u>Group</u></b>				
Deposits from customers	41,489	34,470	41,489	34,470
Deposits and placement from banks and other financial institutions	761	513	761	513
Borrowings	1,083	1,448	1,083	1,448
Others	8,258	17,025	8,258	17,025
	<b>51,591</b>	<b>53,456</b>	<b>51,591</b>	<b>53,456</b>
<b><u>Bank</u></b>				
Deposits from customers	41,874	35,030	41,874	35,030
Deposits and placement from banks and other financial institutions	761	513	761	513
Borrowings	672	1,141	672	1,141
Others	8,673	17,025	8,673	17,025
	<b>51,980</b>	<b>53,709</b>	<b>51,980</b>	<b>53,709</b>

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

**NOTES TO INTERIM FINANCIAL REPORT  
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2018**

	Individual Quarter		Cumulative Quarter	
	3 months ended 31 March 2018 RM'000	3 months ended 31 March 2017 RM'000	3 months ended 31 March 2018 RM'000	3 months ended 31 March 2017 RM'000
<b>A25. Other Operating Income</b>				
<b>Group</b>				
(a) Fee income:				
Brokerage fees	52,565	49,086	52,565	49,086
Corporate advisory fee	2,432	2,441	2,432	2,441
Processing fees on loans, advances and financing	1,818	1,273	1,818	1,273
Commissions	1,828	2,470	1,828	2,470
Management fee income	13,928	10,196	13,928	10,196
Placement fees	1,987	1,746	1,987	1,746
Underwriting commission	239	-	239	-
Other fee income	4,873	5,446	4,873	5,446
	<u>79,670</u>	<u>72,658</u>	<u>79,670</u>	<u>72,658</u>
(b) Net (loss)/gain arising from sale/redemption of:				
Financial assets at fair value through profit or loss and derivatives	(31,040)	11,215	(31,040)	11,215
Financial investments measured at FVOCI	361	-	361	-
	<u>(30,679)</u>	<u>11,215</u>	<u>(30,679)</u>	<u>11,215</u>
(c) Gross dividend income from:				
Financial assets at fair value through profit or loss	572	21	572	21
Financial investments measured at FVOCI	12	-	12	-
Financial investments available-for-sale	-	256	-	256
	<u>584</u>	<u>277</u>	<u>584</u>	<u>277</u>
(d) Unrealised gain on revaluation of financial assets at fair value through profit or loss and derivatives	<u>44,397</u>	<u>2,309</u>	<u>44,397</u>	<u>2,309</u>
(e) Other income:				
Net foreign exchange income	1,705	1,443	1,705	1,443
Other operating income	348	(4)	348	(4)
Other non-operating income				
- Rental income	681	1,096	681	1,096
- Others	743	138	743	138
	<u>3,477</u>	<u>2,673</u>	<u>3,477</u>	<u>2,673</u>
Total other operating income	<u><b>97,449</b></u>	<u><b>89,132</b></u>	<u><b>97,449</b></u>	<u><b>89,132</b></u>

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

**NOTES TO INTERIM FINANCIAL REPORT  
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2018**

	Individual Quarter		Cumulative Quarter	
	3 months ended 31 March 2018 RM'000	3 months ended 31 March 2017 RM'000	3 months ended 31 March 2018 RM'000	3 months ended 31 March 2017 RM'000
<b>A25. Other Operating Income (Cont'd)</b>				
<b><u>Bank</u></b>				
(a) Fee income:				
Brokerage fees	52,565	49,086	52,565	49,086
Corporate advisory fee	2,441	2,451	2,441	2,451
Processing fees on loans, advances and financing	1,507	890	1,507	890
Management fee income	127	157	127	157
Placement fees	1,887	1,746	1,887	1,746
Underwriting commission	239	-	239	-
Other fee income	2,356	2,750	2,356	2,750
	<u>61,122</u>	<u>57,080</u>	<u>61,122</u>	<u>57,080</u>
(b) Net (loss)/gain arising from sale/ redemption of:				
Financial assets at fair value through profit or loss and derivatives	(31,040)	11,215	(31,040)	11,215
Financial investments measured at FVOCI	361	-	361	-
	<u>(30,679)</u>	<u>11,215</u>	<u>(30,679)</u>	<u>11,215</u>
(c) Gross dividend from:				
Financial assets at fair value through profit or loss	521	21	521	21
Financial assets measured at FVOCI	12	-	12	-
Financial investments available-for-sale	-	256	-	256
	<u>533</u>	<u>277</u>	<u>533</u>	<u>277</u>
(d) Unrealised gain on revaluation of financial assets fair value through profit or loss and derivatives	44,397	2,309	44,397	2,309
(e) Other income:				
Net foreign exchange income	1,744	1,447	1,744	1,447
Other operating income	453	76	453	76
Other non-operating income				
- Rental income	1,103	1,302	1,103	1,302
- Others	521	218	521	218
	<u>3,821</u>	<u>3,043</u>	<u>3,821</u>	<u>3,043</u>
Total other operating income	<b>79,194</b>	<b>73,924</b>	<b>79,194</b>	<b>73,924</b>



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

**NOTES TO INTERIM FINANCIAL REPORT  
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2018**

	<u>Individual Quarter</u>		<u>Cumulative Quarter</u>	
	<b>3 months ended 31 March 2018 RM'000</b>	<b>3 months ended 31 March 2017 RM'000</b>	<b>3 months ended 31 March 2018 RM'000</b>	<b>3 months ended 31 March 2017 RM'000</b>
<b>A26. Other operating expenses</b>				
<b>Group</b>				
Personnel costs	41,595	37,920	41,595	37,920
- Salaries, allowances and bonuses	32,115	30,039	32,115	30,039
- EPF	4,232	3,871	4,232	3,871
- Others	5,248	4,010	5,248	4,010
Establishment costs	11,391	13,006	11,391	13,006
- Depreciation of property, plant and equipment	3,295	3,223	3,295	3,223
- Amortisation of intangible assets - software	69	190	69	190
- Rental of premises	2,373	4,174	2,373	4,174
- Rental of equipment	161	157	161	157
- Repairs and maintenance	1,152	1,022	1,152	1,022
- Information technology expenses	2,625	2,550	2,625	2,550
- Others	1,716	1,690	1,716	1,690
Marketing expenses	3,187	4,207	3,187	4,207
- Promotion and advertisements	1,604	2,023	1,604	2,023
- Travel and entertainment	1,117	1,063	1,117	1,063
- Others	466	1,121	466	1,121
Administration and general expenses	52,777	47,031	52,777	47,031
- Communication expenses	1,183	1,387	1,183	1,387
- Professional fees and legal fees	2,100	607	2,100	607
- Regulatory charges	5,631	5,137	5,631	5,137
- Fees and brokerage	38,760	34,761	38,760	34,761
- Administrative expenses	4,709	4,706	4,709	4,706
- Printing and stationery	394	433	394	433
	<b>108,950</b>	<b>102,164</b>	<b>108,950</b>	<b>102,164</b>

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

**NOTES TO INTERIM FINANCIAL REPORT  
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2018**

	Individual Quarter		Cumulative Quarter	
	3 months ended 31 March 2018 RM'000	3 months ended 31 March 2017 RM'000	3 months ended 31 March 2018 RM'000	3 months ended 31 March 2017 RM'000
<b>A26. Other operating expenses (Cont'd)</b>				
<b>Bank</b>				
Personnel costs	32,105	29,280	32,105	29,280
- Salaries, allowances and bonuses	25,939	24,601	25,939	24,601
- EPF	3,278	3,096	3,278	3,096
- Others	2,888	1,583	2,888	1,583
Establishment costs	9,859	11,411	9,859	11,411
- Depreciation of property, plant and equipment	3,176	3,149	3,176	3,149
- Rental of premises	2,197	3,803	2,197	3,803
- Rental of equipment	73	72	73	72
- Repair and maintenance	918	830	918	830
- Information technology expenses	2,609	2,529	2,609	2,529
- Others	886	1,028	886	1,028
Marketing expenses	1,872	2,935	1,872	2,935
- Promotion and advertisement	600	1,069	600	1,069
- Travel and entertainment	815	897	815	897
- Others	457	969	457	969
Administration and general expenses	43,284	39,466	43,284	39,466
- Communication expenses	1,021	1,233	1,021	1,233
- Professional fees and legal fees	2,038	549	2,038	549
- Regulatory charges	5,236	4,587	5,236	4,587
- Fees and brokerages	30,578	28,789	30,578	28,789
- Administrative expenses	4,151	3,938	4,151	3,938
- Printing and stationery	260	370	260	370
	<b>87,120</b>	<b>83,092</b>	<b>87,120</b>	<b>83,092</b>

**KENANGA INVESTMENT BANK BERHAD  
(15678-H)  
NOTES TO INTERIM FINANCIAL REPORT  
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2018**

**A27. Credit loss (expense)/reversal**

The table below shows the ECL charges on financial instruments for the period recorded in the income statement:

**Group**

**Individual and Cumulative Quarter**

	2018			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
<b>Movement in ECLs</b>				
Debts instruments measured at amortised cost	1	108	-	109
Loans, advances and financing	(51)	-	-	(51)
Loan commitments	6	-	-	6
Balance due from clients and brokers	2	(10)	(15)	(23)
Other debtors	-	(43)	(12)	(55)
Credit loss (expense)/reversal	<b>(42)</b>	<b>55</b>	<b>(27)</b>	<b>(14)</b>

**Bank**

**Individual and Cumulative Quarter**

	2018			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
<b>Movement in ECLs</b>				
Debts instruments measured at amortised cost	1	108	-	109
Loans, advances and financing	108	-	-	108
Loan commitments	6	-	-	6
Balance due from clients and brokers	-	(8)	(15)	(23)
Other debtors	-	(43)	(28)	(71)
	<b>115</b>	<b>57</b>	<b>(43)</b>	<b>129</b>

**KENANGA INVESTMENT BANK BERHAD  
(15678-H)  
NOTES TO INTERIM FINANCIAL REPORT  
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2018**

**A27. Credit loss (expense)/reversal (cont'd)**

The tables below disclose the impairment charges recorded in the income statement under MFRS 139 during 2017:

(i) (Allowance for)/Write back of impairment on loans, advances and financing:

	<b>Individual and Cumulative Quarter</b>
	<b>3 months ended ended 31 March 2017 RM'000</b>
<b><u>Group</u></b>	
Impairment:	
- collective allowance (net)	42
- individual allowance (net)	(42)
	<u>-</u>
<b><u>Bank</u></b>	
Impairment:	
- collective allowance (net)	49
- individual allowance (net)	(42)
	<u>7</u>

(ii) (Allowance for)/Write back of impairment on balances due from clients and brokers

<b><u>Group and Bank</u></b>	
Impairment allowance	
- made during the financial period	(1,705)
- written back during the financial period	538
	<u>(1,167)</u>

**KENANGA INVESTMENT BANK BERHAD  
(15678-H)  
NOTES TO INTERIM FINANCIAL REPORT  
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2018**

**A27. Credit loss (expense)/reversal (cont'd)**

(iii) Write back of/(Allowance for) impairment on balances due from other receivables

<b>Group</b>	<b>Individual and Cumulative Quarter</b>	
	<b>3 months ended ended 31 March 2017 RM'000</b>	
Impairment allowance		
- made during the financial period	111	(407)
- written back during the financial period	20	779
	<b>131</b>	<b>372</b>
<b>Bank</b>		
Impairment allowance		
- made during the financial period	95	(407)
- written back during the financial period	20	779
	<b>115</b>	<b>372</b>

**A28. Bad debts recovered/written off**

	<b>Individual Quarter</b>		<b>Cumulative Quarter</b>	
	<b>3 months ended 31 March 2018 RM'000</b>	<b>3 months ended 31 March 2017 RM'000</b>	<b>3 months ended 31 March 2018 RM'000</b>	<b>3 months ended 31 March 2017 RM'000</b>
<b>Group</b>				
Loans, advances and financing	13,501	1	13,501	1
Amount due from client and brokers	29	-	29	-
Other receivables	(4)	23	(4)	23
	<b>13,526</b>	<b>24</b>	<b>13,526</b>	<b>24</b>
<b>Bank</b>				
Loans, advances and financing	13,501	1	13,501	1
Amount due from client and brokers	29	-	29	-
Other receivables	(4)	23	(4)	23
	<b>13,526</b>	<b>24</b>	<b>13,526</b>	<b>24</b>

**NOTES TO INTERIM FINANCIAL REPORT  
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2018**

**A29. 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 2018

A29. Fair value of financial instruments (cont'd.)

Group

31 March 2018

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
<b>Financial assets measured at fair value</b>				
Financial assets at fair value through profit or loss				
- Debt securities	-	377,625	-	377,625
- Equity securities	184,909	106,341	10,208	301,458
Financial investments at FVOCI				
- Debt securities	-	871,446	-	871,446
- Equity securities	-	-	1,754	1,754
- Negotiable Instruments of Deposit	-	50,000	-	50,000
- Islamic Negotiable Instruments of Deposit	-	588,582	-	588,582
Derivative financial assets	-	79,463	-	79,463
<b>Financial assets at amortised cost for which fair values are disclosed</b>				
Financial investments at amortised cost	-	78,304	-	78,304
Loans, advances and financing	-	-	2,214,537	2,214,537
	184,909	2,151,761	2,226,499	4,563,169

**Financial liabilities measured at fair value**

Derivative financial liabilities	21,357	4,035	-	25,392
Obligations on securities sold under repurchase agreements	-	19,321	-	19,321
Borrowings	-	122,579	-	122,579
	21,357	145,935	-	167,292

31 December 2017

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
<b>Financial assets measured at fair value</b>				
Financial assets at fair value through profit or loss				
- Debt securities	-	320,099	-	320,099
- Equity securities	219,428	7,833	10,208	237,469
Financial investments available-for-sale #				
- Debt securities	-	959,677	-	959,677
- Negotiable Instruments of Deposit	-	50,000	-	50,000
Derivative financial assets	-	67,393	-	67,393
<b>Financial assets for which fair values are disclosed</b>				
Financial investments held-to-maturity	-	38,214	-	38,214
Loans, advances and financing	-	-	2,194,417	2,194,417
	219,428	1,443,216	2,204,625	3,867,269

**Financial liabilities measured at fair value**

Derivative financial liabilities	32,356	3,818	-	36,174
Obligations on securities sold under repurchase agreements	-	74,993	-	74,993
Borrowings	-	90,379	-	90,379
	32,356	169,190	-	201,546

**NOTES TO INTERIM FINANCIAL REPORT**  
**FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2018**

**A29. Fair value of financial instruments (cont'd.)**

**Bank**

**31 March 2018**

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Financial assets measured at fair value</b>				
Financial assets at fair value through profit or loss				
- Debt securities	-	377,625	-	377,625
- Equity securities	184,909	-	10,208	195,117
Financial investments at FVOCI				
- Debt securities	-	216,975	-	216,975
- Equity securities	-	-	1,754	1,754
- Negotiable Instruments of Deposit	-	50,000	-	50,000
- Islamic Negotiable Instruments of Deposit	-	588,582	-	588,582
Derivative financial assets	-	79,463	-	79,463
<b>Financial assets at amortised cost for which fair values are disclosed</b>				
Financial investments at amortised cost	-	78,304	-	78,304
Loans, advances and financing	-	-	2,169,872	2,169,872
	<b>184,909</b>	<b>1,390,949</b>	<b>2,181,834</b>	<b>3,757,692</b>

**Financial liabilities measured at fair value**

Derivative financial liabilities	21,357	4,035	-	25,392
Obligations on securities sold under repurchase agreements	-	19,321	-	19,321
Borrowings	-	76,579	-	76,579
	<b>21,357</b>	<b>99,935</b>	<b>-</b>	<b>121,292</b>

**31 December 2017**

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Financial assets measured at fair value</b>				
Financial assets at fair value through profit or loss				
- Debt securities	-	320,099	-	320,099
- Equity securities	219,428	-	10,208	229,636
- Unquoted private debt securities	-	-	-	-
Financial investments available-for-sale #		959,677	-	959,677
- Debt securities	-	50,000	-	50,000
Derivative financial assets	-	67,393	-	67,393
<b>Financial assets for which fair values are disclosed</b>				
Financial investments held-to-maturity	-	38,214	-	38,214
Loans, advances and financing	-	-	2,179,330	2,179,330
	<b>219,428</b>	<b>1,435,383</b>	<b>2,189,538</b>	<b>3,844,349</b>
<b>Financial liabilities measured at fair value</b>				
Derivative financial liabilities	32,355	3,818	-	36,174
Obligations on securities sold under repurchase agreements	-	74,993	-	74,993
Borrowings	-	69,380	-	69,380
	<b>32,355</b>	<b>148,191</b>	<b>-</b>	<b>180,547</b>

# Excluded unquoted securities stated at at cost of RM490,000.

There has been no transfer between level 1 & level 2 during the current year ended 31 March 2018 (31 December 2017: None)



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

**NOTES TO INTERIM FINANCIAL REPORT  
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2018**

	As at 31 March 2018	As at 31 December 2017
	Principal Amount RM'000	Principal Amount RM'000
<b>A30. <u>Commitments and Contingencies and Off-Balance Sheet</u></b>		
<b><u>Financial Instruments</u></b>		
<b>Group</b>		
Obligations under underwriting agreements	3,812	-
Commitments to extend credit with maturity of less than 1 year :-		
- share margin financing	1,585,041	1,662,114
- corporate loan	94,551	6,485
- foreign exchange related contract	56,370	50,111
- equity exchange related contract	201,613	157,823
Commitments to extend credit with maturity of more than 1 year :-		
- corporate loan	52,000	26,000
- equity related contract	1,608	1,460
Client trust in respect of the stockbroking business	783,818	728,134
Derivative financial assets		
- dual currency investment - options	9,820	18,114
- equity related contracts - options	111,697	111,305
- equity related contracts - swaps	75,754	75,772
Derivative financial liabilities		
- dual currency investment - options	9,820	18,114
- equity related contracts - options	591,539	433,635
Capital commitment:		
- Authorised and contracted for	2,830	4,167
	<u>3,580,274</u>	<u>3,293,234</u>

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

**NOTES TO INTERIM FINANCIAL REPORT  
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2018**

	As at 31 March 2018	As at 31 December 2017
	Principal Amount RM'000	Principal Amount RM'000
<b>A30. <u>Commitments and Contingencies and Off-Balance Sheet</u></b>		
<b><u>Financial Instruments (Cont'd)</u></b>		
<b>Bank</b>		
Obligations under underwriting agreements	3,812	-
Commitments to extend credit with maturity of less than 1 year :-		
- share margin financing	1,585,041	1,662,114
- corporate loan	117,551	80,985
- foreign exchange related contract	56,370	50,111
- equity exchange related contract	201,613	157,823
Commitments to extend credit with maturity of more than 1 year :-		
- corporate loan	52,000	56,000
- equity exchange related contract	1,608	1,460
Client trust in respect of the stockbroking business	783,818	728,134
Derivative financial assets		
- dual currency investment - options	9,820	18,114
- equity related contracts - options	111,697	111,305
- equity related contracts - swaps	75,754	75,772
Derivative financial liabilities		
- dual currency investment - options	9,820	18,114
- equity related contracts - options	591,539	433,635
Capital commitment:		
- Authorised and contracted for	2,813	3,943
Investment in equity fund	14,792	13,792
	<u>3,618,049</u>	<u>3,411,302</u>

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

**NOTES TO INTERIM FINANCIAL REPORT  
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2018**

	Group		Bank	
	31 March 2018 RM'000	31 December 2017 RM'000	31 March 2018 RM'000	31 December 2017 RM'000
<b>A31. Operating lease arrangements</b>				
Future minimum rental payable:				
Within one year	8,314	8,291	7,827	7,769
Between one and five years	6,107	6,660	5,963	6,423
	<u>14,421</u>	<u>14,951</u>	<u>13,790</u>	<u>14,192</u>
Future minimum sublease receipts:				
Subsidiaries	-	-	2,727	3,116
External parties	4,851	5,106	4,851	5,106
	<u>4,851</u>	<u>5,106</u>	<u>7,578</u>	<u>8,222</u>

**A32. Capital Adequacy**

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

	Group		Bank	
	31 March 2018 RM'000	31 December 2017 RM'000	31 March 2018 RM'000	31 December 2017 RM'000
<u>CET 1 / Tier 1 capital</u>				
Paid-up share capital	246,175	246,137	246,175	246,137
Retained profits	514,684	520,345	507,317	513,726
Other reserves	128,415	124,984	180,893	174,300
Less: Regulatory adjustments:				
Deferred tax assets	(6,377)	(10,006)	(4,295)	(7,798)
Goodwill	(208,754)	(208,754)	(252,909)	(252,909)
Other intangibles	(57,620)	(57,660)	(52,500)	(52,500)
Regulatory reserve	(30,141)	(25,277)	(30,141)	(25,277)
Deduction in excess of Tier 2*	(68,522)	(58,927)	(148,598)	(130,118)
Total CET 1/Tier 1 capital	<u>517,860</u>	<u>530,842</u>	<u>445,942</u>	<u>465,561</u>
<u>Tier 2 capital</u>				
Subordinated obligations capital	15,000	5,000	15,000	5,000
Impairment provision and regulatory reserves	16,004	13,353	15,265	13,081
Less: Regulatory adjustments applied to Tier 2 capital	-	(14,732)	-	(18,081)
Total Tier 2 capital	<u>31,004</u>	<u>3,621</u>	<u>30,265</u>	<u>-</u>
Total capital	<u>548,864</u>	<u>534,463</u>	<u>476,207</u>	<u>465,561</u>

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

**NOTES TO INTERIM FINANCIAL REPORT  
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2018**

**A32. 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 2018	31 December 2017	31 March 2018	31 December 2017
<b>Before deducting proposed dividend:</b>				
CET 1 capital ratio	25.041%	29.898%	23.517%	28.390%
Tier 1 capital ratio	25.041%	29.898%	23.517%	28.390%
Total capital ratio	26.540%	30.102%	25.113%	28.390%
<b>After deducting proposed dividend:</b>				
CET 1 capital ratio	24.043%	28.677%	22.425%	27.052%
Tier 1 capital ratio	24.043%	28.677%	22.425%	27.052%
Total capital ratio	25.543%	28.881%	24.022%	27.052%

\* 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).

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

	Group 31 March 2018		Group 31 December 2017	
	Notional amount RM'000	Risk-weighted amount RM'000	Notional amount RM'000	Risk-weighted amount RM'000
Credit Risk	4,668,732	1,280,296	4,501,487	1,068,244
Market Risk	-	224,723	-	152,115
Operational Risk	-	556,616	-	548,768
Large exposure risk	-	6,400	-	6,400
<b>Total Risk Weighted Assets</b>	<b>4,668,732</b>	<b>2,068,035</b>	<b>4,501,487</b>	<b>1,775,527</b>
	Bank 31 March 2018		Bank 31 December 2017	
	Notional amount RM'000	Risk-weighted amount RM'000	Notional amount RM'000	Risk-weighted amount RM'000
Credit Risk	4,464,997	1,221,202	4,300,880	1,046,479
Market Risk	-	209,092	-	130,574
Operational Risk	-	459,551	-	456,444
Large exposure risk	-	6,400	-	6,400
<b>Total Risk Weighted Assets</b>	<b>4,464,997</b>	<b>1,896,245</b>	<b>4,300,880</b>	<b>1,639,897</b>

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").

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

**NOTES TO INTERIM FINANCIAL REPORT  
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2018**

**A33. 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 broker 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.

The comparative figures of the Group's segments have been restated to be consistent with the current year's presentation due to allocation of cost which was previously reported under corporate and others segments.

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

**NOTES TO INTERIM FINANCIAL REPORT  
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2018**

**A33. 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
<b>2018</b>								
<b>Revenue</b>								
External sales	69,605	86,269	2,623	1,572	18,933	3,330		182,332
Inter-segment sales	448	105	272	-	469	-	(1,294)	-
<b>Total revenue</b>	<b>70,053</b>	<b>86,374</b>	<b>2,895</b>	<b>1,572</b>	<b>19,402</b>	<b>3,330</b>	<b>(1,294)</b>	<b>182,332</b>
<b>Result</b>								
Net income	14,476	82,605	2,718	1,177	17,511	3,723	(731)	121,479
Other operating expenses	(11,999)	(70,699)	(3,491)	(1,201)	(19,025)	(3,265)	730	(108,950)
Credit loss reversal/(expenses)	192	(60)	-	-	7	-	(159)	(20)
Bad debt recovery	-	-	-	-	-	13,532	-	13,532
Share of results in associates and 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 2018**

**A33. 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
<b>2018 (cont'd.)</b>								
<b>Other information</b>								
Net interest and finance income	19,320	922	524	193	2,108	414	-	23,481
Depreciation and amortisation	1,401	23	9	156	1,774	-	-	3,363
Non cash expenses								
- Unrealised gains on revaluation of financial assets at fair value through profit or loss and derivatives	44,504	-	-	-	-	-	-	44,504
<b>Assets</b>								
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		-	<b>A</b>	4,090
Segment assets	6,337,926	245,798	78,096	101,325	18,272	(197,126)	<b>B</b>	6,584,291
<b>Liabilities</b>								
Segment liabilities	5,383,268	219,900	66,388	69,367	6,409	(67,312)	<b>C</b>	5,678,020

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

**NOTES TO INTERIM FINANCIAL REPORT  
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2018**

**A33. 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
<b>2017</b>								
<b>Revenue</b>								
External sales	62,947	81,229	3,909	2,783	15,305	2,960	-	169,133
Inter-segment sales	1,055	79	400	-	498	-	(2,032)	-
<b>Total revenue</b>	<b>64,002</b>	<b>81,308</b>	<b>4,309</b>	<b>2,783</b>	<b>15,803</b>	<b>2,960</b>	<b>(2,032)</b>	<b>169,133</b>
<b>Result</b>								
Net income	11,958	77,572	4,097	1,688	14,291	5,005	(806)	113,805
Other operating expenses	(11,957)	(66,632)	(3,909)	(1,084)	(16,365)	(4,984)	806	(104,125)
(Allowance for)/Write back of impairment on loans, advances and financing	(218)	(41)	-	-	-	267	(7)	1
Write back of/(Allowance for) impairment on balances due from clients and brokers and other receivables	23	(1,159)	-	-	3	361	-	(772)
Share of results in associates and a joint venture company	-	-	-	-	-	(3,422)	-	(3,422)
Profit/(loss) before taxation and zakat	(194)	9,740	188	604	(2,071)	(2,773)	(7)	5,487
Taxation and zakat								(3,565)
Net profit for the financial period								<u>1,922</u>
<b>Other information</b>								
Net interest and finance income	6,968	11,142	1,631	1,239	186	1,820	-	22,986
Depreciation and amortisation	172	1,267	150	3	124	1,713	-	3,429
Non cash expenses								
- Unrealised (losses)/gains on revaluation of financial assets at fair value through profit or loss and derivatives	(459)	2,735	-	-	-	-	-	2,276



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

**NOTES TO INTERIM FINANCIAL REPORT  
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2018**

**A33. 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
<b>2017 (cont'd.)</b>								
<b>Assets</b>								
Investments in associate companies	-	-	-	-	68,406	-		68,406
Investment in a joint venture company	-	-	-	-	6,516	-		6,516
Addition to non-current assets	8,302	38	176	-	-	-	<b>A</b>	8,516
Segment assets	6,142,648	359,248	59,014	72,911	17,226	(232,013)	<b>B</b>	6,419,034
<b>Liabilities</b>								
Segment liabilities	5,232,339	321,217	26,826	61,238	4,053	(124,993)	<b>C</b>	5,520,680

**Notes**

**A** Additions to non-current assets consist of:

	2018 RM'000	2017 RM'000
Property, plant and equipment		
- Additions during the financial period	4,047	8,514
Intangible assets		
- Additions during the financial period	43	2
	<u>4,090</u>	<u>8,516</u>

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

**NOTES TO INTERIM FINANCIAL REPORT  
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2018**

**A33. Segmental reporting (cont'd.)**

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

	<b>2018</b>	<b>2017</b>
	<b>RM'000</b>	<b>RM'000</b>
Investment in subsidiaries	(81,755)	(67,550)
Investment in associates and joint venture	(7,836)	10,001
Intangible assets	(40,095)	(40,095)
Inter-segment assets	(67,440)	(134,369)
	<u>(197,126)</u>	<u>(232,013)</u>

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

	<b>2018</b>	<b>2017</b>
	<b>RM'000</b>	<b>RM'000</b>
Deposits accepted from subsidiaries	(42,787)	(58,621)
Inter-segment liabilities	(24,525)	(66,372)
	<u>(67,312)</u>	<u>(124,993)</u>

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

**NOTES TO INTERIM FINANCIAL REPORT**  
**FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2018**

**A34. Operations of Islamic Banking**

**(a) Unaudited Statement of Financial Position**  
**As at 31 March 2018**

		<b>Group and Bank</b>	
	<b>Note</b>	<b>As at 31 March 2018 RM '000</b>	<b>As at 31 December 2017 RM '000</b>
<b>ASSETS</b>			
Cash and bank balances	(e)	212,717	532,663
Financial assets at fair value through profit or loss	(f)	260,664	122,501
Financial investment measured at FVOCI	(g)(i)	808,387	-
Financial investment at amortised cost	(g)(ii)	20,084	-
Financial investments available-for-sale	(g)(iii)	-	199,576
Financial investments held-for-maturity	(g)(iv)	-	5,001
Financing and advances	(h)	179,483	172,052
Balances due from clients and brokers		959	7,497
Other assets		3,681	22,788
Property, plant and equipment		113	104
<b>TOTAL ASSETS</b>		<b>1,486,088</b>	<b>1,062,182</b>
<b>LIABILITIES</b>			
Deposits from customers	(i)	1,123,770	819,296
Balances due to clients and brokers		1,289	1,378
Other liabilities	(j)	215,076	97,802
Deferred tax liabilities		89	15
Provision for taxation and zakat		2,737	2,177
<b>TOTAL LIABILITIES</b>		<b>1,342,961</b>	<b>920,668</b>
<b>ISLAMIC BANKING CAPITAL FUNDS</b>			
Islamic banking funds		120,000	120,000
Reserves		23,127	21,514
<b>TOTAL ISLAMIC BANKING CAPITAL FUNDS</b>		<b>143,127</b>	<b>141,514</b>
<b>TOTAL LIABILITIES AND ISLAMIC BANKING CAPITAL FUNDS</b>		<b>1,486,088</b>	<b>1,062,182</b>

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

**NOTES TO INTERIM FINANCIAL REPORT**  
**FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2018**

**A34. Operations of Islamic Banking (Cont'd)**

**(b) Unaudited Statement Of Profit Or Loss And Other Comprehensive Income**  
**For the financial period ended 31 March 2018**

	Group and Bank			
	Individual Quarter		Cumulative Quarter	
	3 months ended 31 March 2018 RM'000	3 months ended 31 March 2017 RM'000	3 months ended 31 March 2018 RM'000	3 months ended 31 March 2017 RM'000
Income derived from investment of depositors' funds	(k) 12,873	4,761	12,873	4,761
Income derived from investment of shareholders' funds	(l) 1,913	1,758	1,913	1,758
Credit loss reversal/(expenses)	167	(27)	167	(27)
Total attributable income	14,953	6,492	14,953	6,492
Profit distributed to depositors	(m) (11,235)	(4,441)	(11,235)	(4,441)
Net income	3,718	2,051	3,718	2,051
Finance cost	(720)	(622)	(720)	(622)
Personnel expenses	(n) (165)	(132)	(165)	(132)
Other overhead expenses	(o) (646)	(538)	(646)	(538)
<b>Profit before taxation and zakat</b>	<b>2,187</b>	<b>759</b>	<b>2,187</b>	<b>759</b>
Taxation and zakat	(560)	(231)	(560)	(231)
<b>Profit for the financial period</b>	<b>1,627</b>	<b>528</b>	<b>1,627</b>	<b>528</b>

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	12,873	4,761	12,873	4,761
Income derived from investment of shareholders' funds	1,913	1,758	1,913	1,758
Total income before impairment allowances and overhead expenses	14,786	6,519	14,786	6,519
Profit distributed to depositors	(11,235)	(4,441)	(11,235)	(4,441)
Finance cost	(720)	(622)	(720)	(622)
<b>Income from Islamic Banking Window operations reported in the statement of profit or loss of the Group and the Bank</b>	<b>2,831</b>	<b>1,456</b>	<b>2,831</b>	<b>1,456</b>

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

**NOTES TO INTERIM FINANCIAL REPORT  
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2018**

**A34. Operations of Islamic Banking (Cont'd)**

**(c) Unaudited Condensed Statements Of Cash Flows  
For the financial period ended 31 March 2018**

	<b>Group and Bank</b>	
	<b>31 March 2018 RM '000</b>	<b>31 March 2017 RM '000</b>
<b>Cash flows from operating activities</b>		
Profit before tax expense and zakat	2,187	759
Adjustments for:		
Depreciation of property, plant and equipment	11	11
(Reversal of)/Allowance for credit loss expense	(167)	27
Realised loss from sale of financial assets of fair value through profit or loss	326	248
Realised (gain)/loss from sale of financial investments measured at FVOCI/ available-for-sale	19	(1)
Unrealised (gain)/loss on revaluation of financial assets at fair value through profit or loss	(107)	33
Operating profit before working capital changes	<u>2,269</u>	<u>1,077</u>
<b>Changes in operating assets:</b>		
Financing and advances	7,431	(3,557)
Balances due from clients and brokers	6,538	-
Other assets	19,075	(765)
<b>Changes in operating liabilities:</b>		
Deposits from customers	304,474	88,502
Balances due to clients and brokers	(89)	390
Other liabilities	102,707	(820)
Net cash generated from operating activities	<u>442,405</u>	<u>84,827</u>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(20)	(247)
Net (purchase)/sale of securities	(762,331)	29,701
Net investing cash flow	<u>(762,351)</u>	<u>29,454</u>
<b>Net change in cash and cash equivalents</b>	(319,946)	114,281
<b>Cash and cash equivalents at beginning of the financial period</b>	<u>532,663</u>	<u>160,638</u>
<b>Cash and cash equivalents at end of the financial period</b>	<u>212,717</u>	<u>274,919</u>

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

**NOTES TO INTERIM FINANCIAL REPORT  
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2018**

**A34. Operations Of Islamic Banking (Cont'd)**

**(d) Statement Of Changes In Islamic Banking Funds  
For the financial period ended 31 March 2018**

**Group and Bank**

	Non-distributable					Distributable	Total RM'000
	Islamic Banking Fund RM'000	Available for-sale (Deficit)/ Reserve RM'000	Regulatory Reserve RM'000	ESOS Reserves RM'000	Capital Reserve * RM'000	Retained Profits RM'000	
<b>At 1 January 2018</b>	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 ESOS	-	-	-	2	-	-	2
Transfer to regulatory reserve	-	-	1,158	-	-	(1,158)	-
<b>At 31 March 2018</b>	<b>120,000</b>	<b>298</b>	<b>3,086</b>	<b>2</b>	<b>5,248</b>	<b>14,493</b>	<b>143,127</b>
<b>At 1 January 2017</b>	120,000	(649)	1,663	-	5,248	8,568	134,830
Profit for the financial period	-	-	-	-	-	528	528
Other comprehensive income for the financial period	-	262	-	-	-	-	262
Transfer to regulatory reserve	-	-	16	-	-	(16)	-
<b>At 31 March 2017</b>	<b>120,000</b>	<b>(387)</b>	<b>1,679</b>	<b>-</b>	<b>5,248</b>	<b>9,080</b>	<b>135,620</b>

\* 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 2018**

**A34. Operations Of Islamic Banking (Cont'd)**

	<b>Group and Bank</b>	
	<b>As at 31 March 2018 RM'000</b>	<b>As at 31 December 2017 RM'000</b>
<b>(e) Cash and short-term funds</b>		
Current account with Bank Negara Malaysia and banks	62,717	3,763
Money at call and deposit placements with:		
Licensed banks	100,000	388,900
Bank Negara Malaysia	50,000	140,000
	<u>212,717</u>	<u>532,663</u>
<b>(f) Financial Assets at fair value through profit or loss</b>		
<b>At Fair Value</b>		
<b>Money Market Instruments:</b>		
Malaysian Government Investment Certificates	60,308	30,065
Structured placement	100,657	-
<b>Unquoted Private Debt Securities in Malaysia:</b>		
Corporate Bills	99,699	92,436
	<u>260,664</u>	<u>122,501</u>
<b>(g) Financial investment other than those measured at FVTPL</b>		
<b>(i) Financial instrument measured at Fair Value Through Other Comprehensive Income ("FVOCI"):</b>		
<b>(a) Money market instruments:</b>		
Malaysian Government Investment Certificates	81,876	-
Negotiable Instruments of Deposits	588,582	-
Sukuk Perumahan Kerajaan	10,061	-
	<u>680,519</u>	<u>-</u>
<b>(b) Debt instruments:</b>		
Corporate Sukuk	127,868	-
<b>Total Financial instrument measured at Fair Value Through Other Comprehensive Income ("FVOCI"):</b>	<u>808,387</u>	<u>-</u>
<b>(ii) Financial instrument at amortised cost:</b>		
<b>Debt instruments:</b>		
Islamic Corporate Sukuk	20,084	-
<b>Total financial instrument at amortised cost:</b>	<u>20,084</u>	<u>-</u>
<b>Total Financial investment other than those measured at FVTPL</b>	<u>828,471</u>	<u>-</u>

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

**NOTES TO INTERIM FINANCIAL REPORT  
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2018**

**A34. Operations Of Islamic Banking (Cont'd)**

	<b>Group and Bank</b>	
	<b>As at 31 March 2018 RM'000</b>	<b>As at 31 December 2017 RM'000</b>
<b>(g) Financial investment other than those measured at FVTPL (cont'd)</b>		
<b>(iii) Financial Investments Available-for-Sale</b>		
<b>At Fair Value</b>		
<b>Money Market Instruments:</b>		
In Malaysia		
Malaysian Government Investment Certificates	-	61,574
Sukuk Perumahan Kerajaan	-	10,076
	<hr/>	<hr/>
	-	71,650
<b>Unquoted Private Debt Securities:</b>		
In Malaysia		
Corporate Sukuk	-	127,926
	<hr/>	<hr/>
	-	199,576
	<hr/>	<hr/>
<b>(iv) Financial Investments Held-to-Maturity</b>		
<b>At Amortised Cost</b>		
<b>Unquoted Islamic Private Debt Securities:</b>		
In Malaysia		
Corporate Sukuk	-	5,001
	<hr/>	<hr/>
	-	5,001
	<hr/>	<hr/>
The maturity structure of above securities are as follows:		
Within one year	<hr/>	<hr/>
	-	5,001
	<hr/>	<hr/>
<b>(v) Impairment losses on financial instruments subject to impairment assessment</b>		

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

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

**Group and Bank**

	<b>2018</b>		
	<b>Stage 1 RM'000</b>	<b>Stage 2 RM'000</b>	<b>Total RM'000</b>
<b><u>Movement in ECLs</u></b>			
As at 1 January 2018	32	-	32
New assets originated or purchased	-	-	-
As at 31 March 2018	<hr/>	<hr/>	<hr/>
	32	-	32
	<hr/>	<hr/>	<hr/>



NOTES TO INTERIM FINANCIAL REPORT  
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2018

A34. Operations Of Islamic Banking (Cont'd)

	Group and Bank	
	As at 31 March 2018 RM'000	As at 31 December 2017 RM'000
<b>(h) Financing and advances</b>		
<b>At Amortised Cost</b>		
Commodity Murabahah share margin financing		
- Shariah contract - others	43	130
Commodity Murabahah revolving credit		
- Shariah contract - others	-	12,653
Commodity Murabahah term financing		
- Shariah contract - others	179,629	159,400
	<u>179,672</u>	<u>172,183</u>
Less: Allowance for ECL	(189)	-
Less: Collective allowance	-	(131)
Net financing and advances	<u>179,483</u>	<u>172,052</u>
<b>(i) Gross financing and advances analysed by type of customer are as follows:</b>		
Domestic business enterprise - others	144,528	136,947
Individuals	35,144	35,236
	<u>179,672</u>	<u>172,183</u>
<b>(ii) Gross financing and advances analysed by geographical distribution are as follows:</b>		
In Malaysia	<u>179,672</u>	<u>172,183</u>
<b>(iii) Gross financing and advances analysed by profit rate sensitivity are as follows:</b>		
Variable rate:		
- Cost plus	179,672	172,183
	<u>179,672</u>	<u>172,183</u>
<b>(v) Gross financing and advances analysed by economic purpose are as follows:</b>		
- Working capital	85,231	12,750
- Purchase of securities	94,441	94,169
- Others	-	65,264
	<u>179,672</u>	<u>172,183</u>
<b>(vi) Gross financing and advances analysed by residual contractual maturity are as follows:</b>		
- Within one year	43	12,750
- More than one year	179,629	159,433
	<u>179,672</u>	<u>172,183</u>

NOTES TO INTERIM FINANCIAL REPORT  
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2018

A34. Operations Of Islamic Banking (Cont'd)

	Group and Bank	
	As at 31 March 2018 RM'000	As at 31 December 2017 RM'000
<b>(i) Deposits from customers</b>		
<b>(i) By type of deposit</b>		
Term deposits		
- Tawarruq (Commodity Murabahah deposits)	1,123,770	819,296
	<u>1,123,770</u>	<u>819,296</u>
<b>(ii) By type of customers</b>		
Domestic non-bank institutions	695,786	422,164
Business enterprises	427,020	396,176
Individuals	964	956
	<u>1,123,770</u>	<u>819,296</u>
<b>(iii) By maturity</b>		
- Due within six months	980,770	776,296
- Due more than six months	143,000	43,000
	<u>1,123,770</u>	<u>819,296</u>
<b>(j) Other liabilities</b>		
Murabahah Specific Investment Account	73,000	55,500
Profit payable	4,246	2,534
Other payable	137,830	39,768
	<u>215,076</u>	<u>97,802</u>
	Group and Bank	
	3 months ended 31 March 2018 RM'000	3 months ended 31 March 2017 RM'000
<b>(k) Income derived from investment of depositors' funds</b>		
<b>Finance income and hibah</b>		
Financing and advances	1,241	1,269
Deposits placements with financial institutions	2,594	1,881
Financial assets at fair value through profit or loss	1,103	201
Financial investment other than those measured at FVTPL	7,552	-
Financial investments available-for-sale	-	1,626
Financial investments held-to-maturity	-	58
Accretion of discount	(166)	(67)
	<u>12,324</u>	<u>4,968</u>

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

**NOTES TO INTERIM FINANCIAL REPORT  
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2018**

**A34. Operations Of Islamic Banking (Cont'd)**

<b>Group and Bank</b>	
<b>3 months ended 31 March 2018 RM'000</b>	<b>3 months ended 31 March 2017 RM'000</b>

**(k) Income derived from investment of depositors' funds (Cont'd)**

**Other operating income**

Net loss on sale of financial assets at fair value through profit or loss	(219)	(281)
Net loss on sale of financial investments other than measured at FVTPL	(19)	-
Net gain on sale of financial investments available-for-sale	-	1
Fees on financing and advances	400	-
Brokerage fee	402	39
Advisory fee	69	69
Placement fee	-	-
Direct trading fees	(84)	(35)
	549	(207)
	12,873	4,761

**(l) Income derived from investment of shareholders' funds**

**Finance income and hibah**

Financing and advances	1,766	1,211
Financial investments available-for-sale	161	697
Accretion of discount	(14)	(150)
	1,913	1,758
	1,913	1,758

**(m) Profit distributed to depositors**

Deposits from customers and financial institutions		
- Murabahah Fund	10,207	3,370
Others	1,028	1,071
	11,235	4,441
	11,235	4,441

**(n) Personnel costs**

- Salaries, wages, allowances and bonus	130	106
- EPF	20	16
- Other staff related expenses	15	10
	165	132
	165	132

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

**NOTES TO INTERIM FINANCIAL REPORT  
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2018**

**A34. Operations Of Islamic Banking (Cont'd)**

	<b>Group and Bank</b>	
	<b>3 months ended 31 March 2018 RM'000</b>	<b>3 months ended 31 March 2017 RM'000</b>
<b>(o) Other overhead expenses:</b>		
<b>Establishment costs</b>		
- Depreciation	11	11
- Office rental	14	-
- Repairs and maintenance	1	-
- Others	1	-
	<u>27</u>	<u>11</u>
<b>Marketing and trading expenses</b>		
- Advertisement and promotions	2	4
- Travelling and entertainment expenses	1	5
	<u>3</u>	<u>9</u>
<b>Administration and general expenses</b>		
- Others	616	518
	<u>646</u>	<u>538</u>

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

**NOTES TO INTERIM FINANCIAL REPORT  
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2018**

**A34. Operations Of Islamic Banking (Cont'd)**

	<b>Group and Bank</b>	
	<b>As at 31 March 2018 RM'000</b>	<b>As at 31 December 2017 RM'000</b>
<b>(p) Capital adequacy</b>		
<b>CET 1 / Tier 1 Capital</b>		
Islamic Banking funds	120,000	120,000
Retained profits	12,867	14,290
Other reserves	8,633	7,224
Less:		
Regulatory reserves	(3,086)	(1,928)
Total CET 1 / Tier 1 capital	<u>138,414</u>	<u>139,586</u>
<b>Tier 2 Capital</b>		
Impairment loss provision	3,339	1,862
Total Tier 2 capital	<u>3,339</u>	<u>1,862</u>
Total capital	<u>141,753</u>	<u>141,448</u>
CET 1 capital ratio	38.326%	74.382%
Tier 1 capital ratio	38.326%	74.382%
Total capital ratio	<u>39.251%</u>	<u>75.374%</u>

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

	<b>Group and Bank</b>			
	<b>As at 31 March 2018</b>		<b>As at 31 December 2017</b>	
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
	<b>Notional amount</b>	<b>Risk-weighted amount</b>	<b>Notional amount</b>	<b>Risk-weighted amount</b>
Credit risk	1,176,225	307,584	809,866	148,960
Market risk	-	34,901	-	19,125
Operational risk	-	18,664	-	19,577
Total Risk Weighted Assets	<u>1,176,225</u>	<u>361,149</u>	<u>809,866</u>	<u>187,662</u>

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

**NOTES TO INTERIM FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2018**

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

**B1. Performance Review**

**Current quarter and financial year-to-date**

**Group:**

	Individual period		Cumulative period	
	3 months ended	3 months ended	3 months ended	3 months ended
	31 March 2018	31 March 2017	31 March 2018	31 March 2017
(RM'000)				
Revenue	182,332	169,133	182,332	169,133
Net income	121,479	113,805	121,479	113,805
Profit before tax	23,582	5,487	23,582	5,487
Profit after tax	15,436	1,922	15,436	1,922

The Group reported a pre-tax profit ("PBT") of RM23.6 million for the period ended 31 March 2018 (1Q18) as compared to RM5.5 million for the period ended 31 March 2017 (1Q17). The increase in PBT was mainly due to bad debt recovery from a court case settlement and higher net brokerage and management fees income generated.

Performance analysis of the Group's major operating segments are as follows:

**Stockbroking:**

	Individual period		Cumulative period	
	3 months ended	3 months ended	3 months ended	3 months ended
	31 March 2018	31 March 2017	31 March 2018	31 March 2017
(RM'000)				
Revenue	86,374	81,308	86,374	81,308
Net income	82,605	77,572	82,605	77,572
Profit before tax	11,846	9,740	11,846	9,740

Stockbroking registered PBT of RM11.8 million in 1Q18 (1Q17: PBT of RM9.7 million) mainly due to higher brokerage income, interest income and trading and investment income.

Net brokerage fee income increased from RM21.6 million to RM23.0 million due to higher trading value on the Bursa Malaysia stock exchange which recorded RM357.7 billion for current quarter compared to RM309.3 billion for corresponding quarter in the previous year.

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

**NOTES TO INTERIM FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2018**

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

**B1. Performance Review (cont'd)**

**Current quarter and financial year-to-date (cont'd)**

Performance analysis of the Group's major operating segments are as follows (cont'd):

**Investment Banking:**

	Individual period		Cumulative period	
	3 months ended	3 months ended	3 months ended	3 months ended
	31 March 2018	31 March 2017	31 March 2018	31 March 2017
(RM'000)				
Revenue	70,053	64,002	70,053	64,002
Net income	14,476	11,958	14,476	11,958
Profit/(Loss) before tax	2,669	(194)	2,669	(194)

Investment Banking registered a higher PBT of RM2.7 million in 1Q18 (1Q17: LBT of RM0.2 million) mainly due to higher interest income and investment banking fees income. The favourable result was negated by lower trading and investment income from treasury activities.

**Investment and Wealth Management:**

	Individual period		Cumulative period	
	3 months ended	3 months ended	3 months ended	3 months ended
	31 March 2018	31 March 2017	31 March 2018	31 March 2017
(RM'000)				
Revenue	19,402	15,803	19,402	15,803
Net income	17,511	14,291	17,511	14,291
Loss before tax	(1,507)	(2,071)	(1,507)	(2,071)

Investment and Wealth Management registered a lower loss before tax ("LBT") of RM1.5 million (1Q17: LBT of RM2.1 million) due to higher management fee income arising from an increase in total Assets under Management ("AUM") from RM8.2 billion to RM8.4 billion.

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

**NOTES TO INTERIM FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2018**

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

**B1. Performance Review (cont'd)**

**Current quarter and financial year-to-date (cont'd)**

Performance analysis of the Group's major operating segments are as follows (cont'd):

**Futures broking:**

	Individual period		Cumulative period	
	3 months ended	3 months ended	3 months ended	3 months ended
	31 March 2018	31 March 2017	31 March 2018	31 March 2017
(RM'000)				
Revenue	2,895	4,309	2,895	4,309
Net income	2,718	4,097	2,718	4,097
(Loss)/Profit before tax	(773)	188	(773)	188

Futures registered LBT of RM0.8 million in 1Q18 compared to PBT of RM0.2 million in 1Q17 mainly due to lower commission income from lower levels of client activities amid the sluggish market conditions, as well as lower interest income earned.

**Money lending and financing:**

	Individual period		Cumulative period	
	3 months ended	3 months ended	3 months ended	3 months ended
	31 March 2018	31 March 2017	31 March 2018	31 March 2017
(RM'000)				
Revenue	1,572	2,783	1,572	2,783
Net income	1,177	1,688	1,177	1,688
Profit before tax	(24)	604	(24)	604

This segment reported LBT of RM24 thousand in 1Q18 compared to PBT of RM0.6 million in 1Q17 mainly due to lower interest income from financing activities as a result of lower loan balances in the current quarter.



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

**NOTES TO INTERIM FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018**

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

**B1. Performance Review (cont'd)**

**Current quarter and financial year-to-date (cont'd)**

Performance analysis of the Group's major operating segments are as follows (cont'd):

**Corporate and others:**

	Individual period		Cumulative period	
	3 months ended	3 months ended	3 months ended	3 months ended
	31 March 2018	31 March 2017	31 March 2018	31 March 2017
(RM'000)				
Revenue	3,330	2,960	3,330	2,960
Net income	3,723	5,005	3,723	5,005
Profit/(Loss) before tax	11,531	(2,773)	11,531	(2,773)

This segment has recorded PBT of RM11.5 mil for 1Q18 due to the bad debt recovered from the net settlement of a court case which amounted to RM13.5 mil.

**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 2018	3 months ended 31 December 2017
(RM'000)		
Revenue	182,332	182,229
Net income	121,479	127,906
Profit before tax	23,582	16,778
Profit after tax	15,436	12,515

For 1Q18, the Group's PBT in current quarter has increased by 41% compared to previous quarter for the period from 1 September 2017 to 31 December 2017 mainly attributed by bad debt recovered in the current quarter as well as higher brokerage and investment management fee income, partially negated by lower trading and investment income and advisory fee income generated.

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

**B3. Prospects for 2018**

Following stronger than expected economic growth in 2017, the growth trend is expected to moderate in 2018. Due to the extended global tech cycle and synchronous global upswing which helped to boost Malaysia's exports and manufacturing, Malaysia's Gross Domestic Product ("GDP") growth has jumped to 5.9% in 2017 (2016: 4.2%). However, we believe that the growth for exports has been overly stretched in 2017 and is set to moderate but remain elevated in the first half of 2018 before slowing down further in the second half of the year. Uncertainties in the global economy, namely the brewing trade war between United States (US) and China, rising oil prices, and the volatile financial markets may weigh on the country's economy. Meanwhile, growth in domestic demand is expected to remain sustainable, partly due to higher spending which is typical during an election year, as well the many ongoing infrastructure projects. Hence, Malaysia's GDP is projected to increase by 5.5% in 2018.

Central banks around the world have initiated discussions to possibly curtail the current monetary stimulus measures against the backdrop of the continued upward momentum in the global economy. In particular, the US Federal Reserve (Fed), with newly appointed Chairman Jerome Powell at the helm, is expected to raise the Fed funds rate around three times this year. While the risks to policy rate change remain skewed to the upside, the Emerging Market and Asian economies are likely to see a more gradual pace of interest rates rising in view of still low inflation and surging currencies on the back of strong export activities in the region. After raising the overnight policy rate (OPR) by 25 bps in January, we believe BNM might find limited room to further tighten its policy rate at this juncture due to weaker inflationary pressure, a strengthening ringgit and receding financial risks. Particularly, the rapid year-to-date appreciation in ringgit of 4.7% could undermine the competitiveness of our export-oriented economy. Coupled with the expectation of slower growth in the latter half of 2018, BNM monetary policy is likely to focus on ensuring sustainable growth. As such, we expect BNM to maintain the overnight policy rate at 3.25% for the remainder of the year.

The performance of the Group is relatively dependent on Bursa Malaysia's trading volume, which in turn is subject to the aforementioned macroeconomic conditions. While Bursa's trading value is currently strong at a daily average of approximately RM4.9 billion, we are cautiously optimistic that the market trading volume will continue to be buoyant for the rest of the year and therefore expect the Group to perform better than in the previous year.

**NOTES TO INTERIM FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2018**

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

**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 period.

**B5. Taxation and zakat**

	<b>Individual Quarter 3 months ended 31 March 2018 RM'000</b>	<b>Cumulative Quarter 3 months ended 31 March 2018 RM'000</b>
Current period - income tax and zakat	(3,712)	(3,712)
Deferred taxation	(4,434)	(4,434)
Total	<u>(8,146)</u>	<u>(8,146)</u>

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**

	<b>Group</b>		<b>Bank</b>	
	<b>As at 31 March 2018 RM '000</b>	<b>As at 31 December 2017 RM '000</b>	<b>As at 31 March 2018 RM '000</b>	<b>As at 31 December 2017 RM '000</b>
<b>Secured</b>				
Revolving bank loan denominated in RM				
- More than one year	92,200	64,000	61,200	64,000
<b>Unsecured</b>				
Revolving bank loans denominated in RM				
- Within one year	15,000	21,000	-	-
Subordinated notes denominated in RM				
- More than one year	15,000	5,000	15,000	5,000
	<u>122,200</u>	<u>90,000</u>	<u>76,200</u>	<u>69,000</u>

**B7. Dividend**

The Board of Directors of the Bank recommend a final dividend of 3.00 sen per share in respect of the financial year ended 31 December 2017 sen to be proposed for shareholders' approval at the forthcoming Annual General Meeting of the Bank.

**B8. Status of Corporate Proposal**

There is no outstanding corporate proposals as at 31 March 2018.

**NOTES TO INTERIM FINANCIAL STATEMENTS  
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2018**

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

**B9. Earnings per share**

	Individual Quarter		Cumulative Quarter	
	3 months ended 31 March 2018 RM'000	3 months ended 31 March 2017 RM'000	3 months ended 31 March 2018 RM'000	3 months ended 31 March 2017 RM'000
Profit for the period/year attributable to equity holders of the bank	15,436	1,890	15,436	1,890
Weighted average number of ordinary shares in issue ('000)	722,561	722,547	722,561	722,547
Effects of dilution	1,260	-	1,260	-
Adjusted weighted average number of ordinary shares in issue ('000)	723,821	-	723,821	-
Earnings per share (sen)				
- basic	2.14	0.26	2.14	0.26
- fully diluted	2.13	0.26	2.13	0.26

There were no potential dilutive ordinary shares outstanding as at 31 December 2017.

**B10. Changes in Material Litigation**

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.

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

**NOTES TO INTERIM FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2018**

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

**B11. Derivative financial instruments**

Derivative financial instruments are as follows:

**Group and Bank**

Items	As at 31 March 2018		As at 31 December 2017	
	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	111,697	75,000	111,305	64,820
Equity related contract- swaps	75,754	4,439	75,772	2,455
Dual currency investment- options	9,820	25	18,114	118
	197,271	79,463	205,191	67,393
<u>Derivative financial liabilities</u>				
Equity related contract- options	591,539	25,356	433,635	36,056
Dual currency investment- options	9,820	36	18,114	118
	601,360	25,392	451,749	36,174

**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 set date during a set 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 exchanged-traded, negotiated between the purchaser and the seller in the over-the-counter market or embedded components in other financial instruments.

**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.

**Gain arising from fair value change of derivative financial instruments**

The gain arising from fair value changes of derivative financial instruments for the current quarter amounted to RM45,450,707 (4Q17 loss: RM16,976,564). 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.