

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

Unaudited Condensed Interim Financial Statements
31 March 2016

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

**UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2016**

<u>Group</u>	Note	As at 31 March 2016 RM'000	As at 31 December 2015 RM'000
ASSETS			
Cash and bank balances		1,260,137	1,327,258
Financial assets held-for-trading	A6	292,306	318,742
Financial investments available-for-sale	A7	1,262,551	1,249,661
Financial investments held-to-maturity	A8	40,004	40,003
Derivative financial assets	A5	2,348	2,910
Loans, advances and financing	A9	1,901,930	1,860,206
Balances due from clients and brokers	A10	412,931	457,327
Other assets	A11	163,295	112,453
Assets segregated for customers		140,281	110,635
Statutory deposit with Bank Negara Malaysia	A12	105,018	120,753
Tax recoverable		4,944	5,349
Investment in an associate		56,638	65,613
Property, plant and equipment		60,432	33,311
Intangible assets		317,368	316,632
Deferred tax assets		5,000	9,091
TOTAL ASSETS		6,025,183	6,029,944
LIABILITIES			
Deposits from customers	A13	2,881,377	3,231,051
Deposits and placements of banks and other financial institutions	A14	776,925	575,159
Obligations on securities sold under repurchase agreements		175,836	95,310
Balances due to clients and brokers		873,627	896,302
Derivative financial liabilities	A5	61,236	72,278
Other liabilities	A15	322,723	235,249
Provision for taxation and zakat		1,134	1,213
TOTAL LIABILITIES		5,092,858	5,106,562
EQUITY			
Share capital		770,000	770,000
Reserves		152,317	143,633
		922,317	913,633
Non-controlling Interests		10,008	9,749
TOTAL EQUITY		932,325	923,382
TOTAL LIABILITIES AND EQUITY		6,025,183	6,029,944
Commitments and contingencies		2,350,604	2,221,199
Net assets per share attributable to equity holder of the Bank (RM)		1.20	1.19

The condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2015.

KENANGA INVESTMENT BANK BERHAD
(15678-H)

UNAUDITED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2016

<u>Bank</u>	Note	As at 31 March 2016 RM'000	As at 31 December 2015 RM'000
ASSETS			
Cash and bank balances		823,930	854,360
Financial assets held-for-trading	A6	292,306	318,742
Financial investments available-for-sale	A7	1,262,551	1,249,661
Financial investments held-to-maturity	A8	40,004	40,003
Derivative financial assets	A5	2,348	2,910
Loans, advances and financing	A9	1,915,133	1,878,665
Balances due from clients and brokers	A10	412,931	457,327
Other assets	A11	152,206	100,147
Statutory deposit with Bank Negara Malaysia	A12	105,018	120,753
Tax recoverable		1,964	2,381
Investment in subsidiaries		59,860	59,860
Investment in an associate		56,235	56,235
Property, plant and equipment		58,836	31,728
Intangible assets		305,409	305,409
Deferred tax assets		3,824	7,758
TOTAL ASSETS		5,492,555	5,485,939
LIABILITIES			
Deposits from customers	A13	2,949,116	3,300,586
Deposits and placements of banks and other financial institutions	A14	776,925	575,159
Obligations on securities sold under repurchase agreements		175,836	95,310
Balances due to clients and brokers		333,205	354,333
Derivative financial liabilities	A5	61,236	72,278
Other liabilities	A15	286,054	196,544
Provision for taxation and zakat		40	176
TOTAL LIABILITIES		4,582,412	4,594,386
EQUITY			
Share capital		770,000	770,000
Reserves		140,143	121,553
TOTAL EQUITY		910,143	891,553
TOTAL LIABILITIES AND EQUITY		5,492,555	5,485,939
Commitments and contingencies		2,385,604	2,251,199
Net assets per share (RM)		1.18	1.16

The condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2015.

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 2016

	Note	Individual Quarter		Cumulative Quarter	
		3 months ended 31 March 2016 RM'000	3 months ended 31 March 2015 RM'000	3 months ended 31 March 2016 RM'000	3 months ended 31 March 2015 RM'000
Group					
Interest income	A16	63,524	54,178	63,524	54,178
Interest expense	A17	(42,785)	(35,030)	(42,785)	(35,030)
Net interest income		20,739	19,148	20,739	19,148
Net income from Islamic banking business	A28	2,682	6,014	2,682	6,014
Other operating income	A18	81,745	76,348	81,745	76,348
Net income		105,166	101,510	105,166	101,510
Other operating expenses	A19	(92,693)	(95,185)	(92,693)	(95,185)
Operating profit		12,473	6,325	12,473	6,325
Write back of impairment on:					
- loans, advances and financing	A20	357	107	357	107
- balances due from clients and brokers and other receivables	A21	1,157	19	1,157	19
		13,987	6,451	13,987	6,451
Share of results in associate		(1,019)	(87)	(1,019)	(87)
Profit before taxation and zakat		12,968	6,364	12,968	6,364
Taxation and zakat		(4,050)	(3,030)	(4,050)	(3,030)
Profit for the period		8,918	3,334	8,918	3,334
Other comprehensive (loss)/income					
Items that may be reclassified subsequently to profit or loss:					
Foreign exchange differences on consolidation		(6,636)	3,459	(6,636)	3,459
Share of other comprehensive (loss)/income in an associate		(1,321)	1,040	(1,321)	1,040
Net gain on fair value changes of financial investments available-for-sale		10,643	4,856	10,643	4,856
Income tax relating to the components of other comprehensive income		(2,661)	(1,214)	(2,661)	(1,214)
Other comprehensive income for the period, net of tax		25	8,141	25	8,141
Total comprehensive income for the period, net of tax		8,943	11,475	8,943	11,475

**KENANGA INVESTMENT BANK BERHAD
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CONDENSED INTERIM FINANCIAL STATEMENTS

**UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2016**

	Note	Individual Quarter		Cumulative Quarter	
		3 months ended 31 March 2016 RM'000	3 months ended 31 March 2015 RM'000	3 months ended 31 March 2016 RM'000	3 months ended 31 March 2015 RM'000
Profit for the period					
Attributable to:					
Equity holder of the Bank		8,658	3,142	8,658	3,142
Non-controlling interests		260	192	260	192
		<u>8,918</u>	<u>3,334</u>	<u>8,918</u>	<u>3,334</u>
Earnings per share					
Basic (sen)	A26	1.12	0.41	1.12	0.41
Fully diluted (sen)	A26	1.12	0.41	1.12	0.41

The condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2015.

KENANGA INVESTMENT BANK BERHAD
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CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2016

	Note	Individual Quarter		Cumulative Quarter	
		3 months ended 31 March 2016 RM'000	3 months ended 31 March 2015 RM'000	3 months ended 31 March 2016 RM'000	3 months ended 31 March 2015 RM'000
Bank					
Interest income	A16	59,722	51,012	59,722	51,012
Interest expense	A17	(41,530)	(33,949)	(41,530)	(33,949)
Net interest income		18,192	17,063	18,192	17,063
Net income from Islamic banking business	A28	2,682	6,014	2,682	6,014
Other operating income	A18	69,267	65,645	69,267	65,645
Net income		90,141	88,722	90,141	88,722
Other operating expenses	A19	(77,517)	(81,328)	(77,517)	(81,328)
Operating profit		12,624	7,394	12,624	7,394
Write back of impairment on:					
- loans, advances and financing	A20	357	107	357	107
- balances due from clients and brokers and other receivables	A21	1,157	19	1,157	19
Profit before taxation and zakat		14,138	7,520	14,138	7,520
Taxation and zakat		(3,530)	(2,412)	(3,530)	(2,412)
Profit for the period		10,608	5,108	10,608	5,108
Other comprehensive income					
Items that may be reclassified subsequently to profit or loss:					
Net gain on fair value changes of financial investments available-for-sale		10,643	4,856	10,643	4,856
Income tax relating to the components of other comprehensive income		(2,661)	(1,214)	(2,661)	(1,214)
Other comprehensive income for the period, net of tax		7,982	3,642	7,982	3,642
Total comprehensive income for the period, net of tax		18,590	8,750	18,590	8,750

The condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2015.

**KENANGA INVESTMENT BANK BERHAD
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**UNAUDITED CONDENSED STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2016**

	Group		Bank	
	31 March 2016 RM'000	31 March 2015 RM'000	31 March 2016 RM'000	31 March 2015 RM'000
Cash flows from operating activities				
Profit before taxation	12,968	6,364	14,138	7,520
Adjustments for non-operating and non-cash items	(19,244)	(10,877)	(20,672)	(11,241)
Operating loss before working capital changes	(6,276)	(4,513)	(6,534)	(3,721)
Changes in working capital:				
Net changes in operating assets	(45,185)	(833,789)	(24,171)	(854,884)
Net changes in operating liabilities	(568)	556,426	571	578,590
Cash used in operations	(52,029)	(281,876)	(30,134)	(280,015)
Tax paid	(1,718)	(3,899)	(1,699)	(1,948)
Net operating cash flow	(53,747)	(285,775)	(31,833)	(281,963)
Cash flows from investing activities				
Dividends received	349	835	349	835
Purchase of property, plant and equipment	(28,317)	(1,286)	(28,143)	(990)
Proceeds from disposal of intangible assets	-	1,365	-	-
Purchase of intangible assets	(986)	-	-	-
Proceeds from disposal of property, plant and equipment	-	17,916	-	17,856
Sales of financial investments - net	31,284	489,905	31,284	489,905
Net investing cash flow	2,330	508,735	3,490	507,606
Net change in cash and cash equivalents	(51,417)	222,960	(28,343)	225,643
Cash and cash equivalents at beginning of the period	953,680	490,396	790,157	475,455
Cash and cash equivalents at end of the period	902,263	713,356	761,814	701,098
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 the following amounts in the statements of financial position:				
Cash and short-term funds	1,260,137	1,107,018	823,930	769,259
Less: Segregated funds from customers	(295,758)	(325,501)	-	-
Less: Cash and bank balances and deposits held in trust	(62,116)	(68,161)	(62,116)	(68,161)
	902,263	713,356	761,814	701,098

The condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2015.

**KENANGA INVESTMENT BANK BERHAD
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**UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2016**

Group	Ordinary Shares RM'000	Share Premium RM'000	Statutory Reserve RM'000	Non- Distributable			Distributable	Non- Controlling Interests RM'000	Total Equity RM'000
				Available-For-Sale Reserve RM'000	Regulatory reserve RM'000	Exchange Reserve RM'000	Accumulated Losses RM'000		
At 1 January 2016	770,000	65,500	94,623	(19,553)	22,111	21,773	(40,821)	9,749	923,382
Net profit for the period	-	-	-	-	-	-	8,658	260	8,918
Share of associate's other comprehensive loss	-	-	-	(1,321)	-	-	-	-	(1,321)
Other comprehensive income/(loss)	-	-	-	7,982	-	(6,636)	-	-	1,346
Total comprehensive income/(loss)	-	-	-	6,661	-	(6,636)	8,658	260	8,943
Transfer to regulatory reserve	-	-	-	-	331	-	(331)	-	-
At 31 March 2016	770,000	65,500	94,623	(12,892)	22,442	15,137	(32,494)	10,009	932,325

The condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2015.

**KENANGA INVESTMENT BANK BERHAD
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**UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2016**

Group	Ordinary Shares RM'000	Non- Distributable			Exchange Reserve RM'000	Distributable	Non- Controlling Interests RM'000	Total Equity RM'000
		Share Premium RM'000	Statutory Reserve RM'000	Available-For-Sale Reserve RM'000		Accumulated Losses RM'000		
At 1 January 2015	770,000	65,500	88,815	(8,276)	7,662	(22,950)	8,592	909,343
Net profit for the period	-	-	-	-	-	3,142	192	3,334
Share of associate's other comprehensive income	-	-	-	1,040	-	-	-	1,040
Other comprehensive income	-	-	-	3,642	3,459	-	-	7,101
Total comprehensive income	-	-	-	4,682	3,459	3,142	192	11,475
At 31 March 2015	770,000	65,500	88,815	(3,594)	11,121	(19,808)	8,784	920,818

The condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2015.

**KENANGA INVESTMENT BANK BERHAD
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**UNAUDITED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2016**

Bank	Ordinary Shares RM'000	Non- Distributable			Available-For-Sale Reserve RM'000	Distributable	Total Equity RM'000
		Share Premium RM'000	Regulatory reserve RM'000	Statutory Reserve RM'000		Accumulated Losses RM'000	
At 1 January 2016	770,000	65,500	22,111	94,623	(12,786)	(47,895)	891,553
Net profit for the period	-	-	-	-	-	10,608	10,608
Other comprehensive income	-	-	-	-	7,982	-	7,982
Total comprehensive income	-	-	-	-	7,982	10,608	18,590
Transfer to regulatory reserve	-	-	331	-	-	(331)	-
At 31 March 2016	770,000	65,500	22,442	94,623	(4,804)	(37,618)	910,143

The condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2015.

**KENANGA INVESTMENT BANK BERHAD
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**UNAUDITED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2016**

Bank	Ordinary Shares RM'000	Non- Distributable			Distributable	Total Equity RM'000
		Share premium RM'000	Statutory Reserve RM'000	Available-For-Sale Reserve RM'000	Accumulated Losses RM'000	
At 1 January 2015	770,000	65,500	88,815	(9,665)	(31,592)	883,058
Net profit for the period	-	-	-	-	5,108	5,108
Other comprehensive income	-	-	-	3,642	-	3,642
Total comprehensive income	-	-	-	3,642	5,108	8,750
At 31 March 2015	770,000	65,500	88,815	(6,023)	(26,484)	891,808

The condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2015.

KENANGA INVESTMENT BANK BERHAD
(15678-H)

A1. Basis Of Preparation

These quarterly interim financial statements, for the financial period ended 31 March 2016, have been prepared in accordance with MFRS 134 Interim Financial Reporting.

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 2015.

These quarterly interim financial statements incorporated those activities relating to the Islamic banking business which have been undertaken by the Group.

A2. Auditors' report on Preceding Annual Financial Statements

The preceding financial year audit report in respect of the financial year ended 31 December 2015 was not qualified by the external auditors.

A3. Performance Review

The Group reported a pretax profit of RM13.0 million for the period ended 31 March 2016 ("1Q16") as compared to pretax profit of RM6.4 million for the period ended 31 March 2015 ("1Q15"). The increase in pretax profit ("PBT") was largely due to higher trading and investment income negated by lower brokerage income and the larger share of the associate's losses.

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

Stockbroking:

Stockbroking registered PBT of RM9.8 million (1Q15: PBT of RM5.6 million) mainly due to higher trading and investment income from index and equity derivatives activities of RM13.4 million negated by lower brokerage fee income.

The decline in brokerage fee income arose from lower trading value on the Bursa Malaysia stock exchange which recorded RM248.3 billion for 1Q16 compared to RM256.9 billion in the corresponding period of 2015.

Investment Banking:

Investment Banking registered a lower PBT of RM6.1 million in 1Q16 (1Q15: PBT of RM8.2 million) mainly due to lower net interest income generated as a result of higher funding cost in 1Q16.

Investment Management:

Investment management registered a lower loss before tax ("LBT") of RM1.6 million (1Q15: LBT of RM2.1 million) as a result of higher management fee income contributed from retail channel in 1Q16.

**KENANGA INVESTMENT BANK BERHAD
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A3. Performance Review (Cont'd)

Futures:

Futures segment performance has improved and delivered a PBT of RM1.3 million in 1Q16 as compared to RM1.1 million in 1Q15 mainly due to higher interest income earned.

A4. Prospects for 2016

The global economy may see some improvement following the outcome of various measures by both developed and developing countries to prop up growth in their respective countries. Positive factors such as less aggressive interest rate hike in US, improved Brent Crude Oil prices as well as improved foreign funds inflow and domestic liquidity resulted in Ringgit strengthening against US Dollar. These factors are also expected to partly contribute to recovery in the domestic economy beginning in second half of 2016 or early 2017. For the whole of 2016, Malaysia's GDP growth is projected to moderate further to 4.5% from the 5.0% recorded in 2015.

Amid the challenging economic outlook and competitive industry landscape, the Group will continue to adjust and respond accordingly to market conditions. The Group will continue to implement its business plans, including strategic alliances with foreign partners to diversify its sources of revenue and it is also reviewing its overhead costs for cost saving opportunities.

**KENANGA INVESTMENT BANK BERHAD
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A5. Derivative financial instruments

Derivative financial instruments are as follows:

Group and Bank

Items	As at 31 March 2016		As at 31 December 2015	
	Contract/Notional Value RM'000	Fair Value RM'000	Contract/Notional Value RM'000	Fair Value RM'000
<u>Derivatives financial assets</u>				
Equity related options	13,024	2,345	13,762	2,908
Dual currency investment options	679	3	1,588	2
	13,703	2,348	15,350	2,910
<u>Derivatives financial liabilities</u>				
Equity related options	488,420	61,233	1,042,190	72,276
Dual currency investment options	679	3	1,588	2
	489,099	61,236	1,043,778	72,278

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 previous financial year in respect of the type of derivative financial instruments, the rationale and expected benefits accruing to the Group from these derivative financial instruments.

Loss arising from fair value change of derivative financial instruments

The loss arising from fair value changes of derivative financial instruments for the current quarter amounted to RM11,602,000. This is arrived at based on the fluctuation in the market prices of the derivative financial instruments or underlying assets which are listed on Bursa Malaysia.

KENANGA INVESTMENT BANK BERHAD
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NOTES TO INTERIM FINANCIAL REPORT
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2016

	Group		Bank	
	As at 31 March 2016 RM'000	As at 31 December 2015 RM'000	As at 31 March 2016 RM'000	As at 31 December 2015 RM'000
A6. Financial Assets Held-For-Trading				
At Fair Value				
Money Market Instruments:				
Malaysian Government Securities	30,153	-	30,153	-
Malaysian Government Investment Certificates	50,658	57,373	50,658	57,373
	<u>80,811</u>	<u>57,373</u>	<u>80,811</u>	<u>57,373</u>
Unquoted securities:				
Corporate Bonds	53,865	-	53,865	-
Islamic Corporate Bonds	10,059	49,889	10,059	49,889
	<u>63,924</u>	<u>49,889</u>	<u>63,924</u>	<u>49,889</u>
Quoted securities:				
Shares and Unit Trusts in Malaysia	147,571	211,480	147,571	211,480
	<u>147,571</u>	<u>211,480</u>	<u>147,571</u>	<u>211,480</u>
Total Financial Assets Held-for-Trading	<u>292,306</u>	<u>318,742</u>	<u>292,306</u>	<u>318,742</u>
A7. Financial Investments Available-for-Sale				
At Fair Value, or amortised cost				
Money Market Instruments:				
Islamic Negotiable Instruments	119,755	-	119,755	-
Malaysian Government Securities	29,666	131,390	29,666	131,390
Malaysian Government Investment Certificates	289,844	244,556	289,844	244,556
Bank Negara Malaysia Bills and Notes	-	39,706	-	39,706
Sukuk Perumahan Kerajaan	10,077	9,996	10,077	9,996
	<u>449,342</u>	<u>425,648</u>	<u>449,342</u>	<u>425,648</u>
Unquoted securities:				
Shares in Malaysia	490	490	490	490
	<u>490</u>	<u>490</u>	<u>490</u>	<u>490</u>
Unquoted private debt securities:				
Islamic Corporate Bonds	557,980	120,050	557,980	120,050
Corporate Bonds	204,753	653,717	204,753	653,717
Islamic Corporate Bills	24,993	24,878	24,993	24,878
Corporate Bills	24,993	24,878	24,993	24,878
	<u>812,719</u>	<u>823,523</u>	<u>812,719</u>	<u>823,523</u>
Total Financial Investments Available-for-Sale	<u>1,262,551</u>	<u>1,249,661</u>	<u>1,262,551</u>	<u>1,249,661</u>
A8. Financial Investments Held-To-Maturity				
At Amortised Cost				
Unquoted private debt securities:				
Islamic Corporate Bonds	5,002	5,001	5,002	5,001
Corporate Bonds	35,002	35,002	35,002	35,002
	<u>40,004</u>	<u>40,003</u>	<u>40,004</u>	<u>40,003</u>

KENANGA INVESTMENT BANK BERHAD
(15678-H)

NOTES TO INTERIM FINANCIAL REPORT
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2016

	Group		Bank	
	As at 31 March 2016 RM'000	As at 31 December 2015 RM'000	As at 31 March 2016 RM'000	As at 31 December 2015 RM'000
A9. Loans, Advances and Financing				
At Amortised Cost				
(i) By Type				
Share margin financing	1,399,273	1,399,394	1,399,273	1,399,394
Term loans	504,645	462,645	504,645	462,645
Subordinated term loan	-	-	13,203	18,459
Gross loans, advances and financing	1,903,918	1,862,039	1,917,121	1,880,498
Allowance for impairment:				
- collective allowance	(547)	(438)	(547)	(438)
- individual allowance	(1,441)	(1,395)	(1,441)	(1,395)
Net Loans, Advances and Financing	1,901,930	1,860,206	1,915,133	1,878,665
(ii) By Type of Customer				
Domestic business enterprise				
- Others	843,384	827,279	856,587	845,738
Individual	1,027,766	1,002,638	1,027,766	1,002,638
Foreign enterprises	32,768	32,122	32,768	32,122
Gross Loans, Advances and Financing	1,903,918	1,862,039	1,917,121	1,880,498
(iii) By Geographical Distribution				
In Malaysia	1,868,777	1,829,007	1,881,980	1,847,466
Outside Malaysia	35,141	33,032	35,141	33,032
Gross Loans, Advances and Financing	1,903,918	1,862,039	1,917,121	1,880,498
(iv) By Interest Rate/ Profit Rate Sensitivity				
Fixed rate				
- Other fixed rate loans	1,411,324	1,411,444	1,411,324	1,411,444
Variable rate				
- Cost plus and other variable rates	492,594	450,595	505,797	469,054
Gross Loans, Advances and Financing	1,903,918	1,862,039	1,917,121	1,880,498
(v) By Purpose				
- Purchase of securities	1,599,452	1,598,275	1,599,452	1,598,275
- Working capital	184,684	136,651	197,887	155,110
- Others	119,782	127,113	119,782	127,113
Gross Loans, Advances and Financing	1,903,918	1,862,039	1,917,121	1,880,498
(vi) By Residual Contractual Maturity				
- Within one year	1,401,306	1,681,793	1,401,510	1,681,793
- More than one year	502,612	180,246	515,611	198,705
Gross Loans, Advances and Financing	1,903,918	1,862,039	1,917,121	1,880,498

KENANGA INVESTMENT BANK BERHAD
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NOTES TO INTERIM FINANCIAL REPORT
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2016

	Group		Bank	
	As at 31 March 2016 RM'000	As at 31 December 2015 RM'000	As at 31 March 2016 RM'000	As at 31 December 2015 RM'000
A9. Loans, Advances and Financing (Cont'd)				
(vii) Movements in impaired loans, advances and financing ("Impaired loans")				
At beginning of the period/year	1,954	2,786	1,954	2,786
Impaired during the period/year	45	173	45	173
Amount recovered	-	(1,005)	-	(1,005)
At end of the period/year	1,999	1,954	1,999	1,954
Less: Individual allowance	(1,441)	(1,395)	(1,441)	(1,395)
Net impaired loans	558	559	558	559
Net impaired loans as a % of gross loans, advances and financing less individual allowance	0.03%	0.03%	0.03%	0.03%
(viii) Impaired loans by Geographical Distribution				
Malaysia	1,999	1,954	1,999	1,954
Gross impaired loans	1,999	1,954	1,999	1,954
(ix) Impaired loans by Purpose				
Purchase of securities	1,999	1,954	1,999	1,954
Gross impaired loans	1,999	1,954	1,999	1,954
(x) Movements in impairment allowance for loans, advances and financing				
<u>Collective allowance</u>				
At beginning of period/year	439	415	439	415
Allowance made during the period/year	116	79	116	79
Amount reversed	(8)	(56)	(8)	(56)
At end of the period/year	547	438	547	438
As a % of gross loans, advances and financing less individual allowance	0.03%	0.02%	0.03%	0.02%
<u>Individual allowance</u>				
At beginning of period/year	1,395	1,725	1,395	1,725
Allowance made during the period/year	45	259	45	259
Amount reversed	-	(589)	-	(589)
At end of the period/year	1,440	1,395	1,440	1,395

KENANGA INVESTMENT BANK BERHAD
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NOTES TO INTERIM FINANCIAL REPORT
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2016

	Group		Bank	
	As at 31 March 2016 RM'000	As at 31 December 2015 RM'000	As at 31 March 2016 RM'000	As at 31 December 2015 RM'000
A10. Balances due from clients and brokers				
Balances due from clients and brokers	429,716	474,558	429,716	474,558
Less:				
Allowance for impairment	(16,785)	(17,231)	(16,785)	(17,231)
	412,931	457,327	412,931	457,327
Movements of allowance impairment for:				
<u>Individual Impairment</u>				
At beginning of the period/year	17,231	24,815	17,231	24,815
Allowance made during the period/year	369	7,763	369	7,763
Reversal of allowance	(815)	(6,574)	(815)	(6,574)
Amount written off	-	(8,773)	-	(8,773)
At end of the period/year	16,785	17,231	16,785	17,231
A11. Other Assets				
Other receivables, deposits and prepayments, net of allowance for impairment	62,250	102,836	50,838	89,257
Treasury trade receivables	100,864	9,585	100,864	9,585
Amount due from subsidiaries	-	-	338	1,288
Amount due from related parties	181	32	166	17
	163,295	112,453	152,206	100,147
A12. Statutory deposit with Bank Negara Malaysia				
Statutory Deposit	105,018	120,753	105,018	120,753

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, the amount is determined as a set percentage of net eligible liabilities.

KENANGA INVESTMENT BANK BERHAD
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NOTES TO INTERIM FINANCIAL REPORT
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2016

	Group		Bank	
	As at 31 March 2016 RM'000	As at 31 December 2015 RM'000	As at 31 March 2016 RM'000	As at 31 December 2015 RM'000
A13. Deposits from customers				
(i) By type of deposit				
Short term deposits	2,340,987	2,895,926	2,408,726	2,965,123
Fixed deposits	540,390	327,501	540,390	327,501
Negotiable instruments of deposit	-	7,624	-	7,962
	2,881,377	3,231,051	2,949,116	3,300,586
(ii) By type of customer				
Government and other statutory bodies	398,705	262,791	398,705	262,791
Individual	108,626	77,320	108,626	77,320
Business enterprises	661,555	680,073	681,555	700,073
Non-bank financial institution	1,660,496	2,208,881	1,660,496	2,208,881
Others	51,995	1,986	99,734	51,521
	2,881,377	3,231,051	2,949,116	3,300,586
(iii) By maturity structure				
Due within six months	2,632,014	3,215,101	2,699,753	3,284,636
More than six months to one year	249,363	15,950	249,363	15,950
	2,881,377	3,231,051	2,949,116	3,300,586
A14. Deposits and placements of banks and financial institutions				
Licenced banks	360,000	140,000	360,000	140,000
Others financial institutions	416,925	435,159	416,925	435,159
	776,925	575,159	776,925	575,159
A15. Other liabilities				
Other payables, accruals and provisions	118,887	121,227	82,218	82,522
Treasury trade payables	134,472	49,818	134,472	49,818
Amounts held in trust	69,364	64,204	69,364	64,204
	322,723	235,249	286,054	196,544

**KENANGA INVESTMENT BANK BERHAD
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**NOTES TO INTERIM FINANCIAL REPORT
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2016**

	Individual Quarter		Cumulative Quarter	
	3 months ended	3 months ended	3 months ended	3 months ended
	31 March	31 March	31 March	31 March
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000

A16. Interest Income

Group

Loans, advances and financing	33,323	29,995	33,323	29,995
Money at call and deposit placements with financial institutions	12,923	6,691	12,923	6,691
Financial assets held-for-trading	380	1,716	380	1,716
Financial investments available-for-sale	14,353	10,880	14,353	10,880
Financial investments held to maturity	554	121	554	121
Others	1,991	4,775	1,991	4,775
	63,524	54,178	63,524	54,178

Bank

Loans, advances and financing	33,587	30,255	33,587	30,255
Money at call and deposit placements with financial institutions	8,857	3,264	8,857	3,264
Financial assets held-for-trading	380	1,716	380	1,716
Financial investments available-for-sale	14,353	10,880	14,353	10,880
Financial investments held to maturity	554	121	554	121
Others	1,991	4,776	1,991	4,776
	59,722	51,012	59,722	51,012

A17. Interest Expense

Group

Deposits from customers	40,367	34,326	40,367	34,326
Deposits and placement of banks and other financial institutions	2,418	704	2,418	704
	42,785	35,030	42,785	35,030

Bank

Deposits from customers	39,112	33,245	39,112	33,245
Deposits and placement of banks and other financial institutions	2,418	704	2,418	704
	41,530	33,949	41,530	33,949

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**NOTES TO INTERIM FINANCIAL REPORT
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2016**

	Individual Quarter		Cumulative Quarter	
	3 months ended 31 March 2016 RM'000	3 months ended 31 March 2015 RM'000	3 months ended 31 March 2016 RM'000	3 months ended 31 March 2015 RM'000
A18. Other Operating Income				
Group				
(a) Fee income:				
Brokerage income	40,539	46,111	40,539	46,111
Corporate advisory fee	2,877	2,381	2,877	2,381
Loans, advances and financing	583	1,917	583	1,917
Management fees	8,853	7,352	8,853	7,352
Placement fees	2,007	898	2,007	898
Underwriting fees	-	218	-	218
Other fee income	6,210	5,958	6,210	5,958
	<u>61,069</u>	<u>64,835</u>	<u>61,069</u>	<u>64,835</u>
(b) Net gain arising from sale/ redemption of:				
Financial assets held-for-trading and derivatives	34,537	10,859	34,537	10,859
Financial investments available- for-sale	4,923	723	4,923	723
	<u>39,460</u>	<u>11,582</u>	<u>39,460</u>	<u>11,582</u>
(c) Gross dividend from:				
Financial assets held-for-trading and financial investments available-for-sale	349	835	349	835
	<u>349</u>	<u>835</u>	<u>349</u>	<u>835</u>
(d) Unrealised loss on revaluation of financial assets held-for-trading and derivatives	(21,385)	(3,329)	(21,385)	(3,329)
	<u>(21,385)</u>	<u>(3,329)</u>	<u>(21,385)</u>	<u>(3,329)</u>
(e) Other income:				
Net foreign exchange income	1,005	990	1,005	990
Other operating income	94	317	94	317
Other non-operating income				
-Rental income	812	883	812	883
-Others	341	235	341	235
	<u>2,252</u>	<u>2,425</u>	<u>2,252</u>	<u>2,425</u>
Total other operating income	<u>81,745</u>	<u>76,348</u>	<u>81,745</u>	<u>76,348</u>

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

**NOTES TO INTERIM FINANCIAL REPORT
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2016**

	<u>Individual Quarter</u>		<u>Cumulative Quarter</u>	
	3 months ended 31 March 2016	3 months ended 31 March 2015	3 months ended 31 March 2016	3 months ended 31 March 2015
	RM'000	RM'000	RM'000	RM'000
A18. Other Operating Income (Cont'd)				
Bank				
(a) Fee income:				
Brokerage income	40,539	46,111	40,539	46,111
Corporate advisory fee	2,877	2,381	2,877	2,381
Loans, advances and financing	606	1,917	606	1,917
Management fees	102	262	102	262
Placement fees	2,007	898	2,007	898
Underwriting fees	-	218	-	218
Other fee income	2,013	2,072	2,013	2,072
	<u>48,144</u>	<u>53,859</u>	<u>48,144</u>	<u>53,859</u>
(b) Net gain arising from sale/ redemption of:				
Financial assets held-for-trading and derivatives	34,537	10,859	34,537	10,859
Financial investments available- for-sale	4,923	723	4,923	723
	<u>39,460</u>	<u>11,582</u>	<u>39,460</u>	<u>11,582</u>
(c) Gross dividend from:				
Financial assets held-for-trading and financial investments available-for-sale	349	835	349	835
	<u>349</u>	<u>835</u>	<u>349</u>	<u>835</u>
(d) Unrealised loss on revaluation of financial assets held-for-trading and derivatives	(21,385)	(3,329)	(21,385)	(3,329)
(e) Other income:				
Net foreign exchange income	1,030	974	1,030	974
Other operating income	141	318	141	318
Other non-operating income				
-Rental income	1,133	1,205	1,133	1,205
-Others	395	201	395	201
	<u>2,699</u>	<u>2,698</u>	<u>2,699</u>	<u>2,698</u>
Total other operating income	<u>69,267</u>	<u>65,645</u>	<u>69,267</u>	<u>65,645</u>

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

**NOTES TO INTERIM FINANCIAL REPORT
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2016**

	<u>Individual Quarter</u>		<u>Cumulative Quarter</u>	
	3 months ended 31 March 2016	3 months ended 31 March 2015	3 months ended 31 March 2016	3 months ended 31 March 2015
	RM'000	RM'000	RM'000	RM'000
A19. Other operating expenses				
Group				
Personnel costs	37,179	41,396	37,179	41,396
- Salaries, allowances and bonuses	24,425	25,246	24,425	25,246
- EPF	3,081	3,233	3,081	3,233
- Others	9,673	12,917	9,673	12,917
Establishment costs	14,254	11,680	14,254	11,680
- Depreciation	2,817	2,331	2,817	2,331
- Amortisation of intangible assets - software	248	9	248	9
- Rental of premises	5,898	5,865	5,898	5,865
- Repairs and maintenance of property, plant and equipment	523	467	523	467
- Information technology expenses	3,369	2,113	3,369	2,113
- Others	1,399	895	1,399	895
Marketing expenses	2,855	2,972	2,855	2,972
- Advertisement and publicity	2,060	1,636	2,060	1,636
- Others	795	1,336	795	1,336
Administration and general expenses	38,405	39,137	38,405	39,137
- Communication expenses	1,553	1,746	1,553	1,746
- Legal and professional fees	57	1,991	57	1,991
- Regulatory charges	6,159	5,616	6,159	5,616
- Others	30,636	29,784	30,636	29,784
	92,693	95,185	92,693	95,185

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**NOTES TO INTERIM FINANCIAL REPORT
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2016**

	Individual Quarter		Cumulative Quarter	
	3 months ended 31 March 2016 RM'000	3 months ended 31 March 2015 RM'000	3 months ended 31 March 2016 RM'000	3 months ended 31 March 2015 RM'000
A19. Other operating expenses (Cont'd)				
Bank				
Personnel costs	31,430	35,234	31,430	35,234
- Salaries, allowances and bonuses	20,714	21,425	20,714	21,425
- EPF	2,623	2,738	2,623	2,738
- Others	8,093	11,071	8,093	11,071
Establishment costs	12,948	11,131	12,948	11,131
- Depreciation	2,654	2,063	2,654	2,063
- Rental of premises	5,801	5,794	5,801	5,794
- Repairs and maintenance of property, plant and equipment	345	327	345	327
- Information technology expenses	3,366	2,107	3,366	2,107
- Others	782	840	782	840
Marketing expenses	1,450	1,910	1,450	1,910
- Advertisement and publicity	871	713	871	713
- Others	579	1,197	579	1,197
Administration and general expenses	31,689	33,053	31,689	33,053
- Communication expenses	1,419	1,592	1,419	1,592
- Legal and professional fees	26	1,791	26	1,791
- Regulatory charges	5,326	4,744	5,326	4,744
- Others	24,918	24,926	24,918	24,926
	77,517	81,328	77,517	81,328

**A20. Write back of/(allowance for) impairment
on loans, advances and financing**

Group and Bank

Impairment:

- collective allowance (net)	(108)	(17)	(108)	(17)
- individual allowance (net)	(46)	72	(46)	72
	(154)	55	(154)	55
Bad debts:				
- recovered	511	52	511	52
	357	107	357	107

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**NOTES TO INTERIM FINANCIAL REPORT
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2016**

<u>Individual Quarter</u>		<u>Cumulative Quarter</u>	
3 months ended	3 months ended	3 months ended	3 months ended
31 March 2016	31 March 2015	31 March 2016	31 March 2015
RM'000	RM'000	RM'000	RM'000

A21. (Allowance for)/ write back of impairment on balances due from clients and brokers and other receivables

Group and Bank

Impairment:

- individual allowance	(760)	(2,471)	(760)	(2,471)
- individual allowance reversal	1,887	2,487	1,887	2,487
- individual allowance (net)	1,127	16	1,127	16

Bad debts:

- recovered	30	3	30	3
	1,157	19	1,157	19

**NOTES TO INTERIM FINANCIAL REPORT
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A22. 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 as 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.

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**NOTES TO INTERIM FINANCIAL REPORT
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2016**

A22. Fair value of financial instruments (cont'd.)

Group

31 March 2016

	Level 1	Level 2	Level 3	Total
	RM'000	RM'000	RM'000	RM'000
Financial assets measured at fair value				
Financial assets held-for trading				
- Debt securities	-	144,735	-	144,735
- Equity securities and unit trusts	136,855	10,716	-	147,571
Financial investments available-for-sale #				
- Debt securities	-	1,142,306	-	1,142,306
- Negotiable Instruments of Deposit	-	119,755	-	119,755
Derivative financial assets	-	2,348	-	2,348
Financial assets for which fair values are disclosed				
Financial investments held-to-maturity	-	40,122	-	40,122
Loans, advances and financing	-	-	1,898,445	1,898,445
	136,855	1,459,982	1,898,445	3,495,282

Financial liabilities measured at fair value

Derivative financial liabilities	10,251	50,985	-	61,236
Obligations on securities sold under repurchase agreements	-	175,836	-	175,836
	10,251	226,821	-	237,072

31 December 2015

	Level 1	Level 2	Level 3	Total
	RM'000	RM'000	RM'000	RM'000
Financial assets measured at fair value				
Financial assets held-for trading				
- Debt securities	-	107,262	-	107,262
- Equity securities and unit trusts	200,305	11,175	-	211,480
Financial investments available-for-sale #				
- Debt securities	-	1,249,171	-	1,249,171
Derivative financial assets	-	2,910	-	2,910
Financial assets for which fair values are disclosed				
Financial investments held-to-maturity	-	39,922	-	39,922
Loans, advances and financing	-	-	1,856,969	1,856,969
	200,305	1,410,440	1,856,969	3,467,714

Financial liabilities measured at fair value

Derivative financial liabilities	45,688	26,590	-	72,278
Obligations on securities sold under repurchase agreements	-	95,310	-	95,310
	45,688	121,900	-	167,588

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FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2016**

A22. Fair value of financial instruments (cont'd.)

Bank

31 March 2016

	Level 1	Level 2	Level 3	Total
	RM'000	RM'000	RM'000	RM'000
Financial assets measured at fair value				
Financial assets held-for trading				
- Debt securities	-	144,735	-	144,735
- Equity securities and unit trusts	136,855	10,716	-	147,571
Financial investments available-for-sale #				
- Debt securities	-	1,142,306	-	1,142,306
- Negotiable Instruments of Deposit	-	119,755	-	119,755
Derivative financial assets	-	2,348	-	2,348
Financial assets for which fair values are disclosed				
Financial investments held-to-maturity	-	40,122	-	40,122
Loans, advances and financing	-	-	1,911,648	1,911,648
	136,855	1,459,982	1,911,648	3,508,485

Financial liabilities measured at fair value

Derivative financial liabilities	10,251	50,985	-	61,236
Obligations on securities sold under repurchase agreements	-	175,836	-	175,836
	10,251	226,821	-	237,072

31 December 2015

	Level 1	Level 2	Level 3	Total
	RM'000	RM'000	RM'000	RM'000
Financial assets measured at fair value				
Financial assets held-for trading				
- Debt securities	-	107,262	-	107,262
- Equity securities and unit trusts	200,305	11,175	-	211,480
Financial investments available-for-sale #				
- Debt securities	-	1,249,171	-	1,249,171
Derivative financial assets	-	2,910	-	2,910
Financial assets for which fair values are disclosed				
Financial investments held-to-maturity	-	39,922	-	39,922
Loans, advances and financing	-	-	1,875,428	1,875,428
	200,305	1,410,440	1,875,428	3,486,173
Financial liabilities measured at fair value				
Derivative financial liabilities	45,688	26,590	-	72,278
Obligations on securities sold under repurchase agreements	-	95,310	-	95,310
	45,688	121,900	-	167,588

Excluded unquoted securities stated at cost of RM490,000 (2015 : RM490,000).

There have been no transfer between level 1 & level 2 during the current period ended 31 March 2016 (31 March 2015: no transfer in either direction)

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FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2016**

	As at 31 March 2016			As at 31 December 2015		
	Principal Amount RM'000	Credit Equivalent Amount RM'000	Risk Weighted Amount RM'000	Principal Amount RM'000	Credit Equivalent Amount RM'000	Risk Weighted Amount RM'000
A23. <u>Commitments and Contingencies and Off-Balance Sheet</u>						
<u>Financial Instruments</u>						
Group						
Commitments to extend credit with maturity of less than						
1 year :-						
- margin	1,456,788	-	-	1,400,821	-	-
- term loan	56,000	11,200	11,200	57,000	11,400	11,400
- foreign exchange related contracts	133,674	637	550	123,114	1,065	547
- equity related contracts	50,414	3,025	122	35,350	2,120	131
Commitments to extend credit with maturity of more than						
1 year :-						
- term loan	739	370	370	7,249	3,625	3,625
Miscellaneous commitments	652,989	652,989	130,598	597,665	597,665	119,533
	<u>2,350,604</u>	<u>668,221</u>	<u>142,840</u>	<u>2,221,199</u>	<u>615,875</u>	<u>135,236</u>

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	As at 31 March 2016			As at 31 December 2015		
	Principal Amount RM'000	Credit Equivalent Amount RM'000	Risk Weighted Amount RM'000	Principal Amount RM'000	Credit Equivalent Amount RM'000	Risk Weighted Amount RM'000
A23. <u>Commitments and Contingencies and Off-Balance Sheet</u> <u>Financial Instruments (Cont'd)</u>						
Bank						
Commitments to extend credit with maturity of less than 1 year :-						
- margin	1,456,788	-	-	1,400,821	-	-
- term loan	56,000	11,200	11,200	57,000	11,400	11,400
- foreign exchange related contracts	133,674	637	550	123,114	1,065	547
- equity related contracts	50,414	3,025	122	35,350	2,120	131
Commitments to extend credit with maturity of more than 1 year :-						
- term loan	35,739	17,870	17,870	37,249	18,625	18,625
Miscellaneous commitments	652,989	652,989	130,598	597,665	597,665	119,533
	<u>2,385,604</u>	<u>685,721</u>	<u>160,340</u>	<u>2,251,199</u>	<u>630,875</u>	<u>150,236</u>

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	Group		Bank	
	31 March 2016 RM'000	31 December 2015 RM'000	31 March 2016 RM'000	31 December 2015 RM'000
A24. Other Commitments				
Capital expenditure commitments	135,039	4,470	134,726	4,426
Operating lease arrangements	42,289	40,512	42,289	40,512
	177,328	44,982	177,015	44,938

A25. Capital Adequacy

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

	Group		Bank	
	31 March 2016 RM'000	31 December 2015 RM'000	31 March 2016 RM'000	31 December 2015 RM'000
<u>CET 1 / Tier 1 capital</u>				
Paid-up share capital	770,000	770,000	770,000	770,000
Share premium	65,500	65,500	65,500	65,500
Accumulated losses	(41,152)	(40,821)	(48,224)	(47,895)
Other reserves	119,309	118,954	112,259	103,948
Less: Regulatory adjustments:				
Deferred tax assets	(5,000)	(9,091)	(3,824)	(7,758)
Goodwill	(258,553)	(258,554)	(252,909)	(252,909)
Other intangibles	(58,815)	(58,078)	(52,500)	(52,500)
Regulatory reserve	(22,442)	(22,111)	(22,442)	(22,111)
Deduction in excess of Tier 2*	(42,269)	(53,275)	(102,943)	(104,990)
Total CET 1/Tier 1 capital	526,578	512,524	464,917	451,285
<u>Tier 2 capital</u>				
Collective impairment provision and regulatory reserves	14,369	12,338	13,153	11,105
Less: Regulatory adjustments applied to Tier 2 capital	(14,369)	(12,338)	(13,153)	(11,105)
Total Tier 2 capital	-	-	-	-
Total capital	526,578	512,524	464,917	451,285
CET 1 capital ratio	29.45%	28.85%	28.98%	28.36%
Tier 1 capital ratio	29.45%	28.85%	28.98%	28.36%
Total capital ratio	29.45%	28.85%	28.98%	28.36%

* 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).

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A25. Capital Adequacy (cont'd)

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

	Group		Group	
	31 March 2016		31 December 2015	
	Notional amount RM'000	Risk-weighted amount RM'000	Notional amount RM'000	Risk-weighted amount RM'000
Credit Risk	4,687,765	1,149,550	4,460,426	987,047
Market Risk	-	102,068	-	264,206
Operational Risk	-	536,298	-	525,085
Total Risk Weighted Assets	4,687,765	1,787,916	4,460,426	1,776,338

	Bank		Bank	
	31 March 2016		31 December 2015	
	Notional amount RM'000	Risk-weighted amount RM'000	Notional amount RM'000	Risk-weighted amount RM'000
Credit Risk	4,143,503	1,052,208	3,906,967	888,384
Market Risk	-	102,068	-	264,206
Operational Risk	-	450,028	-	438,746
Total Risk Weighted Assets	4,143,503	1,604,304	3,906,967	1,591,336

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").

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A26. Basic / Fully Diluted (Loss)/Earnings Per Share (Sen)

	Individual Quarter		Cumulative Quarter	
	3 months ended 31 March 2016 RM'000	3 months ended 31 March 2015 RM'000	3 months ended 31 March 2016 RM'000	3 months ended 31 March 2015 RM'000
Group				
Profit for the period attributable to equity holder of the Bank	8,658	3,142	8,658	3,142
Weighted average number of ordinary shares in issue ('000)	770,000	770,000	770,000	770,000
Earnings per share (sen) - basic / fully diluted	1.12	0.41	1.12	0.41

There were no dilutive potential ordinary shares outstanding as at 31 March 2016 and 31 March 2015.

A27. Segmental reporting

The Group has five major operating divisions as described below. The division

- (i) Investment bank - Investment banking business, treasury and related financial services;
- (ii) Stockbroking - Dealings in securities and investment related services;
- (iii) Futures - Futures broker business
- (iv) Investment management - Management of funds and unit trusts; and
- (v) Support and others - Support services comprise all middle and back office functions, and, includes business operations conducted by the Group's associate in the Kingdom of Saudi Arabia.

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A27. Segmental reporting (cont'd)

	Investment banking RM'000	Stock broking RM'000	Futures RM'000	Investment management RM'000	Others RM'000	Elimination/ consolidation adjustments RM'000	Total RM'000
2016							
Revenue							
External sales	57,349	72,191	7,966	8,862	3,781	-	150,149
Inter-segment sales	287	47	381	318	-	(1,033)	-
Total revenue	57,636	72,238	8,347	9,180	3,781	(1,033)	150,149
Result							
Net income	16,280	68,830	6,210	9,481	5,132	(767)	105,166
Other operating expenses	(10,796)	(59,580)	(4,869)	(11,032)	(7,183)	767	(92,693)
(Allowance for)/writeback of impairment on loans, advances and financing	(108)	58	-	-	407	-	357
Writeback of impairment on balance due from clients and brokers and other receivables	697	446	-	-	14	-	1,157
Share of results in associate	-	-	-	-	(1,019)	-	(1,019)
Profit/(loss) before taxation and zakat	6,073	9,754	1,341	(1,551)	(2,649)	-	12,968
Taxation and zakat							(4,050)
Net profit for the period							8,918

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A27. Segmental reporting (cont'd.)

	Investment banking and stockbroking RM'000	Futures RM'000	Investment management RM'000	Others RM'000	Elimination/ consolidation adjustments RM'000	Notes	Total RM'000
2016 (cont'd.)							
Assets							
Investment in an associate	-	-	-	56,638	-		56,638
Addition to non-current assets	28,143	1,046	115	-	-	A	29,304
Segment assets	5,492,555	593,630	70,335	6,566	(137,903)	B	6,025,183
Liabilities							
Segment liabilities	4,582,412	556,562	34,105	708	(80,929)	C	5,092,858

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A27. Segmental reporting (cont'd.)

	Investment banking RM'000	Stock broking RM'000	Futures RM'000	Investment management RM'000	Others RM'000	Elimination/ consolidation adjustments RM'000	Total RM'000
2015							
Revenue							
External sales	51,857	66,988	5,682	6,676	5,563	-	136,766
Inter-segment sales	283	-	316	780	40	(1,419)	-
Total revenue	52,140	66,988	5,998	7,456	5,603	(1,419)	136,766
Result							
Net income	17,868	63,967	5,754	7,489	6,954	(522)	101,510
Other operating expenses	(10,734)	(57,483)	(4,610)	(9,560)	(13,120)	322	(95,185)
(Allowance for)/writeback of impairment on loans, advances and financing	(17)	124	-	-	-	-	107
Writeback of/(allowance for) impairment on balance due from clients and brokers and other receivables	1,035	(1,016)	-	-	-	-	19
Share of results in associate	-	-	-	-	(87)	-	(87)
Profit/(loss) before taxation and zakat	8,152	5,592	1,144	(2,071)	(6,253)	(200)	6,364
Taxation and zakat							(3,030)
Net profit for the period							3,334

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A27. Segmental reporting (cont'd.)

	Investment banking and stockbroking RM'000	Futures RM'000	Investment management RM'000	Others RM'000	Elimination/ consolidation adjustments RM'000	Notes	Total RM'000
2015 (cont'd.)							
Assets							
Investment in an associate	-	-	-	62,392	-		62,392
Addition to non-current assets	990	-	296	-	-	A	1,286
Segment assets	5,818,071	423,088	59,396	7,297	(124,418)	B	6,183,434
Liabilities							
Segment liabilities	4,926,262	390,554	17,154	1,782	(73,136)	C	5,262,616

Notes

A Additions to non-current assets consist of:

	2016 RM'000	2015 RM'000
Property, plant and equipment	28,318	1,286
Intangible assets	986	-
	<u>29,304</u>	<u>1,286</u>

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**NOTES TO INTERIM FINANCIAL REPORT
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A27. Segmental reporting (cont'd.)

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

	2016	2015
	RM'000	RM'000
Investment in an associate	(403)	6,157
Investment in subsidiaries	59,860	59,860
Inter-segment assets	78,446	58,401
	<u>137,903</u>	<u>124,418</u>

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

	2016	2015
	RM'000	RM'000
Deposits accepted from subsidiaries	67,740	288,623
Inter-segment liabilities	13,189	(215,487)
	<u>80,929</u>	<u>73,136</u>

**KENANGA INVESTMENT BANK BERHAD
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A28. OPERATIONS OF ISLAMIC BANKING

**(a) UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2016**

	Note	Group and Bank	
		As at 31 March 2016 RM '000	As at 31 December 2015 RM '000
ASSETS			
Cash and bank balances	(c)	97,700	115,437
Financial assets held-for-trading	(d)	40,662	78,576
Financial investments available-for-sale	(e)	311,943	194,630
Financial investments held-for-maturity	(f)	5,002	5,001
Financing and advances	(g)	65,242	59,150
Other assets		23,633	1,730
Property, plant and equipment		178	14
Deferred tax assets		-	157
TOTAL ASSETS		544,360	454,695
LIABILITIES			
Islamic deposits from customers	(h)	369,938	252,367
Balance due from clients and brokers		1	-
Other liabilities		42,571	75,012
Deferred tax liabilities		343	-
Provision for taxation and zakat		3,097	1,963
TOTAL LIABILITIES		415,950	329,342
ISLAMIC BANKING CAPITAL FUNDS			
Islamic banking funds		120,000	120,000
Reserves		8,410	5,353
TOTAL ISLAMIC BANKING CAPITAL FUNDS		128,410	125,353
TOTAL LIABILITIES AND ISLAMIC BANKING CAPITAL FUNDS		544,360	454,695

**KENANGA INVESTMENT BANK BERHAD
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A28. OPERATIONS OF ISLAMIC BANKING

**(b) UNAUDITED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2016**

	Group and Bank			
	Individual Quarter		Cumulative Quarter	
	3 months ended 31 March 2016 RM'000	3 months ended 31 March 2015 RM'000	3 months ended 31 March 2016 RM'000	3 months ended 31 March 2015 RM'000
Income derived from investment of depositors' funds	5,380	2,428	5,380	2,428
Income derived from investment of shareholders' funds	1,917	6,959	1,917	6,959
Impairment allowances on financing	(47)	-	(47)	-
Total attributable income	7,250	9,387	7,250	9,387
Profit distributed to depositors	(4,359)	(3,373)	(4,359)	(3,373)
Net income	2,891	6,014	2,891	6,014
Finance cost	(256)	-	(256)	-
Personnel expenses	(135)	(184)	(135)	(184)
Other overhead expenses	(530)	(397)	(530)	(397)
Profit before taxation and zakat	1,970	5,433	1,970	5,433
Taxation and zakat	(498)	(1,385)	(498)	(1,385)
Profit for the financial period	1,472	4,048	1,472	4,048

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	5,380	2,428	5,380	2,428
Income derived from investment of shareholders' funds	1,917	6,959	1,917	6,959
Total income before impairment allowance on financing and overhead expenses	7,297	9,387	7,297	9,387
Profit distributed to depositors	(4,359)	(3,373)	(4,359)	(3,373)
Finance cost	(256)	-	(256)	-
Income from Islamic Banking Window operations reported in the statement of profit or loss of the Group and the Bank	2,682	6,014	2,682	6,014

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A28. OPERATIONS OF ISLAMIC BANKING

	Group and Bank	
	As at 31 March 2016 RM'000	As at 31 December 2015 RM'000
(c) Cash and short-term funds		
Current account with BNM and banks	78	21,117
Money at call and deposit placements with: Licensed investment banks	97,622	94,320
	<u>97,700</u>	<u>115,437</u>
(d) Financial Assets Held-for-Trading		
At Fair Value		
Money Market Securities		
Malaysian Government Investment Certificates	30,603	28,687
Unquoted securities:		
Islamic Corporate Bonds	10,059	49,889
	<u>40,662</u>	<u>78,576</u>
(e) Financial Investments Available-for-Sale		
At Fair Value		
Money Market Instruments:		
In Malaysia		
Malaysian Government Investment Certificates	40,734	-
Islamic Negotiable instruments	119,755	-
Sukuk Perumahan Kerajaan	10,077	-
	<u>170,566</u>	<u>-</u>
Unquoted Private Debt Securities:		
In Malaysia		
Islamic Corporate bills	24,994	-
Islamic Corporate bonds	116,383	194,630
	<u>141,377</u>	<u>194,630</u>
(f) Financial Investments Held-to-Maturity		
At Amortised Cost		
Unquoted Private Debt Securities:		
In Malaysia		
Islamic Corporate bonds	5,002	5,001
	<u>5,002</u>	<u>5,001</u>
(g) Financing and advances		
At Amortised Cost		
Commodity Murabahah Revolving Credit		
- Shariah contract - others	20,263	14,122
Commodity Murabahah Term Financing		
- Shariah contract - others	45,135	45,137
	<u>65,398</u>	<u>59,259</u>
Allowance for impairment:		
- collective allowance	(156)	(109)
	<u>65,242</u>	<u>59,150</u>

A28. OPERATIONS OF ISLAMIC BANKING

	Group and Bank	
	As at 31 March 2016 RM'000	As at 31 December 2015 RM'000
(g) Financing and advances (Cont'd)		
(i) Gross advances and financing analysed by type of customer are as follows:		
Domestic business enterprises:		
- Others	20,263	59,259
Individual	45,135	-
	<u>65,398</u>	<u>59,259</u>
(ii) Gross advances and financing analysed by geographical distribution are as follows:		
In Malaysia	<u>65,398</u>	<u>59,259</u>
(iii) Gross advances and financing analysed by profit are sensitivity are as follows:		
Variable rate:		
Cost plus	<u>65,398</u>	<u>59,259</u>
(v) By Purpose		
- Working capital	20,263	14,122
- Others	45,135	45,137
	<u>65,398</u>	<u>59,259</u>
(vi) By Residual Contractual Maturity		
- Within one year	20,263	14,122
- More than one year	45,135	45,137
	<u>65,398</u>	<u>59,259</u>
(h) Islamic deposits from customers		
(i) By type of deposit		
Term deposits		
- Tawarruq (Commodity Murabahah deposits)	<u>369,938</u>	<u>272,367</u>
(ii) By type of customer		
Business enterprises	<u>369,938</u>	<u>272,367</u>
(iii) By maturity structure		
Due within six months	<u>369,938</u>	<u>272,367</u>
(j) Capital adequacy		
CET 1 / Tier 1 Capital		
Islamic Banking funds	120,000	120,000
Retained profits	7,008	5,248
Other reserves	1,717	105
Less: Regulatory reserves	(629)	-
Less: Deferred tax assets	(598)	(157)
Total CET 1 / Tier 1 capital	<u>127,498</u>	<u>125,196</u>

A28. OPERATIONS OF ISLAMIC BANKING

	Group and Bank	
	As at 31 March 2016 RM'000	As at 31 December 2015 RM'000
(j) Capital adequacy (Cont'd)		
Tier 2 Capital		
Collective impairment provision and regulatory reserves	785	711
Total Tier 2 capital	<u>785</u>	<u>711</u>
Total capital	<u>128,283</u>	<u>125,907</u>
CET 1 capital ratio	121.90%	99.60%
Tier 1 capital ratio	121.90%	99.60%
Total capital ratio	<u>122.65%</u>	<u>100.17%</u>

The breakdown of risk-weighted assets in the various categories of risk-weights are as follows:

	Group and Bank			
	31 March 2016		31 December 2015	
	RM'000	RM'000	RM'000	RM'000
	Notional amount	Risk-weighted amount	Notional amount	Risk-weighted amount
Credit risk	458,150	93,750	380,972	64,481
Market risk	-	-	-	52,041
Operational risk	-	10,840	-	9,172
Total Risk Weighted Assets	<u>458,150</u>	<u>104,590</u>	<u>380,972</u>	<u>125,694</u>