

Kenanga Investment Bank Berhad
(Company No. 197301002193 (15678-H))

Unaudited Condensed Interim Financial Statements
30 June 2020

KENANGA INVESTMENT BANK BERHAD
197301002193 (15678-H)

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2020

<u>Group</u>	<u>Note</u>	<u>As at</u> <u>30 June</u> <u>2020</u> <u>RM'000</u>	<u>As at</u> <u>31 December</u> <u>2019</u> <u>RM'000</u>
ASSETS			
Cash and bank balances	A11	2,292,838	2,063,057
Financial assets at fair value through profit or loss ("FVTPL")	A12	559,326	328,680
Financial investments at fair value through other comprehensive income ("FVOCI")	A13 (i)	858,672	795,081
Financial investments at amortised cost ("AC")	A13 (ii)	193,507	112,756
Derivative financial assets	B11	122,068	65,174
Loans, advances and financing	A14	1,819,067	2,064,674
Balances due from clients and brokers	A15	402,796	280,357
Other assets	A16	249,900	201,785
Statutory deposit with Bank Negara Malaysia	A17	62,398	99,164
Tax recoverable		16,341	24,155
Investment in associates		67,518	64,642
Investment in a joint venture company		15,729	15,801
Property, plant and equipment		168,224	170,450
Intangible assets		321,213	317,387
Right-of-use assets		22,143	24,656
Deferred tax assets		2,898	2,955
TOTAL ASSETS		7,174,638	6,630,774
LIABILITIES			
Deposits from customers	A18	4,400,080	4,065,494
Deposits and placements of banks and other financial institutions	A19	391,507	650,718
Balances due to clients and brokers		787,811	537,393
Derivative financial liabilities	B11	146,325	13,416
Other liabilities	A20	372,096	322,952
Borrowings	A21	142,000	96,600
Lease liabilities		22,082	24,429
Provision for taxation and zakat		5,204	14,793
Deferred tax liabilities		4,584	690
TOTAL LIABILITIES		6,271,689	5,726,485
EQUITY			
Share capital		246,249	246,249
Treasury shares		(16,970)	(16,990)
Reserves		673,670	675,030
TOTAL EQUITY		902,949	904,289
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		7,174,638	6,630,774
Commitments and contingencies	A29	4,857,265	3,041,684
Net assets per share attributable to equity holders of the Bank (RM)		1.29	1.29

The condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2019

KENANGA INVESTMENT BANK BERHAD
197301002193 (15678-H)

UNAUDITED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2020

<u>Bank</u>	Note	As at 30 June 2020 RM'000	As at 31 December 2019 RM'000
ASSETS			
Cash and bank balances	A11	2,047,098	1,877,150
Financial assets at FVTPL	A12	556,140	326,560
Financial investments at FVOCI	A13 (i)	858,672	795,081
Financial investments at AC	A13 (ii)	193,507	112,756
Derivative financial assets	B11	122,068	65,174
Loans, advances and financing	A14	1,793,712	2,039,517
Balances due from clients and brokers	A15	402,796	280,357
Other assets	A16	147,732	122,564
Statutory deposit with Bank Negara Malaysia	A17	62,398	99,164
Tax recoverable		11,859	20,246
Investment in subsidiaries		70,135	70,135
Investment in an associate		56,235	56,235
Investment in a joint venture company		40,000	40,000
Property, plant and equipment		164,167	166,710
Intangible assets		323,467	320,712
Right-of-use assets		20,677	23,745
TOTAL ASSETS		6,870,663	6,416,106
LIABILITIES			
Deposits from customers	A18	4,464,391	4,119,352
Deposits and placements of banks and other financial institutions	A19	391,507	650,718
Balances due to clients and brokers		483,367	304,880
Derivative financial liabilities	B11	146,325	13,416
Other liabilities	A20	298,574	269,026
Borrowings	A21	111,000	66,600
Lease liabilities		20,528	23,436
Provision for taxation and zakat		2,620	12,052
Deferred tax liabilities		4,551	657
TOTAL LIABILITIES		5,922,863	5,460,137
EQUITY			
Share capital		246,249	246,249
Treasury shares		(16,970)	(16,990)
Reserves		718,521	726,710
TOTAL EQUITY		947,800	955,969
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		6,870,663	6,416,106
Commitments and contingencies	A29	4,957,048	3,127,341
Net assets per share (RM)		1.36	1.37

The condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2019

KENANGA INVESTMENT BANK BERHAD
197301002193 (15678-H)

CONDENSED INTERIM FINANCIAL STATEMENTS

**UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2020**

	Note	Individual Quarter		Cumulative Quarters	
		3 months ended 30 June 2020 RM'000	3 months ended 30 June 2019 RM'000 (Restated)	6 months ended 30 June 2020 RM'000	6 months ended 30 June 2019 RM'000 (Restated)
Group					
Interest income	A22	53,932	62,562	114,335	124,066
Interest expense	A23	(30,621)	(42,368)	(69,224)	(84,239)
Net interest income		23,311	20,194	45,111	39,827
Net income from Islamic banking business	A34	5,537	4,030	10,865	8,836
Other operating income	A24	141,272	92,259	231,525	176,052
Net income		170,120	116,483	287,501	224,715
Other operating expenses	A25	(147,620)	(106,776)	(261,916)	(208,671)
Operating profit		22,500	9,707	25,585	16,044
Credit loss reversal/(expenses)	A26	1,919	669	(8,344)	5,550
Bad debts recovered	A27	5	8	233	287
		24,424	10,384	17,474	21,881
Share of results of associates and joint venture		1,482	(1,913)	834	(2,441)
Profit before taxation and zakat		25,906	8,471	18,308	19,440
Taxation and zakat	B5	(5,438)	(2,870)	(4,787)	(6,053)
Profit for the period		20,468	5,601	13,521	13,387
Other comprehensive income/(loss)					
Items that will not be reclassified subsequently to profit or loss:					
Fair value gain/(loss) on equity instruments at FVOCI		1,568	-	902	(578)
Share of other comprehensive profit/(loss) in associates		3,406	615	(1,678)	2,891
Income tax related to the above		(376)	-	(216)	139
Items that will be reclassified subsequently to profit or loss:					
Foreign exchange differences on consolidation		151	908	3,923	(158)
Net gain on fair value changes of debt instrument at FVOCI		6,776	4,709	5,528	12,353
Income tax relating to the components of other comprehensive income		(1,629)	(1,130)	(1,330)	(2,965)
Other comprehensive income for the period, net of tax		9,896	5,102	7,129	11,682
Total comprehensive income for the period, net of tax		30,364	10,703	20,650	25,069

KENANGA INVESTMENT BANK BERHAD
197301002193 (15678-H)

CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2020

	Note	Individual Quarter		Cumulative Quarters	
		3 months ended 30 June 2020 RM'000	3 months ended 30 June 2019 RM'000	6 months ended 30 June 2020 RM'000	6 months ended 30 June 2019 RM'000
Earnings per share					
Basic (sen)	B8	2.93	0.80	1.94	1.92
Fully diluted (sen)	B8	2.93	0.80	1.94	1.91

The condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2019.

KENANGA INVESTMENT BANK BERHAD
197301002193 (15678-H)

CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2020

	Note	Individual Quarter		Cumulative Quarters	
		3 months ended 30 June 2020 RM'000	3 months ended 30 June 2019 RM'000 (Restated)	6 months ended 30 June 2020 RM'000	6 months ended 30 June 2019 RM'000 (Restated)
Bank					
Interest income	A22	52,080	60,362	110,608	119,818
Interest expense	A23	(33,141)	(42,746)	(73,733)	(84,541)
Net interest income		18,939	17,616	36,875	35,277
Net income from Islamic banking business	A34	5,537	4,030	10,865	8,836
Other operating income	A24	114,462	65,891	180,145	127,838
Net income		138,938	87,537	227,885	171,951
Other operating expenses	A25	(120,604)	(79,174)	(206,857)	(158,298)
Operating profit		18,334	8,363	21,028	13,653
Credit loss reversal/(expenses)	A26	1,940	(866)	(7,713)	3,945
Bad debts recovered	A27	5	8	233	287
Profit before taxation and zakat		20,279	7,505	13,548	17,885
Taxation and zakat		(5,385)	(2,664)	(4,611)	(5,814)
Profit for the period		14,894	4,841	8,937	12,071
Other comprehensive income/(loss)					
Items that will not be reclassified subsequently to profit or loss:					
Fair value gain/(loss) on equity instruments at FVOCI		1,568	-	902	(578)
Income tax related to the above		(376)	-	(216)	139
Items that will be reclassified subsequently to profit or loss:					
Net gain on fair value changes of debt instruments at FVOCI		6,776	4,709	5,528	12,353
Income tax relating to the components of other comprehensive income		(1,629)	(1,130)	(1,330)	(2,965)
Other comprehensive income for the period, net of tax		6,339	3,579	4,884	8,949
Total comprehensive income for the period, net of tax		21,233	8,420	13,821	21,020

The condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2019.

KENANGA INVESTMENT BANK BERHAD
197301002193 (15678-H)

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2020

Group	Non- Distributable					Distributable			Total Equity RM'000
	Ordinary Shares RM'000	ESS Reserve RM'000	Fair Value Reserve RM'000	Regulatory Reserve RM'000	Exchange Reserve RM'000	Capital Reserve RM'000	Treasury Shares RM'000	Retained Profits RM'000	
At 1 January 2020	246,249	4,560	6,488	25,444	17,789	88,938	(16,990)	531,811	904,289
Net profit for the financial period	-	-	-	-	-	-	-	13,521	13,521
Share of other comprehensive (loss)/income of associates	-	-	(1,903)	-	-	-	-	225	(1,678)
Other comprehensive income	-	-	4,884	-	3,923	-	-	-	8,807
Total comprehensive income	-	-	2,981	-	3,923	-	-	13,746	20,650
Share based payment under Employees' Share Options Scheme ("ESS")	-	701	-	-	-	-	-	-	701
Transfer of shares pursuant to exercise of ESS	-	(3)	-	-	-	-	20	(1)	16
Transfer from regulatory reserve	-	-	-	(2,482)	-	-	-	2,482	-
Dividend paid	-	-	-	-	-	-	-	(22,707)	(22,707)
At 30 June 2020	246,249	5,258	9,469	22,962	21,712	88,938	(16,970)	525,331	902,949

The condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2019.

KENANGA INVESTMENT BANK BERHAD
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UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2020

Group	Non- Distributable						Distributable		Total Equity RM'000
	Ordinary Shares RM'000	ESS Reserve RM'000	Fair Value Reserve/(Deficit) RM'000	Regulatory Reserve RM'000	Exchange Reserve RM'000	Capital Reserve RM'000	Treasury Shares RM'000	Retained Profits RM'000	
At 1 January 2019	246,249	2,588	(4,120)	25,488	18,783	88,938	(16,808)	509,888	871,006
Net profit for the financial period	-	-	-	-	-	-	-	13,387	13,387
Share of other comprehensive (loss)/income of associates	-	-	(235)	-	-	-	-	3,126	2,891
Other comprehensive income/(loss)	-	-	8,949	-	(158)	-	-	-	8,791
Total comprehensive income/(loss)	-	-	8,714	-	(158)	-	-	16,513	25,069
Share based payment under ESS	-	1,117	-	-	-	-	-	-	1,117
Buy-back of shares	-	-	-	-	-	-	(182)	-	(182)
Transfer to regulatory reserve	-	-	-	2,014	-	-	-	(2,014)	-
Dividend paid	-	-	-	-	-	-	-	(7,686)	(7,686)
At 30 June 2019	246,249	3,705	4,594	27,502	18,625	88,938	(16,990)	516,701	889,324

The condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2019.

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UNAUDITED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2020

	Non- Distributable					Distributable		Total Equity RM'000
	Ordinary Shares RM'000	Regulatory Reserve RM'000	ESS Reserve RM'000	Fair Value Reserve RM'000	Capital Reserve RM'000	Treasury Shares RM'000	Retained Profits RM'000	
Bank								
At 1 January 2020	246,249	25,444	4,560	10,505	153,863	(16,990)	532,338	955,969
Net profit for the financial period	-	-	-	-	-	-	8,937	8,937
Other comprehensive income	-	-	-	4,884	-	-	-	4,884
Total comprehensive income	-	-	-	4,884	-	-	8,937	13,821
Share based payment under ESS	-	-	701	-	-	-	-	701
Transfer of shares pursuant to exercise of ESS	-	-	(3)	-	-	20	(1)	16
Transfer from regulatory reserve	-	(2,482)	-	-	-	-	2,482	-
Dividend paid	-	-	-	-	-	-	(22,707)	(22,707)
At 30 June 2020	246,249	22,962	5,258	15,389	153,863	(16,970)	521,049	947,800

The condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2019.

KENANGA INVESTMENT BANK BERHAD
197301002193 (15678-H)

UNAUDITED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2020

	Non- Distributable					Distributable		Total Equity RM'000
	Ordinary Shares RM'000	Regulatory Reserve RM'000	ESS Reserve RM'000	Fair Value Reserve RM'000	Capital Reserve RM'000	Treasury Shares RM'000	Retained Profits RM'000	
Bank								
At 1 January 2019	246,249	25,488	2,588	2,175	153,863	(16,808)	513,675	927,230
Net profit for the financial period	-	-	-	-	-	-	12,071	12,071
Other comprehensive income	-	-	-	8,949	-	-	-	8,949
Total comprehensive income	-	-	-	8,949	-	-	12,071	21,020
Share based payment under ESS	-	-	1,117	-	-	-	-	1,117
Buy-back of shares	-	-	-	-	-	(182)	-	(182)
Transfer to regulatory reserve	-	2,014	-	-	-	-	(2,014)	-
Dividend paid	-	-	-	-	-	-	(7,686)	(7,686)
At 30 June 2019	246,249	27,502	3,705	11,124	153,863	(16,990)	516,046	941,499

The condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2019.

UNAUDITED CONDENSED STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2020

	Group		Bank	
	30 June 2020 RM'000	30 June 2019 RM'000 (Restated)	30 June 2020 RM'000	30 June 2019 RM'000 (Restated)
Cash flows from operating activities				
Profit before taxation	18,308	19,440	13,548	17,885
Adjustments for:				
Depreciation of property, plant and equipment	5,843	5,217	5,462	4,915
Amortisation of intangible assets	2,252	2,158	2,038	2,070
Amortisation of right-of-use assets	4,174	4,537	3,566	4,098
Lease interest expenses	699	579	653	539
ESS expenses	605	996	605	996
Credit loss expense/(reversal)	8,344	(5,550)	7,713	(3,945)
Property, plant and equipment written off	52	36	-	36
Bad debts written off	53	-	53	-
Non-cash items	22,022	7,973	20,090	8,709
Net gain from sale of financial assets at FVTPL and derivatives	(50,717)	(26,474)	(50,717)	(26,474)
Net gain from sale of financial investments other than those measured at FVTPL	(5,898)	(5,469)	(5,898)	(5,469)
Gross dividend income from investments	(1,453)	(343)	(1,391)	(278)
Loss on revaluation of financial assets at FVTPL and derivatives	24,365	5,173	25,470	6,720
Share of results of associates and joint venture	(663)	2,441	-	-
Non-operating items - investing	(34,366)	(24,672)	(32,536)	(25,501)
Adjustments for non-operating and non-cash items	(12,344)	(16,699)	(12,446)	(16,792)
Operating profit before working capital changes	5,964	2,741	1,102	1,093
Changes in working capital:				
Net changes in operating assets	74,182	(432,845)	132,219	(391,148)
Net changes in operating liabilities	375,033	846,027	293,598	817,449
Cash generated from operations	455,179	415,923	426,919	427,394
Taxation and zakat paid	(4,157)	(5,347)	(3,308)	(9,093)
Rental/lease payment (Interest)	(699)	(579)	(653)	(539)
Net operating cash flow	450,323	409,997	422,958	417,762
Cash flows from investing activities				
Dividends received from other investments	1,453	343	1,391	278
Purchase of property, plant and equipment and intangible assets	(9,694)	(7,826)	(7,351)	(7,219)
Proceeds from disposal of property, plant and equipment	(52)	-	-	-
Capital injection in a joint venture	-	(5,000)	-	(5,000)
Net purchase of securities	(260,113)	190,345	(260,152)	189,309
Net investing cash flow	(268,406)	177,862	(266,112)	177,368

UNAUDITED CONDENSED STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2020

	Group		Bank	
	30 June 2020 RM'000	30 June 2019 RM'000 (Restated)	30 June 2020 RM'000	30 June 2019 RM'000 (Restated)
Cash flows from financing activities				
Dividend paid	(22,707)	(7,686)	(22,707)	(7,686)
Rental/lease payment (Principal)	(4,008)	(4,242)	(3,406)	(3,835)
Net drawdown/(repayment) of borrowings	45,400	(13,600)	44,400	(5,600)
Share buy-back	-	(182)	-	(182)
Proceeds from exercise of ESS	16	-	16	-
Net financing cash flow	18,701	(25,710)	18,303	(17,303)
Net change in cash and cash equivalents during the financial period	200,618	562,149	175,149	577,827
Effect of exchange rate differences	-	1	-	-
Cash and cash equivalents brought forward	1,838,760	1,096,373	1,816,949	1,053,573
Cash and cash equivalents carried forward	2,039,378	1,658,523	1,992,098	1,631,400

Cash and Cash Equivalents

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

	Group		Bank	
	As at 30 June 2020 RM'000	As at 30 June 2019 RM'000	As at 30 June 2020 RM'000	As at 30 June 2019 RM'000
Cash and short-term funds	2,077,738	1,886,688	2,047,098	1,692,830
Deposits and placements with banks and other financial institutions	215,100	82,582	-	-
Less: Segregated funds from customers	(198,460)	(249,317)	-	-
Less: Cash and bank balances and deposits held in trust	(55,000)	(61,430)	(55,000)	(61,430)
	2,039,378	1,658,523	1,992,098	1,631,400

NOTES TO INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2020

A1. Basis Of Preparation

The interim financial statements, for the financial period ended 30 June 2020, 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 2019. The Group has not adopted any other standard, interpretation or amendment that have been issued but not effective yet.

As a result of the coronavirus (COVID-19) pandemic, rent concessions have been granted to lessees. On 28 May 2020, the IASB published an amendment to IFRS 16 that provides an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19 is a lease modification. Lessees can elect to account for rent concessions in the same way as they would if they were not lease modifications.

The practical expedient only applies to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if all of the following conditions are met:

- (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- (ii) any reduction in lease payments affects only payments due on or before 30 June 2021; and
- (iii) there is no substantive change to other terms and conditions of the lease.

The Group and the Bank has applied the practical expedient as all the rental discount received from lessors met all the three conditions specified. The discount received from landlord are short term and total amount recorded in the statement of profit or loss for the period ended 30 June 2020 was RM98 thousand.

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 2019. 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 2019.

A3. Preceding financial year audit report

The preceding financial year audit report in respect of the financial year ended 31 December 2019 was not qualified by the external auditors.

NOTES TO INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2020

A4. Seasonal or Cyclical Factors

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

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

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

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

There were no changes made to the estimated figures reported in prior interim periods and financial years other than the discounted factor used to measure the net present value of right of use assets and lease liabilities.

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

There were no issuance, cancellation, repurchase, resale or repayment of debt and equity securities during the financial period ended 30 June 2020 other than the issuance of RM50 million of Tier 2 Subordinated Notes on 20 March 2020 and the settlement of 28,500 units of shares to staff by using treasury shares pursuant to the exercise of ESOS on 4 June 2020.

A8. Dividends paid per share

An interim dividend of 3.25 sen per share in respect of the financial year ended 31 December 2019, which amounted to RM22,707,356 was paid on 15 April 2020.

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

There was no significant event during and subsequent to the financial interim period other than as disclosed in Note B10 and the impact of Coronavirus pandemic (COVID-19) as per below:

On 11 March 2020, the World Health Organisation declared COVID-19 outbreak as a pandemic as it has continued to spread across the world. This pandemic has significantly impacted the global business environment and financial conditions.

The Malaysian government had implemented a Movement Control Order (MCO) to restrict human movements and closed all non-essential business offices in a move to curb the spread of COVID-19. The MCO was subsequently relaxed to allow certain businesses to recommence business activities. In order to mitigate the weaker economy outlook, the Malaysian government has implemented several relief measures to help to stimulate the economy, including a 6 months moratorium on repayments of loans and financing from 1 April 2020 to 30 September 2020.

As the Group's businesses are considered essential services, we have continued to operate during the restricted period. The following paragraphs provide an analysis of the impact to the Group:

NOTES TO INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2020

A9. Significant event during and subsequent to the financial interim period (cont'd.)

(a) Impact on business operation

As mentioned above, the Group's businesses continued to operate during these restricted period. There were no material contracts being suspended or terms that have been waived, modified or newly imposed to the Group's activities. The disruption on the supply chain and distribution networks of our services arising from the COVID-19 pandemic was also minimal despite closure of certain branches as we were able provide our services digitally.

The Group's digital journey that started a few years ago which focused not only on customer-centric technologies but also automation of operational processes had allowed us to capitalise on the sudden customer shift to online broking as well as the increase in trading volume during this period.

(b) Impact on cash flows, liquidity, financial performance and position

The Group's financial performance for current financial period was not significantly affected by the COVID-19 pandemic. Although there may be higher impaired loans as macroeconomic conditions weaken and consequently some increase in credit costs, these are largely due to market volatility and is not expected to be permanent. Our overall asset quality remains intact.

In addition, moratoriums granted to customers will have minimal impact on the Group's cash flow, operations and financial performance. The Group also continues to maintain healthy capital adequacy and liquidity ratios throughout the period under review.

(c) Strategy and steps taken to address the impact of the COVID-19

In response to this "new normal" environment, appropriate and effective measures were put in place by the Group.

For our employees, we have split our operations in separate locations for critical departments and enforced work-from-home arrangements to ensure our essential services continue with minimal disruptions. To protect our employees who have to work from office, daily sanitisation of areas, temperature checking and social distancing are adopted. We are in compliance with the recommendations from Ministry of Health that are issued from time to time.

We will continue to monitor and assess our credit, operational and liquidity risks on regular basis through the various policies and procedures that are in place to safeguard the financial position, performance and cash flows of the Group.

We have and will continue our efforts to use digital tools to enable business and operational activities to be managed efficiently and effectively in a post-COVID-19 environment.

A10. Changes in composition of the Group

There were no changes in the composition of the Group during the current quarter ended 30 June 2020.

NOTES TO INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2020

	Group		Bank	
	As at 30 June 2020 RM'000	As at 31 December 2019 RM'000	As at 30 June 2020 RM'000	As at 31 December 2019 RM'000
A11. Cash and bank balances				
Cash and balances with banks and other financial institutions	539,427	408,089	426,058	291,599
Money at call and deposit placements	1,753,411	1,654,968	1,621,040	1,585,551
	<u>2,292,838</u>	<u>2,063,057</u>	<u>2,047,098</u>	<u>1,877,150</u>
Included in cash and bank balances are:				
Cash and cash equivalents	2,039,378	1,838,760	1,992,098	1,816,949
Monies held in trust on behalf of dealer's representatives and segregated funds for customers	253,460	224,297	55,000	60,201
	<u>2,292,838</u>	<u>2,063,057</u>	<u>2,047,098</u>	<u>1,877,150</u>
A12. Financial Assets At FVTPL				
At fair value				
Money Market Instruments:				
Malaysian Government Securities	21,406	-	21,406	-
Malaysian Government Investment Certificates	32,437	-	32,437	-
	<u>53,843</u>	<u>-</u>	<u>53,843</u>	<u>-</u>
Quoted Securities:				
Shares and fund in Malaysia	367,638	193,566	367,638	193,566
	<u>367,638</u>	<u>193,566</u>	<u>367,638</u>	<u>193,566</u>
Unquoted Securities:				
Shares and funds in Malaysia	137,845	135,114	134,659	132,994
	<u>137,845</u>	<u>135,114</u>	<u>134,659</u>	<u>132,994</u>
Total financial assets at FVTPL	<u>559,326</u>	<u>328,680</u>	<u>556,140</u>	<u>326,560</u>

NOTES TO INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2020

Group and Bank
As at As at
30 June 31 December
2020 2019
RM'000 RM'000

A13. Financial investments other than those measured at FVTPL

(i) Financial investments at FVOCI

Money market instruments:

Malaysian Government Securities	53,789	30,550
Malaysian Government Investment Certificates	96,608	72,649
Islamic Negotiable Instruments of Deposits	159,808	59,550
	<u>310,205</u>	<u>162,749</u>

Equity instruments in Malaysia:

Unquoted Shares	1,989	1,088
	<u>1,989</u>	<u>1,088</u>

Debt instruments in Malaysia:

Islamic Corporate Sukuk	371,753	458,204
Corporate Bonds	174,725	173,040
	<u>546,478</u>	<u>631,244</u>

Total financial investments at FVOCI:

858,672 795,081

Impairment losses on debt instrument measured at FVOCI:

Group and Bank

	2020			
	Stage 1	Stage 2	Stage 3	Total
<u>Movement in Expected Credit Loss ("ECL")</u>	RM'000	RM'000	RM'000	RM'000
As at 1 January 2020	36	-	-	36
New assets originated or purchased	18	-	-	18
Impact of net re-measurement of ECL	26	-	-	26
Assets derecognised or matured	(17)	-	-	(17)
As at 30 June 2020	<u>63</u>	<u>-</u>	<u>-</u>	<u>63</u>

	2019			
	Stage 1	Stage 2	Stage 3	Total
<u>Movement in ECL</u>	RM'000	RM'000	RM'000	RM'000
As at 1 January 2019	225	-	-	225
New assets originated or purchased	18	-	-	18
Impact of net re-measurement of ECL	(26)	-	-	(26)
Assets derecognised or matured	(181)	-	-	(181)
As at 31 December 2019	<u>36</u>	<u>-</u>	<u>-</u>	<u>36</u>

NOTES TO INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2020

Group and Bank
As at As at
30 June 31 December
2020 2019
RM'000 RM'000

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

(ii) Financial investment at AC:

Money market instruments:

Malaysian Government Investment Certificates	9,900	9,892
	9,900	9,892

Debt instruments in Malaysia:

At cost		
Islamic Corporate Sukuk	107,161	83,172
Corporate Bonds	76,577	20,030
Less: Allowance for ECL	(131)	(338)
	183,607	102,864

Total financial investment at AC:

193,507 **112,756**

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

Group and Bank

	2020			
	Stage 1	Stage 2	Stage 3	Total
	RM'000	RM'000	RM'000	RM'000
Movement in ECL				
As at 1 January 2020	-	338	-	338
New assets originated or purchased	73	-	-	73
Impact of net re-measurement of ECL	58	(160)	-	(102)
Assets derecognised or matured (excluding write-off)	-	(178)	-	(178)
As at 30 June 2020	131	-	-	131

	2019			
	Stage 1	Stage 2	Stage 3	Total
	RM'000	RM'000	RM'000	RM'000
Movement in ECL				
As at 1 January 2019	-	860	-	860
Impact of net re-measurement of ECL	-	(366)	-	(366)
Transfer of stages	-	(156)	-	(156)
As at 31 December 2019	-	338	-	338

NOTES TO INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2020

	Group		Bank	
	As at 30 June 2020 RM'000	As at 31 December 2019 RM'000	As at 30 June 2020 RM'000	As at 31 December 2019 RM'000
A14. Loans, Advances and Financing				
At AC				
Share margin financing	1,142,557	1,320,106	1,142,557	1,320,106
Term loans	579,129	665,323	661,738	722,404
Subordinated term loan	-	-	15,413	15,417
Other lending and factoring receivables	123,668	97,317	-	-
Advances to group employees	2	17	2	17
Gross loans, advances and financing	<u>1,845,356</u>	<u>2,082,763</u>	<u>1,819,710</u>	<u>2,057,944</u>
Less: Allowance for ECL				
- Stage 1- 12-month ECL	(775)	(1,312)	(1,158)	(2,366)
- Stage 3- Lifetime ECL credit impaired	(25,514)	(16,777)	(24,840)	(16,061)
Net Loans, Advances and Financing	<u>1,819,067</u>	<u>2,064,674</u>	<u>1,793,712</u>	<u>2,039,517</u>
(i) By Type of Customer				
Domestic business enterprise				
- Small medium enterprise	274,430	256,545	191,966	208,259
- Others	633,113	744,067	731,136	816,565
Individuals	910,612	1,052,269	869,407	1,003,238
Foreign enterprises	27,201	29,882	27,201	29,882
Gross Loans, Advances and Financing	<u>1,845,356</u>	<u>2,082,763</u>	<u>1,819,710</u>	<u>2,057,944</u>
(ii) By Geographical Distribution				
In Malaysia	1,813,327	2,040,133	1,787,682	2,015,314
Outside Malaysia	32,029	42,630	32,028	42,630
Gross Loans, Advances and Financing	<u>1,845,356</u>	<u>2,082,763</u>	<u>1,819,710</u>	<u>2,057,944</u>
(iii) By Interest Rate/ Profit Rate Sensitivity				
Fixed rate				
- Other fixed rate loans	1,266,225	1,417,423	1,142,557	1,320,105
Variable rate				
- Other variable rates	566,937	646,871	664,959	719,370
- Base lending rate plus	12,192	18,452	12,192	18,452
Interest free	2	17	2	17
Gross Loans, Advances and Financing	<u>1,845,356</u>	<u>2,082,763</u>	<u>1,819,710</u>	<u>2,057,944</u>
(iv) By Purpose				
- Purchase of securities	1,408,793	1,639,548	1,408,793	1,638,853
- Working capital	235,442	195,864	273,650	221,271
- Others	201,121	247,351	137,267	197,820
Gross Loans, Advances and Financing	<u>1,845,356</u>	<u>2,082,763</u>	<u>1,819,710</u>	<u>2,057,944</u>

NOTES TO INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2020

	Group		Bank	
	As at 30 June 2020 RM'000	As at 31 December 2019 RM'000	As at 30 June 2020 RM'000	As at 31 December 2019 RM'000
A14. Loans, Advances and Financing (cont'd.)				
(v) By Residual Contractual Maturity				
- Within one year	1,500,075	1,657,891	1,521,068	1,686,370
- More than one year	345,281	424,872	298,642	371,574
Gross Loans, Advances and Financing	1,845,356	2,082,763	1,819,710	2,057,944
(vi) Movements in impaired loans, advances and financing ("Impaired LAF")				
At beginning of the financial period/year	48,880	59,068	48,160	58,283
Impaired during the financial period/year	15,259	32,032	14,449	32,032
Amount recovered	(1,765)	(42,220)	(1,350)	(42,155)
At end of the financial period/year	62,374	48,880	61,259	48,160
Less: Allowance for ECL	(24,166)	(16,777)	(24,840)	(16,061)
Net impaired LAF	38,208	32,103	36,419	32,099
Net impaired LAF as a % of gross loans, advances and financing less allowance	2.10%	1.55%	2.03%	1.57%
(vii) Impaired LAF by Geographical Distribution				
In Malaysia	50,009	36,121	48,894	35,401
Outside Malaysia	12,365	12,759	12,365	12,759
Gross impaired loans	62,374	48,880	61,259	48,160
(viii) Impaired LAF by Purpose				
Working capital	1,115	720	-	-
Purchase of securities	61,259	48,160	61,259	48,160
Gross impaired loans	62,374	48,880	61,259	48,160

NOTES TO INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2020

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

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

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

Share margin financing:

Group and Bank

	2020			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Movement in ECL				
As at 1 January 2020	-	-	16,061	16,061
New assets originated or purchased	-	-	12,305	12,305
Assets derecognised or repaid (excluding write-offs)	-	-	(3,526)	(3,526)
As at 30 June 2020	-	-	24,840	24,840

	2019			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Movement in ECL				
As at 1 January 2019	-	8,847	21,253	30,100
New assets originated or purchased	-	-	14,839	14,839
Assets derecognised or repaid (excluding write-offs)	-	-	(28,878)	(28,878)
Transfer of stages	-	(8,847)	8,847	-
As at 31 December 2019	-	-	16,061	16,061

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

Term loan and subordinated term loan:

Group

	2020			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Movement in ECL				
As at 1 January 2020	1,183	-	-	1,183
New assets originated or purchased	217	-	-	217
Assets derecognised or repaid (excluding write-offs)	(669)	-	-	(669)
As at 30 June 2020	731	-	-	731

	2019			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Movement in ECL				
As at 1 January 2019	815	-	-	815
New assets originated or purchased	1,018	-	-	1,018
Assets derecognised or repaid (excluding write-offs)	(650)	-	-	(650)
As at 31 December 2019	1,183	-	-	1,183

NOTES TO INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2020

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

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

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

Bank

	2020			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Movement in ECL				
As at 1 January 2020	2,111	-	-	2,111
New assets originated or purchased	649	-	-	649
Assets derecognised or repaid (excluding write-offs)	(1,727)	-	-	(1,727)
As at 30 June 2020	1,033	-	-	1,033

	2019			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Movement in ECL				
As at 1 January 2019	1,201	-	-	1,201
New assets originated or purchased	1,601	-	-	1,601
Assets derecognised or repaid (excluding write-offs)	(691)	-	-	(691)
As at 31 December 2019	2,111	-	-	2,111

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

Other lending and factoring receivables

Group

	2020			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Movement in ECL				
As at 1 January 2020	-	-	716	716
New assets originated or purchased	44	-	-	44
Assets derecognised or repaid (excluding write-offs)	-	-	(42)	(42)
As at 30 June 2020	44	-	674	718

	2019			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Movement in ECL				
As at 1 January 2019	23	-	781	804
Assets derecognised or repaid (excluding write-offs)	(23)	-	(65)	(88)
As at 31 December 2019	-	-	716	716

NOTES TO INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2020

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

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

Undrawn commitment:

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

Group

	2020			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Movement in ECL				
As at 1 January 2020	129	-	-	129
Exposure derecognised or matured/lapsed (excluding write-offs)	(129)	-	-	(129)
As at 30 June 2020	-	-	-	-

	2019			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Movement in ECL				
As at 1 January 2019	60	-	-	60
New assets originated or purchased	85	-	-	85
Exposure derecognised or matured/lapsed (excluding write-offs)	(16)	-	-	(16)
As at 31 December 2019	129	-	-	129

Bank

	2020			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Movement in ECL				
As at 1 January 2020	255	-	-	255
Exposure derecognised or matured/lapsed (excluding write-offs)	(130)	-	-	(130)
As at 30 June 2020	125	-	-	125

	2019			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Movement in ECL				
As at 1 January 2019	201	-	-	201
New exposures originated or purchased	95	-	-	95
Exposure derecognised or matured/lapsed (excluding write-offs)	(41)	-	-	(41)
As at 31 December 2019	255	-	-	255

NOTES TO INTERIM FINANCIAL STATEMENTS
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Group and Bank
As at As at
30 June 31 December
2020 2019
RM'000 RM'000

A15. Balances due from clients and brokers

Balances due from clients and brokers	416,203	294,014
Less: Allowance for ECL	(13,407)	(13,657)
	402,796	280,357

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

Group and Bank

Movement in ECL	2020		
	Non-Credit Impaired RM'000	Credit- Impaired RM'000	Total RM'000
	As at 1 January 2020	1,516	12,141
Charged during the period	86	79	165
Written back during the period	(57)	(358)	(415)
As at 30 June 2020	1,545	11,862	13,407

Movement in ECL	2019		
	Non-Credit Impaired RM'000	Credit- Impaired RM'000	Total RM'000
	As at 1 January 2019	1,517	12,938
Charged during the year	214	503	717
Written back during the year	(215)	(1,300)	(1,515)
As at 31 December 2019	1,516	12,141	13,657

Group		Bank	
As at 30 June 2020 RM'000	As at 31 December 2019 RM'000	As at 30 June 2020 RM'000	As at 31 December 2019 RM'000

A16. Other Assets

Assets segregated for customers	105,075	86,376	-	-
Interest/income receivable	13,161	11,641	13,101	11,401
Prepayments and deposits	22,645	19,378	19,306	17,771
Other debtors	64,336	39,166	40,381	17,873
Treasury trade receivables	49,869	49,842	49,869	49,842
Amount due from subsidiaries	-	-	30,564	30,599
Amount due from related parties	31	33	31	33
	255,117	206,436	153,252	127,519
Allowance for ECL				
- Other debtors	(5,217)	(4,651)	(5,221)	(4,651)
- Amount due from subsidiaries	-	-	(299)	(304)
	249,900	201,785	147,732	122,564

NOTES TO INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2020

A16. Other Assets (cont'd.)

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

Group

Movement in ECL

As at 1 January 2020
Charged during the period
Written back during the period
Transfer of stages
Written off during the period
As at 30 June 2020

2020		
Non-Credit Impaired RM'000	Credit- Impaired RM'000	Total RM'000
180	4,471	4,651
486	978	1,464
-	(890)	(890)
(495)	494	(1)
-	(7)	(7)
171	5,046	5,217

Movement in ECL

As at 1 January 2019
Charged during the year
Written back during the year
Transfer of stages
Written off during the year
As at 31 December 2019

2019		
Non-Credit Impaired RM'000	Credit Impaired RM'000	Total RM'000
259	4,597	4,856
1,207	1,222	2,429
-	(2,446)	(2,446)
(1,277)	1,277	-
(9)	(179)	(188)
180	4,471	4,651

Bank

Movement in ECL

As at 1 January 2020
Charged during the period
Written back during the period
Transfer of stages
Written off during the period
As at 30 June 2020

2020		
Non-Credit Impaired RM'000	Credit Impaired RM'000	Total RM'000
180	4,471	4,651
488	978	1,466
-	(889)	(889)
(494)	494	-
-	(7)	(7)
174	5,047	5,221

Movement in ECL

As at 1 January 2019
Charged during the year
Written back during the year
Transfer of stages
Written off during the year
As at 31 December 2019

2019		
Non-Credit Impaired RM'000	Credit Impaired RM'000	Total RM'000
259	3,226	3,485
1,207	1,222	2,429
-	(1,075)	(1,075)
(1,277)	1,277	-
(9)	(179)	(188)
180	4,471	4,651

NOTES TO INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2020

A16. Other Assets (cont'd.)

An analysis of changes in the ECL allowances in relation to amount due from subsidiaries is, as follows:

Bank

	2020			
	Stage 1	Stage 2	Stage 3	Total
<u>Movement in ECLs</u>	RM'000	RM'000	RM'000	RM'000
As at 1 January 2020	304	-	-	304
Exposure derecognised or matured/lapsed (excluding write-offs)	(5)	-	-	(5)
As at 30 June 2020	299	-	-	299

	2019			
	Stage 1	Stage 2	Stage 3	Total
<u>Movement in ECLs</u>	RM'000	RM'000	RM'000	RM'000
As at 1 January 2019	-	-	-	-
New assets originated or purchased	304	-	-	304
As at 31 December 2019	304	-	-	304

Group and Bank	
As at	As at
30 June	31 December
2020	2019
RM'000	RM'000

A17. Statutory deposit with Bank Negara Malaysia

Statutory Deposit	62,398	99,164
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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.

Group		Bank	
As at	As at	As at	As at
30 June	31 December	30 June	31 December
2020	2019	2020	2019
RM'000	RM'000	RM'000	RM'000

A18. Deposits from customers

(i) By type of deposit

Fixed term deposits	2,904,387	3,282,087	2,935,434	3,312,129
Short term money deposits	1,325,390	657,880	1,358,584	681,696
Call money deposits	113,279	71,367	113,279	71,367
Negotiable instruments of deposit	57,024	54,160	57,094	54,160
	4,400,080	4,065,494	4,464,391	4,119,352

NOTES TO INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2020

	Group		Bank	
	As at 30 June 2020 RM'000	As at 31 December 2019 RM'000	As at 30 June 2020 RM'000	As at 31 December 2019 RM'000
A18. Deposits from customers (cont'd.)				
(ii) By type of customer				
Government and other statutory bodies	993,177	786,494	993,177	786,494
Individuals	125,759	124,805	125,759	124,805
Business enterprises	788,376	776,876	788,376	776,876
Non-bank financial institutions	2,262,839	2,265,852	2,262,839	2,265,852
Subsidiaries and related companies	229,929	111,467	294,240	165,325
	4,400,080	4,065,494	4,464,391	4,119,352
(iii) By maturity structure				
Due within six months	3,324,343	2,911,025	3,385,950	2,964,883
More than six months to one year	809,023	727,267	811,727	727,267
More than one year	266,714	427,202	266,714	427,202
	4,400,080	4,065,494	4,464,391	4,119,352

A19. Deposits and placements of banks and financial institutions

	Group and Bank	
	As at 30 June 2020 RM'000	As at 31 December 2019 RM'000
Licenced banks	21,413	-
Licenced investment banks	-	50,000
Other financial institutions	370,094	600,718
	391,507	650,718

NOTES TO INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2020

	Group		Bank	
	As at 30 June 2020 RM'000	As at 31 December 2019 RM'000	As at 30 June 2020 RM'000	As at 31 December 2019 RM'000
A20. Other liabilities				
Interest/Income payable	21,958	35,878	21,342	35,375
Securities borrowing and lending	1,047	3,040	1,047	3,040
Accruals and provision	105,892	70,989	42,788	35,484
Retention for contra losses	17	17	17	17
Structured products	13,394	5,399	13,394	5,399
Treasury trade payables	49,869	49,842	49,869	49,842
Deposits and other creditors	118,606	84,975	114,798	79,400
Amounts held in trust on behalf of				
Dealer's Representatives	55,000	60,201	55,000	60,201
Amount due to trustees	6,313	12,611	-	-
Amount due to subsidiaries	-	-	319	268
	372,096	322,952	298,574	269,026
A21. Borrowings				
Secured:				
Revolving bank loan	36,000	41,600	36,000	41,600
Unsecured:				
Revolving bank loans	31,000	30,000	-	-
Subordinated notes	75,000	25,000	75,000	25,000
	142,000	96,600	111,000	66,600

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FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2020

	Individual Quarter		Cumulative Quarters	
	3 months ended 30 June 2020 RM'000	3 months ended 30 June 2019 RM'000 (Restated)	6 months ended 30 June 2020 RM'000	6 months ended 30 June 2019 RM'000 (Restated)
A22. Interest Income				
Group				
Loans, advances and financing	30,977	33,897	65,820	68,492
Money at call and deposit placements with financial institutions	10,882	14,002	24,911	26,046
Financial investments at FVOCI	6,623	9,950	13,187	20,271
Financial investments at AC	1,344	1,012	2,474	2,111
Others	4,106	3,701	7,943	7,146
	53,932	62,562	114,335	124,066
Bank				
Loans, advances and financing	29,921	33,122	63,794	66,408
Money at call and deposit placements with financial institutions	10,082	12,581	23,208	23,891
Financial investments at FVOCI	6,623	9,950	13,187	20,271
Financial investments at AC	1,344	1,012	2,474	2,111
Others	4,110	3,697	7,945	7,137
	52,080	60,362	110,608	119,818
A23. Interest Expense				
Group				
Deposits from customers	28,068	38,463	64,054	75,688
Deposits and placement from banks and other financial institutions	260	1,432	682	3,452
Borrowings	1,756	1,527	3,124	2,993
Lease interest expense	322	238	699	579
Others	215	708	665	1,527
	30,621	42,368	69,224	84,239
Bank				
Deposits from customers	29,102	38,949	65,870	76,638
Deposits and placement from banks and other financial institutions	259	1,431	682	3,451
Borrowings	1,370	928	2,252	1,873
Lease interest expense	300	217	653	539
Others	2,110	1,221	4,276	2,040
	33,141	42,746	73,733	84,541

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FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2020

	Individual Quarter		Cumulative Quarters	
	3 months ended 30 June 2020 RM'000	3 months ended 30 June 2019 RM'000 (Restated)	6 months ended 30 June 2020 RM'000	6 months ended 30 June 2019 RM'000 (Restated)
A24. Other Operating Income				
Group				
(a) Fee income:				
Brokerage fees	78,906	38,368	127,672	75,649
Corporate advisory fees	1,512	1,959	2,773	4,052
Processing fees on loans, advances and financing	394	1,157	1,157	1,712
Commissions	2,675	1,721	5,463	3,278
Management fee income	21,579	21,704	41,986	39,927
Placement fees	1,463	2,803	3,542	5,533
Underwriting commission	-	165	188	382
Other fee income	3,578	3,992	7,816	7,004
Others	289	371	1,040	709
	<u>110,396</u>	<u>72,240</u>	<u>191,637</u>	<u>138,246</u>
(b) Net gain arising from sale/ redemption of:				
Financial assets at FVTPL and derivatives	46,537	10,342	49,334	25,797
Financial investments at FVOCI	4,702	3,667	4,928	5,063
	<u>51,239</u>	<u>14,009</u>	<u>54,262</u>	<u>30,860</u>
(c) Gross dividend income from:				
Financial assets at FVTPL	1,099	143	1,419	246
Financial investments at FVOCI	22	86	34	97
	<u>1,121</u>	<u>229</u>	<u>1,453</u>	<u>343</u>
(d) Interest income from financial assets at FVTPL	328	628	862	1,418
(e) Unrealised (loss)/gain on revaluation of financial assets at FVTPL and derivatives	(25,485)	1,111	(24,286)	(5,206)
(f) Other income:				
Net foreign exchange income	2,019	2,287	3,699	4,107
Other operating income	419	214	960	458
Other non-operating income				
- Rental income	740	1,093	1,486	2,199
- Others	495	448	1,452	3,627
	<u>3,673</u>	<u>4,042</u>	<u>7,597</u>	<u>10,391</u>
Total other operating income	<u>141,272</u>	<u>92,259</u>	<u>231,525</u>	<u>176,052</u>

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	Individual Quarter		Cumulative Quarters	
	3 months ended 30 June 2020 RM'000	3 months ended 30 June 2019 RM'000 (Restated)	6 months ended 30 June 2020 RM'000	6 months ended 30 June 2019 RM'000 (Restated)
A24. Other Operating Income (cont'd.)				
<u>Bank</u>				
(a) Fee income:				
Brokerage fees	79,647	38,368	128,647	75,649
Corporate advisory fees	1,523	1,988	2,819	4,110
Processing fees on loans, advances and financing	222	1,026	865	1,441
Management fee income	316	248	605	492
Placement fees	1,463	2,300	3,392	5,028
Underwriting commission	-	165	188	382
Other fee income	1,513	1,665	3,357	3,455
Others	194	134	415	287
	<u>84,878</u>	<u>45,894</u>	<u>140,288</u>	<u>90,844</u>
(b) Net gain arising from sale/ redemption of:				
Financial assets at FVTPL and derivatives	46,537	10,342	49,334	25,797
Financial investments at FVOCI	4,702	3,667	4,928	5,063
	<u>51,239</u>	<u>14,009</u>	<u>54,262</u>	<u>30,860</u>
(c) Gross dividend from:				
Financial assets at FVTPL	1,071	102	1,357	181
Financial investments at FVOCI	22	86	34	97
	<u>1,093</u>	<u>188</u>	<u>1,391</u>	<u>278</u>
(d) Interest income from financial assets at FVTPL	<u>328</u>	<u>628</u>	<u>862</u>	<u>1,418</u>
(e) Unrealised (loss)/gain on revaluation of financial assets at FVTPL and derivatives	<u>(27,298)</u>	<u>308</u>	<u>(25,391)</u>	<u>(6,753)</u>
(f) Other income:				
Net foreign exchange income	2,003	2,280	3,616	4,115
Other operating income	534	240	1,362	543
Other non-operating income				
- Rental income	1,202	1,162	2,408	2,328
- Others	483	1,182	1,347	4,205
	<u>4,222</u>	<u>4,864</u>	<u>8,733</u>	<u>11,191</u>
Total other operating income	<u>114,462</u>	<u>65,891</u>	<u>180,145</u>	<u>127,838</u>

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	Individual Quarter		Cumulative Quarters	
	3 months ended 30 June 2020 RM'000	3 months ended 30 June 2019 RM'000	6 months ended 30 June 2020 RM'000	6 months ended 30 June 2019 RM'000
A25. Other operating expenses				
Group				
Personnel costs	47,781	45,471	92,907	89,293
- Salaries, allowances and bonuses	37,941	34,839	72,490	69,221
- EPF	4,663	4,396	9,354	8,704
- ESS	247	453	700	1,117
- Others	4,930	5,783	10,363	10,251
Establishment costs	13,126	11,378	25,782	23,275
- Depreciation of property, plant and equipment	2,914	2,697	5,843	5,217
- Amortisation of intangible assets	1,152	1,026	2,252	2,158
- Amortisation of right-of-use assets	2,161	2,265	4,174	4,537
- Rental of premises				
- Current year	73	441	236	490
- Over accrual in prior year	-	(932)	-	(932)
- Rental of equipment	116	108	260	222
- Repairs and maintenance	1,420	1,194	2,810	2,336
- Information technology expenses	3,348	2,764	6,572	5,805
- Others	1,942	1,815	3,635	3,442
Marketing expenses	2,916	4,655	6,682	7,986
- Promotion and advertisements	2,392	3,354	4,898	5,545
- Travel and entertainment	319	1,131	1,227	2,010
- Others	205	170	557	431
Administration and general expenses	83,797	45,272	136,545	88,117
- Communication expenses	1,224	1,326	2,539	2,648
- Professional fees and legal fees	1,036	1,557	2,458	2,461
- Regulatory charges	7,651	5,886	13,540	11,138
- Fees and brokerage	69,254	32,555	108,734	63,587
- Administrative expenses	4,244	3,598	8,499	7,572
- Printing and stationery	388	350	775	711
Total other operating expenses	147,620	106,776	261,916	208,671

NOTES TO INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2020

Individual Quarter		Cumulative Quarters	
3 months ended 30 June 2020	3 months ended 30 June 2019	6 months ended 30 June 2020	6 months ended 30 June 2019
RM'000	RM'000	RM'000	RM'000

A25. Other operating expenses (cont'd.)

Bank

Personnel costs	35,522	33,505	67,958	67,296
- Salaries, allowances and bonuses	29,790	26,619	55,827	53,885
- EPF	3,717	3,520	7,425	7,052
- ESS	217	401	605	996
- Others	1,798	2,965	4,101	5,363
Establishment costs	11,096	9,742	21,641	20,175
- Depreciation of property, plant and equipment	2,722	2,532	5,462	4,915
- Amortisation of intangible assets	1,035	982	2,038	2,070
- Amortisation of right-of-use assets	1,871	2,047	3,566	4,098
- Rental of premises				
- Current year	57	431	131	457
- Over accrual in prior year	-	(932)	-	(932)
- Rental of equipment	83	78	157	153
- Repair and maintenance	992	896	1,890	1,771
- Information technology expenses	3,322	2,757	6,520	5,794
- Others	1,014	951	1,877	1,849
Marketing expenses	998	2,136	3,065	3,920
- Promotion and advertisement	571	1,252	1,703	2,252
- Travel and entertainment	236	727	825	1,284
- Others	191	157	537	384
Administration and general expenses	72,988	33,791	114,193	66,907
- Communication expenses	1,067	1,154	2,194	2,309
- Professional fees and legal fees	985	1,222	2,165	2,032
- Regulatory charges	7,155	5,231	12,582	9,984
- Fees and brokerages	59,691	22,847	89,069	45,452
- Administrative expenses	3,835	3,122	7,668	6,677
- Printing and stationery	255	215	515	453
Total other operating expenses	120,604	79,174	206,857	158,298

NOTES TO INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2020

A26. Credit loss reversal/(expense)

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

Group

Individual Quarter

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

	2020			
	Stage 1	Stage 2	Stage 3	Total
	RM'000	RM'000	RM'000	RM'000
Debt instruments at FVOCI	(26)	-	-	(26)
Debt instruments at amortised cost	(58)	-	-	(58)
Loans, advances and financing	112	-	2,007	2,119
Loan commitments	63	-	-	63
Credit loss reversal	91	-	2,007	2,098

	2019			
	Stage 1	Stage 2	Stage 3	Total
	RM'000	RM'000	RM'000	RM'000
Debt instruments at FVOCI	63	-	-	63
Debt instruments at amortised cost	-	(7)	-	(7)
Loans, advances and financing	(106)	-	113	7
Loan commitments	11	-	-	11
Credit loss (expense)/reversal	(32)	(7)	113	74

(ii) Movement in ECL on other financial assets

	2020		
	Non-Credit Impaired	Credit-Impaired	Total
	RM'000	RM'000	RM'000
Balance due from clients and brokers	(11)	129	118
Other debtors	(214)	(83)	(297)
Credit loss (expense)/reversal	(225)	46	(179)

	2019		
	Non-Credit Impaired	Credit-Impaired	Total
	RM'000	RM'000	RM'000
Balance due from clients and brokers	6	7	13
Other debtors	55	527	582
Credit loss reversal	61	534	595

NOTES TO INTERIM FINANCIAL STATEMENTS
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A26. Credit loss (expense)/reversal (cont'd.)

Group

Cumulative Quarters

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

	2020			
	Stage 1	Stage 2	Stage 3	Total
	RM'000	RM'000	RM'000	RM'000
Debt instruments at FVOCI	(27)	-	-	(27)
Debt instruments at amortised cost	(131)	338	-	207
Loans, advances and financing	408	-	(8,737)	(8,329)
Loan commitments	129	-	-	129
Credit loss reversal/(expense)	379	338	(8,737)	(8,020)

	2019			
	Stage 1	Stage 2	Stage 3	Total
	RM'000	RM'000	RM'000	RM'000
Debt instruments at FVOCI	58	-	-	58
Debt instruments at amortised cost	-	437	-	437
Loans, advances and financing	(366)	-	4,775	4,409
Loan commitments	(69)	-	-	(69)
Credit loss (expense)/reversal	(377)	437	4,775	4,835

(iv) Movement in ECLs on other financial assets

	2020		
	Non-Credit Impaired	Credit- Impaired	Total
	RM'000	RM'000	RM'000
Balance due from clients and brokers	(29)	279	250
Other debtors	(486)	(88)	(574)
Credit loss (expense)/reversal	(515)	191	(324)

	2019		
	Non-Credit Impaired	Credit- Impaired	Total
	RM'000	RM'000	RM'000
Balance due from clients and brokers	2	72	74
Other debtors	143	498	641
Credit loss reversal	145	570	715

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

Bank

Individual Quarter

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

	2020			
	Stage 1	Stage 2	Stage 3	Total
	RM'000	RM'000	RM'000	RM'000
Debt instruments at FVOCI	(26)	-	-	(26)
Debt instruments at amortised cost	(58)	-	-	(58)
Loans, advances and financing	153	-	1,989	2,142
Loan commitments	63	-	-	63
Credit loss reversal	132	-	1,989	2,121

	2019			
	Stage 1	Stage 2	Stage 3	Total
	RM'000	RM'000	RM'000	RM'000
Debt instruments at FVOCI	63	-	-	63
Debt instruments at amortised cost	-	(7)	-	(7)
Loans, advances and financing	(555)	-	98	(457)
Loan commitments	26	-	-	26
Credit loss (expense)/reversal	(466)	(7)	98	(375)

(vi) Movement in ECL on other financial assets

	2020		
	Non-Credit Impaired	Credit- Impaired	Total
	RM'000	RM'000	RM'000
Balance due from clients and brokers	(11)	129	118
Other debtors	(215)	(84)	(299)
Credit loss (expense)/reversal	(226)	45	(181)

	2019		
	Non-Credit Impaired	Credit- Impaired	Total
	RM'000	RM'000	RM'000
Balance due from clients and brokers	6	7	13
Other debtors	(489)	(15)	(504)
Credit loss expense	(483)	(8)	(491)

NOTES TO INTERIM FINANCIAL STATEMENTS
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A26. Credit loss reversal/(expense) (cont'd.)

Bank

Cumulative Quarters

(vii) Movement in ECLs on debt instruments, loan commitments, loans, advances, and financing

	2020			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Debt instruments at FVOCI	(27)	-	-	(27)
Debt instruments at amortised cost	(131)	338	-	207
Loans, advances and financing	1,078	-	(8,779)	(7,701)
Loan commitments	130	-	-	130
Amount due from subsidiaries	5	-	-	5
Credit loss reversal/(expense)	1,055	338	(8,779)	(7,386)

	2019			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Debt instruments at FVOCI	58	-	-	58
Debt instruments at amortised cost	-	437	-	437
Loans, advances and financing	(864)	-	4,745	3,881
Loan commitments	(54)	-	-	(54)
Credit loss (expense)/reversal	(860)	437	4,745	4,322

(viii) Movement in ECLs on other financial assets

	2020		
	Non-Credit Impaired RM'000	Credit- Impaired RM'000	Total RM'000
Balance due from clients and brokers	(29)	279	250
Other debtors	(488)	(89)	(577)
Credit loss (expense)/reversal	(517)	190	(327)

	2019		
	Non-Credit Impaired RM'000	Credit- Impaired RM'000	Total RM'000
Balance due from clients and brokers	2	72	74
Other debtors	(512)	61	(451)
Credit loss (expense)/reversal	(510)	133	(377)

A27. Bad debts recovered/(written off)

	Individual Quarter		Cumulative Quarters	
	3 months ended 30 June 2020 RM'000	3 months ended 30 June 2019 RM'000	6 months ended 30 June 2020 RM'000	6 months ended 30 June 2019 RM'000
Loans, advances and financing	2	1	209	276
Balance due from clients and brokers	3	7	77	11
Other debtors	-	-	(53)	-
	5	8	233	287

Group and Bank

NOTES TO INTERIM FINANCIAL STATEMENTS
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A28. Fair value of financial instruments

Fair value measurements

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

Level 1 - quoted (unadjusted) market prices in active markets for identical assets or liabilities;

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

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

Valuation techniques and sensitivity analysis

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

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

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

Group

30 June 2020

	Level 1	Level 2	Level 3	Total
	RM'000	RM'000	RM'000	RM'000
Financial assets measured at fair value				
Financial assets at FVTPL				
- Debt securities	-	156,690	-	156,690
- Equity securities	367,638	6,004	28,994	402,636
Financial investments at FVOCI				
- Debt securities	-	856,683	-	856,683
- Equity securities	-	-	1,989	1,989
Derivative financial assets	9,148	112,920	-	122,068
Financial assets at amortised cost for which fair values are disclosed				
Financial investments at AC	-	202,782	-	202,782
Loans, advances and financing	-	-	1,818,276	1,818,276
	376,786	1,335,079	1,849,259	3,561,124

Financial liabilities measured at fair value

Derivative financial liabilities	145,708	617	-	146,325
Borrowings	-	127,062	-	127,062
	145,708	127,679	-	273,387

31 December 2019

	Level 1	Level 2	Level 3	Total
	RM'000	RM'000	RM'000	RM'000
Financial assets measured at fair value				
Financial assets at FVTPL				
- Debt securities	-	96,741	-	96,741
- Equity securities	193,566	9,379	28,994	231,939
Financial investments at FVOCI				
- Debt securities	-	793,993	-	793,993
- Equity securities	-	-	1,088	1,088
Derivative financial assets	-	65,174	-	65,174
Financial assets at amortised cost for which fair values are disclosed				
Financial investments at AC	-	117,673	-	117,673
Loans, advances and financing	-	-	2,064,990	2,064,990
	193,566	1,082,960	2,095,072	3,371,598

Financial liabilities measured at fair value

Derivative financial liabilities	13,395	21	-	13,416
Borrowings	-	92,144	-	92,144
	13,395	92,165	-	105,560

NOTES TO INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2020

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

Bank

30 June 2020

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Financial assets measured at fair value				
Financial assets at FVTPL				
- Debt securities	-	158,843	-	158,843
- Equity securities	367,638	665	28,994	397,297
Financial investments at FVOCI				
- Debt securities	-	856,683	-	856,683
- Equity securities	-	-	1,989	1,989
Derivative financial assets	9,148	112,920	-	122,068
Financial assets at amortised cost for which fair values are disclosed				
Financial investments at AC	-	202,782	-	202,782
Loans, advances and financing	-	-	1,794,309	1,794,309
	376,786	1,331,893	1,825,292	3,533,971

Financial liabilities measured at fair value

Derivative financial liabilities	145,708	617	-	146,325
Borrowings	-	96,077	-	96,077
	145,708	96,694	-	242,402

31 December 2019

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Financial assets measured at fair value				
Financial assets at FVTPL				
- Debt securities	-	100,000	-	100,000
- Equity securities	193,566	4,000	28,994	226,560
Financial investments at FVOCI				
- Debt securities	-	793,993	-	793,993
- Equity securities	-	-	1,088	1,088
Derivative financial assets	-	65,174	-	65,174
Financial assets at amortised cost for which fair values are disclosed				
Financial investments at AC	-	117,673	-	117,673
Loans, advances and financing	-	-	2,040,578	2,040,578
	193,566	1,080,840	2,070,660	3,345,066

Financial liabilities measured at fair value

Derivative financial liabilities	13,395	21	-	13,416
Borrowings	-	62,148	-	62,148
	13,395	62,169	-	75,564

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A29. Commitments and Contingencies

In the normal course of business, the Group and the Bank enter into various commitments and incur certain contingent liabilities with legal recourse to their customers. No material losses are anticipated as a result of these transactions.

	Group		Bank	
	As at 30 June 2020	As at 31 December 2019	As at 30 June 2020	As at 31 December 2019
	Principal Amount RM'000	Principal Amount RM'000	Principal Amount RM'000	Principal Amount RM'000
Commitments to extend credit with maturity of less than 1 year :-				
- share margin financing	2,402,382	1,892,577	2,402,382	1,892,577
- foreign exchange related contract	27,703	30,356	27,703	30,356
- equity exchange related contract	155,499	108,435	155,499	108,435
Other commitments with an original maturity of less than 1 year :-				
- corporate loans	93,600	23,742	111,100	66,742
Commitments to extend credit with maturity of more than 1 year :-				
- equity related contract	480	520	480	520
Other commitments with an original maturity of more than 1 year :-				
- corporate loans	10,284	76,458	35,284	101,458
Stockbroking clients' trust	900,330	623,581	900,330	623,581
Securities borrowing and lending	993	2,705	993	2,705
Derivative financial assets				
- dual currency investment - options	-	4,509	-	4,509
- equity related contracts - options	271,288	66,528	271,288	66,528
- equity related contracts - swaps	45,244	52,340	45,244	52,340
- synthetic protected forward	21,011	77,667	21,011	77,667
Derivative financial liabilities				
- dual currency investment - options	13,394	4,509	13,394	4,509
- equity related contracts - options	895,161	72,413	895,161	72,413
- equity related contracts - swaps	14,943	-	14,943	-
- synthetic protected forward	-	-	-	-
Capital commitment:				
- Authorised and contracted for	4,953	5,344	4,382	5,147
Investment in equity fund	-	-	57,854	17,854
	4,857,265	3,041,684	4,957,048	3,127,341

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	Group		Bank	
	30 June 2020 RM'000	31 December 2019 RM'000	30 June 2020 RM'000	31 December 2019 RM'000
A30. Operating lease arrangements				
Future minimum sub-lease receipts:				
Subsidiaries	-	-	3,007	2,945
External parties	4,506	4,458	4,506	4,458
	<u>4,506</u>	<u>4,458</u>	<u>7,513</u>	<u>7,403</u>

A31. Capital Adequacy

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

	Group		Bank	
	30 June 2020 RM'000	31 December 2019 RM'000	30 June 2020 RM'000	31 December 2019 RM'000
<u>CET 1 / Tier 1 capital</u>				
Paid-up share capital	246,249	246,249	246,249	246,249
Retained profits	511,810	531,811	512,112	532,338
Other reserves	148,339	143,219	197,472	194,372
Less: Regulatory adjustments:				
Deferred tax assets	(2,898)	(2,955)	-	-
55% of cumulative gains of financial investments at FVOCI	(5,208)	(3,568)	(8,463)	(5,777)
Goodwill	(243,754)	(243,754)	(252,909)	(252,909)
Other intangibles	(77,459)	(73,633)	(70,558)	(67,803)
Regulatory reserve	(22,962)	(25,444)	(22,962)	(25,444)
Treasury shares	(16,970)	(16,990)	(16,970)	(16,990)
Regulatory adjustments applied to CET 1 Capital due to insufficient Tier 2 Capital *	(83,247)	(80,442)	(166,170)	(166,170)
Total CET 1/Tier 1 capital	<u>453,900</u>	<u>474,493</u>	<u>417,801</u>	<u>437,866</u>
<u>Tier 2 capital</u>				
Subordinated obligations capital	75,000	25,000	75,000	25,000
Stage 1 and Stage 2 expected credit loss allowances and regulatory reserves	18,418	16,752	18,807	17,151
Total Tier 2 capital	<u>93,418</u>	<u>41,752</u>	<u>93,807</u>	<u>42,151</u>
Total capital	<u>547,318</u>	<u>516,245</u>	<u>511,608</u>	<u>480,017</u>

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A31. Capital Adequacy (cont'd.)

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

	Group		Bank	
	30 June 2020	31 December 2019	30 June 2020	31 December 2019
CET 1 capital ratio	18.322%	21.309%	17.734%	20.730%
Tier 1 capital ratio	18.322%	21.309%	17.734%	20.730%
Total capital ratio	22.093%	23.184%	21.716%	22.725%

* 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		Group	
	30 June 2020		31 December 2019	
	Notional amount RM'000	Risk-weighted amount RM'000	Notional amount RM'000	Risk-weighted amount RM'000
Credit Risk	5,877,850	1,473,406	5,116,298	1,340,143
Market Risk	-	391,287	-	219,406
Operational Risk	-	612,684	-	604,853
Large exposure risk	-	-	-	62,367
Total Risk Weighted Assets	5,877,850	2,477,377	5,116,298	2,226,769

	Bank		Bank	
	30 June 2020		31 December 2019	
	Notional amount RM'000	Risk-weighted amount RM'000	Notional amount RM'000	Risk-weighted amount RM'000
Credit Risk	5,617,204	1,504,623	4,919,418	1,372,091
Market Risk	-	376,601	-	204,614
Operational Risk	-	470,164	-	473,201
Large exposure risk	-	4,525	-	62,367
Total Risk Weighted Assets	5,617,204	2,355,913	4,919,418	2,112,273

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A31. Capital Adequacy (cont'd.)

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

A32. Credit Exposures Arising From Credit Transactions With Connected Parties

	30 June 2020	31 December 2019
Outstanding credit exposures with connected parties (RM'000)	<u>184,619</u>	<u>171,387</u>
Percentage of outstanding credit exposures to connected parties:-		
- as a proportion of total credit exposures	<u>5.35%</u>	<u>5.06%</u>
- which was impaired or in default	<u>-</u>	<u>-</u>

The credit exposure above were derived based on Bank Negara Malaysia's revised Guidelines on Credit Transactions and Exposures with Connected Parties, which was effective since 1 January 2008.

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 broking business
- (iv) Money lending and financing - Money lending, islamic factoring and leasing;
- (v) Investment and Wealth Management - Management of funds and unit trusts; and
- (vi) Corporate and others - Support services comprise all middle and back office functions, and, includes business operations conducted by the Group's associates in the Kingdom of Saudi Arabia and Sri Lanka and joint venture company.

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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
2020								
Revenue								
External sales	122,816	185,900	7,138	6,018	47,709	5,257	-	374,838
- Interest income	98,364	27,665	1,675	5,408	(95)	4,380	-	137,397
- Fee income	7,715	134,015	5,463	610	47,241	357	-	195,401
- Trading and investment income	15,215	21,805	-	-	62	664	-	37,746
- Other operating income	1,522	2,415	-	-	501	(144)	-	4,294
Inter-segment sales	1,617	1,332	386	-	4,113	869	(8,317)	-
Total revenue	124,433	187,232	7,524	6,018	51,822	6,126	(8,317)	374,838
Result								
Net income	39,685	179,496	7,102	3,350	51,319	7,571	(1,022)	287,501
Other operating expenses	(28,815)	(171,024)	(8,323)	(2,235)	(48,004)	(5,391)	1,876	(261,916)
Credit loss reversal/(expense)	920	(8,550)	-	(2)	-	(81)	(631)	(8,344)
Bad debt (written off)/recovery	(53)	246	-	-	-	40	-	233
Share of results of associates and a joint venture company	-	-	-	-	-	834	-	834
Profit/(loss) before taxation and zakat	11,737	168	(1,221)	1,113	3,315	2,973	223	18,308
Taxation and zakat								(4,787)
Net profit for the financial period								13,521

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NOTES TO INTERIM FINANCIAL STATEMENTS
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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
2020 (cont'd.)								
Other information								
Net interest and finance income	36,127	1,550	2,350	(626)	2,880	4,777	-	47,058
Depreciation and amortisation	6,411	281	120	1,530	4,655	(729)	-	12,268
Non cash expenses								
- Unrealised losses on revaluation of financial assets at FVTPL and derivatives	(26,135)	-	-	-	665	1,105	-	(24,365)
Assets								
Investments in associate companies	-	-	-	-	67,518	-		67,518
Investment in a joint venture company	-	-	-	-	15,729	-		15,729
Addition to non-current assets	7,351	3	439	1,901	-	-	A	9,694
Segment assets	6,870,663	347,904	135,847	163,992	14,808	(358,576)	B	7,174,638
Liabilities								
Segment liabilities	5,922,863	328,100	122,465	105,047	1,025	(207,811)	C	6,271,689

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A33. Segmental reporting (cont'd.)

	Investment banking RM'000 (Restated)	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 (Restated)
2019								
Revenue								
External sales	134,620	128,296	5,414	3,816	47,699	5,847	-	325,692
- Interest income	108,534	27,779	2,136	3,332	2,440	5,664	-	149,885
- Fee income	11,053	80,438	3,278	484	45,022	178	-	140,453
- Trading and investment income	12,668	18,195	-	-	65	-	-	30,928
- Other operating income	2,365	1,884	-	-	172	5	-	4,426
Inter-segment sales	1,454	91	535	-	1,781	-	(3,861)	-
Total revenue	136,074	128,387	5,949	3,816	49,480	5,847	(3,861)	325,692
Result								
Net income	37,247	122,370	5,551	2,244	49,754	8,580	(1,031)	224,715
Other operating expenses	(27,709)	(122,611)	(6,948)	(2,148)	(49,006)	(2,953)	2,704	(208,671)
Credit loss (expense)/reversal	(819)	4,822	-	41	-	1,024	482	5,550
Bad debt recovery	-	37	-	-	-	250	-	287
Share of results of associates and a joint venture company	-	-	-	-	-	(2,441)	-	(2,441)
Profit/(loss) before taxation and zakat	8,719	4,618	(1,397)	137	748	4,460	2,155	19,440
Taxation and zakat								(6,053)
Net profit for the financial period								13,387

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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
2019 (cont'd.)								
Other information								
Net interest and finance income	36,118	2,275	1,342	2,705	3,882	564	-	46,886
Depreciation and amortisation	2,916	54	19	340	4,046	-	-	7,375
Non cash expenses								
- Unrealised (loss)/gain on revaluation of financial assets at FVTPL and derivatives	(6,720)	-	-	1,547	-	-	-	(5,173)
Assets								
Investments in associate companies	-	-	-	-	63,249	-		63,249
Investment in a joint venture company	-	-	-	-	14,929	-		14,929
Addition to non-current assets	7,219	18	12	577	-	-	A	7,826
Segment assets	7,130,641	337,412	102,179	78,065	16,249	(262,895)	B	7,401,651
Liabilities								
Segment liabilities	6,189,142	314,876	90,309	40,397	3,199	(125,596)	C	6,512,327

Notes

A Additions to non-current assets consist of:

	2020 RM'000	2019 RM'000
Property, plant and equipment		
- Additions during the financial period	4,306	5,532
Intangible assets		
- Additions during the financial period	5,388	2,294
	<u>9,694</u>	<u>7,826</u>

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A33. Segmental reporting (cont'd.)

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

	2020	2019
	RM'000	RM'000
Investment in subsidiaries	(94,942)	(79,619)
Investment in associates and joint venture	(13,731)	(13,801)
Intangible assets	(40,095)	(40,095)
Inter-segment assets	(209,808)	(129,380)
	<u>(358,576)</u>	<u>(262,895)</u>

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

	2020	2019
	RM'000	RM'000
Deposits accepted from subsidiaries	(64,311)	(54,591)
Inter-segment liabilities	(143,500)	(71,005)
	<u>(207,811)</u>	<u>(125,596)</u>

NOTES TO INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2020

A34. Operations of Islamic Banking

(a) Unaudited Statement of Financial Position
As at 30 June 2020

		Group and Bank	
	Note	As at 30 June 2020 RM '000	As at 31 December 2019 RM '000
ASSETS			
Cash and bank balances	(e)	1,023,679	982,933
Financial assets at FVTPL	(f)	110,903	100,000
Financial investment at FVOCI	(g)(i)	220,178	157,374
Financial investment at AC	(g)(ii)	66,950	30,087
Financing and advances	(h)	142,613	169,155
Balances due from clients and brokers		3,375	410
Other assets	(i)	5,129	4,692
Property, plant and equipment		30	28
Intangible assets		2	12
TOTAL ASSETS		1,572,859	1,444,691
LIABILITIES			
Deposits from customers	(j)	1,287,861	1,174,263
Balances due to clients and brokers		3,876	2,670
Other liabilities	(k)	104,478	98,311
Deferred tax liabilities		1,625	1,121
Provision for taxation and zakat		2,695	3,822
TOTAL LIABILITIES		1,400,535	1,280,187
ISLAMIC BANKING CAPITAL FUNDS			
Islamic banking funds		120,000	120,000
Reserves		52,324	44,504
TOTAL ISLAMIC BANKING CAPITAL FUNDS		172,324	164,504
TOTAL LIABILITIES AND ISLAMIC BANKING CAPITAL FUNDS		1,572,859	1,444,691
Commitments and contingencies	(r)	30,719	13,676

NOTES TO INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2020

A34. Operations of Islamic Banking (cont'd.)

(b) Unaudited Statement Of Profit Or Loss And Other Comprehensive Income
For the financial period ended 30 June 2020

	Group and Bank				
	Individual Quarter		Cumulative Quarters		
	3 months ended	3 months ended	6 months ended	6 months ended	
	30 June 2020	30 June 2019	30 June 2020	30 June 2019	
	RM'000	RM'000	RM'000	RM'000	
Income derived from investment of depositors' funds	(l)	14,054	14,642	28,205	28,932
Income derived from investment of shareholders' funds	(m)	1,753	1,694	3,840	4,054
Credit loss expense		(363)	(455)	(218)	(456)
Total attributable income		15,444	15,881	31,827	32,530
Profit distributed to depositors	(n)	(9,825)	(11,755)	(20,217)	(23,084)
Net income		5,619	4,126	11,610	9,446
Finance cost		(445)	(551)	(963)	(1,066)
Personnel costs	(o)	(186)	(189)	(376)	(362)
Other overhead expenses	(p)	(960)	(708)	(1,678)	(1,385)
Profit before taxation and zakat		4,028	2,678	8,593	6,633
Taxation and zakat		(1,159)	(810)	(2,338)	(1,861)
Profit for the financial period		2,869	1,868	6,255	4,772
Other comprehensive income					
Items that will be reclassified subsequently to profit or loss:					
Fair value gain on debt instruments at FVOCI		2,600	1,687	2,067	3,878
Income tax related to the above items		(631)	(389)	(504)	(917)
Total other comprehensive income for the financial period, net of tax		1,969	1,298	1,563	2,961
Total comprehensive income for the financial period, net of tax		4,838	3,166	7,818	7,733

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, comprised of the following items:

Income derived from investment of depositors' funds	14,054	14,642	28,205	28,932
Income derived from investment of shareholders' funds	1,753	1,694	3,840	4,054
Total income before impairment allowances and overhead expenses	15,807	16,336	32,045	32,986
Profit distributed to depositors	(9,825)	(11,755)	(20,217)	(23,084)
Finance cost	(445)	(551)	(963)	(1,066)
Income from Islamic Banking Window operations reported in the statement of profit or loss of the Group and the Bank	5,537	4,030	10,865	8,836

NOTES TO INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2020

A34. Operations Of Islamic Banking (cont'd.)

(c) Statement Of Changes In Islamic Banking Funds
For the financial period ended 30 June 2020

Group and Bank

	Non-Distributable					Distributable	Total RM'000
	Islamic Banking Fund RM'000	Fair value Reserve RM'000	Regulatory Reserve RM'000	ESS Reserves RM'000	Capital Reserve RM'000	Retained Profits RM'000	
At 1 January 2020	120,000	3,517	2,503	15	5,248	33,221	164,504
Profit for the financial period	-	-	-	-	-	6,255	6,255
Other comprehensive income for the financial period	-	1,563	-	-	-	-	1,563
Share based payment under ESS	-	-	-	2	-	-	2
Transfer from regulatory reserve	-	-	(101)	-	-	101	-
At 30 June 2020	120,000	5,080	2,402	17	5,248	39,577	172,324
At 1 January 2019	120,000	85	3,335	9	5,248	22,375	151,052
Profit for the financial period	-	-	-	-	-	4,772	4,772
Other comprehensive income for the financial year	-	2,961	-	-	-	-	2,961
Share based payment under ESS	-	-	-	4	-	-	4
Transfer from regulatory reserve	-	-	(395)	-	-	395	-
At 30 June 2019	120,000	3,046	2,940	13	5,248	27,542	158,789

NOTES TO INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2020

A34. Operations of Islamic Banking (cont'd.)

(d) Unaudited Condensed Statements Of Cash Flows
For the financial period ended 30 June 2020

	Group and Bank	
	30 June 2020 RM '000	30 June 2019 RM '000
Cash flows from operating activities		
Profit before tax expense and zakat	8,593	6,633
Adjustments for:		
Depreciation of plant and equipment	4	24
Amortisation of intangible assets	10	-
Credit loss expense	218	456
Net gain from sale of financial assets at FVTPL	(1,383)	(677)
Net gain from sale of financial investments other than those measured at FVTPL	(970)	(406)
Loss/(gain) on revaluation of financial assets at FVTPL	79	(33)
Operating profit before working capital changes	<u>6,551</u>	<u>5,997</u>
Changes in operating assets:		
Financing and advances	26,456	9,526
Balances due from clients and brokers	(2,966)	(114)
Other assets	(437)	(20,070)
Changes in operating liabilities:		
Deposits from customers	113,598	64,865
Balances due to clients and brokers	1,206	(214)
Other liabilities	2,704	10,373
Cash generated from operating activities	<u>147,112</u>	<u>70,363</u>
Taxation and zakat paid	-	(340)
Net cash generated from operating activities	<u>147,112</u>	<u>70,023</u>
Cash flows from investing activities		
Purchase of property, plant and equipment	(6)	(2)
Net purchase of securities	(106,360)	215,928
Net investing cash flow	<u>(106,366)</u>	<u>215,926</u>
Net change in cash and cash equivalents	40,746	285,949
Cash and cash equivalents at beginning of the financial period	982,933	420,144
Cash and cash equivalents at end of the financial period	<u>1,023,679</u>	<u>706,093</u>

NOTES TO INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2020

A34. Operations Of Islamic Banking (cont'd.)

	Group and Bank	
	As at 30 June 2020 RM'000	As at 31 December 2019 RM'000
(e) Cash and bank balances		
Current account with Bank Negara Malaysia and banks	24,679	22,933
Money at call and deposit placements with:		
Licensed banks	350,000	140,000
Bank Negara Malaysia	449,000	350,000
Domestic non-bank financial institutions	200,000	470,000
	<u>1,023,679</u>	<u>982,933</u>
(f) Financial assets at FVTPL		
At Fair Value		
Money Market Instruments:		
Malaysian Government Investment Certificates	10,903	-
Unquoted Securities in Malaysia:		
Funds	100,000	100,000
	<u>110,903</u>	<u>100,000</u>
(g) Financial investments other than those measured at FVTPL		
(i) Financial investments at FVOCI		
(a) Money market instruments:		
Malaysian Government Investment Certificates	53,116	41,373
Negotiable Instruments of Deposits	49,982	-
	<u>103,098</u>	<u>41,373</u>
(b) Debt instruments:		
Corporate Sukuk	117,080	116,001
Total financial investments at FVOCI	<u>220,178</u>	<u>157,374</u>
(ii) Financial investments at AC:		
Debt instruments:		
Corporate Sukuk	67,081	30,087
Less: Allowance for ECL	(131)	-
Total financial investment at AC	<u>66,950</u>	<u>30,087</u>
Total financial investments other than those measured at FVTPL	<u>287,128</u>	<u>187,461</u>

NOTES TO INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2020

A34. Operations Of Islamic Banking (cont'd.)

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

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

Debt instrument measured at AC:

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

Group and Bank

	2020			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
<u>Movement in ECL</u>				
As at 1 January 2020	-	-	-	-
New assets originated or purchased	73	-	-	73
Impact of net re-measurement of ECL	58	-	-	58
As at 30 June 2020	131	-	-	131

Group and Bank	
As at 30 June 2020 RM'000	As at 31 December 2019 RM'000

(h) Financing and advances at AC

Commodity Murabahah share margin financing		
- Shariah contract - others	8,369	7,024
Commodity Murabahah term financing		
- Shariah contract - others	134,975	162,776
Gross financing and advances	143,344	169,800
Less: Allowance for ECL	(731)	(645)
Net financing and advances	142,613	169,155

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

Domestic business enterprise - others	87,822	142,719
Individuals	55,522	27,081
	143,344	169,800

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

In Malaysia	143,344	169,800
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(iii) Gross financing and advances analysed by profit rate sensitivity are as follows:

Fixed rate	8,369	7,024
Variable rate - Cost plus	134,975	162,776
	143,344	169,800

NOTES TO INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2020

A34. Operations Of Islamic Banking (cont'd.)

Group and Bank
As at As at
30 June 31 December
2020 2019
RM'000 RM'000

(h) Financing and advances (cont'd.)

(v) Gross financing and advances analysed by economic purpose are as follows:

- Working capital	77,542	45,707
- Purchase of securities	39,174	40,829
- Others	26,628	83,264
	143,344	169,800

(vi) Gross financing and advances analysed by residual contractual maturity are as follows:

- Within one year	106,973	73,343
- More than one year	36,371	96,457
	143,344	169,800

(vii) Impairment allowance for financing and advances are as follows:

Group and Bank

Movement in ECL

As at 1 January 2020

New assets originated or purchased

Assets derecognised or repaid

(excluding write-offs)

As at 30 June 2020

2020			
Stage 1	Stage 2	Stage 3	Total
RM'000	RM'000	RM'000	RM'000
645	-	-	645
359	-	-	359
(273)	-	-	(273)
731	-	-	731

Movement in ECL

As at 1 January 2019

New assets originated or purchased

Assets derecognised or repaid

(excluding write-offs)

As at 31 December 2019

2019			
Stage 1	Stage 2	Stage 3	Total
RM'000	RM'000	RM'000	RM'000
-	-	-	-
728	-	-	728
(83)	-	-	(83)
645	-	-	645

Group and Bank
As at As at
30 June 31 December
2020 2019
RM'000 RM'000

(i) Other Assets

Income receivables	5,085	4,651
Prepayment	18	1
Other receivables	86	100
Less: Allowance for ECL	(60)	(60)
	5,129	4,692

NOTES TO INTERIM FINANCIAL STATEMENTS
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A34. Operations Of Islamic Banking (cont'd.)

(i) Other Assets (cont'd.)

(i) Impairment allowance for other receivables

Group and Bank

Movement in ECL

As at 1 January 2020	2	58	60
New assets originated or purchased	4	8	12
Assets derecognised or repaid (excluding write-offs)	(4)	(8)	(12)
As at 30 June 2020	2	58	60

Movement in ECL

As at 1 January 2019	-	8	8
New assets originated or purchased	14	62	76
Assets derecognised or repaid (excluding write-offs)	(12)	(12)	(24)
As at 31 December 2019	2	58	60

2020

Non-Credit Impaired RM'000	Credit- Impaired RM'000	Total RM'000
2	58	60
4	8	12
(4)	(8)	(12)
2	58	60

2019

Non-Credit Impaired RM'000	Credit- Impaired RM'000	Total RM'000
-	8	8
14	62	76
(12)	(12)	(24)
2	58	60

Group and Bank

As at 30 June 2020 RM'000	As at 31 December 2019 RM'000
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(j) Deposits from customers

(i) By type of deposit

Term deposits		
- Tawarruq (Commodity Murabahah deposits)	1,287,861	1,174,263
	1,287,861	1,174,263

(ii) By type of customers

Domestic non-bank institutions	981,082	875,842
Government and other statutory bodies	200,000	200,000
Business enterprises	106,211	96,923
Individuals	568	1,498
	1,287,861	1,174,263

(iii) By maturity

- Due within six months	874,977	915,150
- Due more than six months	412,884	259,113
	1,287,861	1,174,263

(k) Other liabilities

Mudarabah Specific Investment Account	49,800	54,200
Profit payable	5,538	4,133
Other payable	49,140	39,978
	104,478	98,311

NOTES TO INTERIM FINANCIAL STATEMENTS
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A34. Operations Of Islamic Banking (cont'd.)

	Group and Bank Individual Quarter		Group and Bank Cumulative Quarters	
	3 months ended 30 June 2020 RM'000	3 months ended 30 June 2019 RM'000 (Restated)	6 months ended 30 June 2020 RM'000	6 months ended 30 June 2019 RM'000 (Restated)
(l) Income derived from investment of depositors' funds				
Finance income and hibah				
Financing and advances	1,242	1,135	2,186	2,132
Deposits placements with financial institutions	4,540	4,892	10,150	7,928
Financial investment other than those measured at FVTPL	4,165	5,341	7,613	12,136
Accretion of discount	(478)	(198)	(664)	(367)
Others	2	-	2	-
	9,471	11,170	19,287	21,829
Other operating income/(loss)				
Net (loss)/gain on sale of financial assets at FVTPL	(81)	95	1,304	711
Net gain on sale of financial investments other than those measured at FVTPL	968	11	970	406
Fees on financing and advances	250	950	455	1,406
Brokerage fee	2,013	272	2,990	685
Profit income from financial assets at FVTPL	1,385	2,188	3,181	3,944
Advisory fee	115	29	151	78
Direct trading fees	(75)	(85)	(149)	(150)
Other non-operating income	8	12	16	23
	4,583	3,472	8,918	7,103
Total income derived from investment of depositors' funds	14,054	14,642	28,205	28,932
(m) Income/(loss) derived from investment of shareholders' funds				
Finance income and hibah				
Financing and advances	1,154	1,716	3,045	3,742
Financial investment other than those measured at FVTPL	660	(24)	875	344
Accretion of discount	(61)	2	(80)	(32)
	1,753	1,694	3,840	4,054
(n) Profit distributed to depositors				
Deposits from customers and financial institutions - Murabahah Fund	9,128	10,743	18,626	21,026
Others	697	1,012	1,591	2,058
	9,825	11,755	20,217	23,084

NOTES TO INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2020

A34. Operations Of Islamic Banking (cont'd.)

	Group and Bank Individual Quarter		Group and Bank Cumulative Quarters	
	3 months ended 30 June 2020 RM'000	3 months ended 30 June 2019 RM'000	6 months ended 30 June 2020 RM'000	6 months ended 30 June 2019 RM'000
(o) Personnel costs				
- Salaries, wages, allowances and bonus	147	137	296	271
- EPF	23	21	46	41
- Other staff related expenses	16	31	34	50
	186	189	376	362
(p) Other overhead expenses:				
Establishment costs				
- Depreciation	2	2	4	3
- Amortisation	2	10	10	21
- Office rental	14	14	28	28
- Repairs and maintenance	1	-	2	1
- Others	2	2	3	3
	21	28	47	56
Marketing and travelling expenses				
- Advertisement and promotions	-	3	-	4
- Travelling and entertainment expenses	-	1	-	2
	-	4	-	6
Administration and general expenses				
- Fees and brokerage	319	84	404	150
- Support service charges	475	449	952	897
- Shariah committee expenses	64	55	118	109
- Others	81	88	157	167
	939	676	1,631	1,323
Total other overhead expenses	960	708	1,678	1,385

NOTES TO INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2020

A34. Operations Of Islamic Banking (cont'd.)

	Group and Bank	
	As at 30 June 2020 RM'000	As at 31 December 2019 RM'000
(q) Capital adequacy		
CET 1 / Tier 1 Capital		
Islamic Banking funds	120,000	120,000
Retained profits	33,323	33,221
Other intangibles		
Other reserves	12,747	11,283
Less:		
Intangible assets	(2)	(12)
55% of cumulative gains on financial investments at FVOCI	(2,794)	(1,935)
Regulatory reserves	(2,402)	(2,503)
Total CET 1 / Tier 1 capital	<u>160,872</u>	<u>160,054</u>
Tier 2 Capital		
Impairment provision	3,266	3,151
Total Tier 2 capital	<u>3,266</u>	<u>3,151</u>
Total capital	<u>164,138</u>	<u>163,205</u>
CET 1 capital ratio	45.845%	40.155%
Tier 1 capital ratio	45.845%	40.155%
Total capital ratio	<u>46.776%</u>	<u>41.061%</u>

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

	Group and Bank			
	As at 30 June 2020		As at 31 December 2019	
	RM'000	Risk-weighted RM'000	RM'000	Risk-weighted RM'000
	Notional amount	amount	Notional amount	amount
Credit risk	1,479,773	315,770	1,359,665	327,481
Market risk	-	6,269	-	-
Operational risk	-	28,865	-	25,804
Total Risk Weighted Assets	<u>1,479,773</u>	<u>350,904</u>	<u>1,359,665</u>	<u>353,285</u>

NOTES TO INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2020

A34. Operations Of Islamic Banking (cont'd.)

(r) Commitments and contingencies

In the normal course of business, the Group and the Bank enter into various commitments and incur certain contingent liabilities with legal recourse to their customers. No material losses are anticipated as a result of these transactions.

As at reporting date, the commitment and contingencies are as follows:

	Group and Bank	
	As at	As at
	30 June	31 December
	2020	2019
	Principal	Principal
	amount	amount
	RM'000	RM'000
Commitments to extend credit with maturity of less than 1 year:		
- share margin financing	7,361	8,676
Other commitments with an original maturity of less than 1 year:		
- corporate financing	23,358	5,000
	<u>30,719</u>	<u>13,676</u>

KENANGA INVESTMENT BANK BERHAD
197301002193 (15678-H)

NOTES TO INTERIM FINANCIAL STATEMENTS
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REQUIREMENTS OF PART A, APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA
MALAYSIA SECURITIES BERHAD

B1. Performance Review

Group:

	Individual period		Cumulative period	
	3 months ended	3 months ended	6 months ended	6 months ended
	30 June 2020 (2Q20)	30 June 2019 (2Q19)	30 June 2020 (1H20)	30 June 2019 (1H19)
(RM'000)				
Revenue	209,739	169,052	374,838	325,692
Net income	170,120	116,483	287,501	224,715
Profit before tax	25,906	8,471	18,308	19,440
Profit after tax	20,468	5,601	13,521	13,387

The Group reported profit before tax ("PBT") of RM25.9 million for current quarter ("2Q20") as compared to RM8.5 million for corresponding quarter in the previous year 2019 ("2Q19"). Despite the challenging time arising from Covid-19 pandemic, the Group generated higher net income of RM170.1 million for 2Q20 from RM116.5 million a year ago. This was contributed by higher brokerage fees, trading and investment income as well as management fee income. The Group has also recorded a share of profits from our joint venture company, Rakuten Trade, for the first time since its inception.

The Group reported PBT of RM18.3 million for the period ended 30 June 2020 ("1H20"), mainly due to higher contribution from net interest income, brokerage fees income, management fees income, trading and investment income.

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

Stockbroking:

	Individual period		Cumulative period	
	3 months ended	3 months ended	6 months ended	6 months ended
	30 June 2020 (2Q20)	30 June 2019 (2Q19)	30 June 2020 (1H20)	30 June 2019 (1H19)
(RM'000)				
Revenue	116,516	66,578	187,232	128,387
Net income	112,550	63,499	179,496	122,370
Profit before tax	13,739	1,551	168	4,618

Higher PBT was recorded from stockbroking segment for current quarter mainly due to higher net brokerage income, net interest income and reversal of provision for credit loss.

The less favourable result recorded for 1H20 compared to comparative period in preceding year of 1H19 was mainly due to lower net interest income and additional credit loss expense which were partially mitigated by higher net brokerage income.

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REQUIREMENTS OF PART A, APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA
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B1. Performance Review (cont'd.)

Investment Banking:

	Individual period		Cumulative period	
	3 months ended	3 months ended	6 months ended	6 months ended
	30 June 2020 (2Q20)	30 June 2019 (2Q19)	30 June 2020 (1H20)	30 June 2019 (1H19)
(RM'000)				
Revenue	60,250	69,125	124,433	136,074
Net income	22,271	19,128	39,685	37,247
Profit before tax	6,468	4,303	11,737	8,719

Investment Banking ("IB") registered higher PBT for both 2Q20 and 1H20 mainly due to higher trading and investment income.

Investment and Wealth Management:

	Individual period		Cumulative period	
	3 months ended	3 months ended	6 months ended	6 months ended
	30 June 2020 (2Q20)	30 June 2019 (2Q19)	30 June 2020 (1H20)	30 June 2019 (1H19)
(RM'000)				
Revenue	26,526	27,295	51,822	49,480
Net income	26,109	27,432	51,319	49,754
Profit before tax	2,807	74	3,315	748

Investment and Wealth Management recorded higher PBT for both 2Q20 and 1H20 compared to 2Q19 and 1H19 respectively mainly due to higher management fees income generated for the period .

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B1. Performance Review (cont'd.)

Futures Broking:

	Individual period		Cumulative period	
	3 months ended	3 months ended	6 months ended	6 months ended
	30 June 2020 (2Q20)	30 June 2019 (2Q19)	30 June 2020 (1H20)	30 June 2019 (1H19)
(RM'000)				
Revenue	3,647	3,348	7,524	5,949
Net income	3,397	2,863	7,102	5,551
Loss before tax	(788)	(621)	(1,221)	(1,397)

Futures business has recorded higher LBT for 2Q20 compared to 2Q19 as a result of lower interest income mitigated by higher commission income achieved in current quarter.

Lower LBT recorded for 1H20 compared to 1H19 was mainly due to improved commission income generated and lower overhead expenses.

Money Lending and Financing:

	Individual period		Cumulative period	
	3 months ended	3 months ended	6 months ended	6 months ended
	30 June 2020 (2Q20)	30 June 2019 (2Q19)	30 June 2020 (1H20)	30 June 2019 (1H19)
(RM'000)				
Revenue	3,062	2,102	6,018	3,816
Net income	1,684	1,318	3,350	2,244
Profit before tax	460	282	1,113	137

This segment recorded increase in PBT for 2Q20 and 1H20 compared to the corresponding periods last year mainly due to higher net interest and profit income which resulted from higher loan book.

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

B1. Performance Review (cont'd.)

Corporate and others:

	Individual period		Cumulative period	
	3 months ended	3 months ended	6 months ended	6 months ended
	30 June 2020 (2Q20)	30 June 2019 (2Q19)	30 June 2020 (1H20)	30 June 2019 (1H19)
(RM'000)				
Revenue	3,044	2,874	6,126	5,847
Net income	3,470	3,226	7,571	8,580
Profit before tax	1,721	1,528	2,973	4,460

Higher PBT was recorded for this segment for 2Q20 compared to PBT 2Q19 mainly due to share of profits from our investment in the joint venture which has previously recorded losses since inception.

The result for 1H19 was better than 1H20 mainly due to an one-off insurance recovery of RM2.1 million during 1H19.

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

Current quarter versus previous quarter

Group:

	Current quarter	Previous quarter
	3 months ended 30 June 2020 (2Q20)	3 months ended 31 March 2020 (1Q20)
(RM'000)		
Revenue	209,739	165,099
Net income	170,120	117,381
Profit/(Loss) before tax	25,906	(7,598)
Profit/(Loss) after tax	20,468	(6,947)

For 2Q20, the Group has recorded PBT of RM25.9 million compared to LBT of RM7.6 million for previous quarter ended 31 March 2020 mainly due to higher net income contributed by higher brokerage and trading income. In addition, there is share of profit from joint venture and reversal of credit loss provision.

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NOTES TO INTERIM FINANCIAL STATEMENTS
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B3. Prospects for 2020

Malaysia's economy is expected to register its worse performance for the year in the second quarter due to the impact of COVID-19 pandemic, triggering a recession. Given the severity of the impact, our research has revised the Gross Domestic Product (GDP) growth to fall to -2.9% from -1.9% for 2020, lower than the official forecast of -2.0% to 0.5%. Nonetheless, the relaxation of the movement control order (MCO) along with the aggressive fiscal and monetary policy measures, have helped to ease the impact of the economic slowdown.

The implementation of the Recovery MCO (RMCO) on June 10, the unveiling of a RM35.0 billion Short-Term Economic Recovery Plan (PENJANA) as well as a rebound in global oil price to above USD40 per barrel have buoyed optimism of a recovery in the second half of the year. However, the economy recovery may be limited by oil price volatility, the second wave of COVID-19 infection, elevated geopolitical tension between US and China and lower global trade. This has prompted the Central Bank to lean towards a dovish policy bias and would likely cut the overnight policy rate further by another 25 bps to a fresh record low of 1.50% in the second half of this year.

The Board and Management is cognisant of the economic downturn and market uncertainty arising from COVID-19 pandemic and have taken steps to mitigate the impact in the manner described under Note A9. Hence, the Group remains cautiously optimistic that it can deliver results to its shareholders by managing its risks prudently and leveraging on its strengths in the retail market built over the years to improve the performance of the Group.

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.

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SELECTED EXPLANATORY NOTES
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B5. Taxation and zakat

	Individual Quarter		Cumulative Quarters	
	3 months ended 30 June 2020	3 months ended 30 June 2019	6 months ended 30 June 2020	6 months ended 30 June 2019
	RM'000	RM'000	RM'000	RM'000
Income tax and zakat	(2,178)	(96)	(2,382)	(4,578)
Deferred taxation	(3,260)	(2,774)	(2,405)	(1,475)
Total	(5,438)	(2,870)	(4,787)	(6,053)

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

B6. Borrowings

	Group		Bank	
	As at 30 June 2020	As at 31 December 2019	As at 30 June 2020	As at 31 December 2019
	RM '000	RM '000	RM '000	RM '000
Secured				
Revolving bank loan denominated in RM				
- More than one year	36,000	41,600	36,000	41,600
Unsecured				
Revolving bank loans denominated in RM				
- Within one year	31,000	30,000	-	-
Subordinated notes denominated in RM				
- More than one year	75,000	25,000	75,000	25,000
	142,000	96,600	111,000	66,600

B7. Dividend

No dividend has been proposed for the current financial quarter.

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SELECTED EXPLANATORY NOTES
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B8. Earnings per share

	<u>Individual Quarter</u>		<u>Cumulative Quarters</u>	
	3 months ended 30 June 2020	3 months ended 30 June 2019	6 months ended 30 June 2020	6 months ended 30 June 2019
	RM'000	RM'000	RM'000	RM'000
Profit for the period attributable to equity holders of the Bank	20,468	5,601	13,521	13,387
Weighted average number of ordinary shares in issue ('000)	698,696	698,687	698,692	698,717
Effects of dilution	-	2,334	-	2,334
Adjusted weighted average number of ordinary shares in issue ('000)	698,696	701,021	698,692	701,051
Earnings per share (sen)				
- basic	2.93	0.80	1.94	1.92
- fully diluted	2.93	0.80	1.94	1.91

There were no potential dilutive ordinary shares outstanding as at 30 June 2020.

B9. Changes in Material Litigation

The status of material litigations is disclosed in note B12.

B10. Status of corporate proposal

On 1 April 2020, the Bank announced that Kenanga Investors Berhad ("KIB"), a wholly-owned subsidiary of KIBB, has on 1 April 2020, entered into a conditional Share Purchase Agreement ("SPA") with Ericsenz Partners Sdn Bhd ("Ericsenz Partners") to dispose of the entire issued share capital of Libra Invest Berhad ("Libra Invest") comprising 6,500,000 ordinary shares in Libra Invest held by KIB, subject to the terms and conditions as stipulated in the SPA.

On 1 July 2020, KIB and Ericsenz Partners have mutually agreed to extend the period required for both parties to fulfil the conditions precedent stipulated in the conditional SPA for a further period of three (3) months commencing from 1 July 2020 to 30 September 2020.

On 30 July 2020, Libra Invest has submitted an application to the Securities Commission Malaysia to seek its approval for the change of Libra Invest's shareholder from KIB to Ericsenz Partners.

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B11. Derivative financial instruments

Derivative financial instruments are as follows:

Group and Bank

Items	As at 30 June 2020		As at 31 December 2019	
	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	271,288	114,554	66,528	58,659
Equity related contract- swaps	45,244	2,650	52,340	3,602
Dual currency investment- options	-	-	4,509	11
Synthetic protected forward	21,011	4,864	77,667	2,902
	337,543	122,068	201,044	65,174
<u>Derivative financial liabilities</u>				
Equity related contract- options	895,161	145,708	72,413	13,402
Equity related contract- swaps	14,943	580	-	-
Dual currency investment- options	13,394	37	4,509	14
	923,498	146,325	76,922	13,416

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

There have been no changes since the end of the previous financial year ended 31 December 2019 in respect of the following:

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

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

B11. Derivative financial instruments (Cont'd.)

Types of derivative financial instruments

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

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

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

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

Purposes of engaging in derivative financial instruments

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

Loss/Gain arising from fair value changes of derivative financial instruments

The unrealised loss arising from fair value changes of derivative financial instruments for the current quarter amounted to RM30,719,464 (1Q20 gain: RM7,585,844). 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.

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SECURITIES BERHAD

B12. Contingent liabilities

	Group and Bank	
	30 June	31 December
	2020	2019
	RM'000	RM'000
(a) On 27 November 2019, the Bank was served with a sealed Writ of Summons and Statement of Claim filed by Lai Sing Foo ("the Plaintiff"). The Plaintiff is alleging that, inter alia, the 2nd Defendant (who is a Dealer's Representative ("DR") of KIBB) has arranged for the Plaintiff to purchase shares of a public listed company with a promise to buy back at a higher price from the 3rd Defendant (a third party). The Plaintiff alleges that the 3rd Defendant has failed to buy back the said shares which caused the Plaintiff to suffer losses and claims, inter alia, the difference between the sale proceeds of the said shares and RM3.6 million. The Plaintiff's claims against KIBB are on the basis that, inter alia, the 2nd Defendant is a DR with KIBB. In this regard, KIBB will contest the Plaintiff's claim in the Court. The matter is fixed for case management on 6 March 2020 and the trial dates are from 19-22 April 2021.	<u>3,600</u>	<u>3,600</u>
(b) On 18 December 2019, the Bank was served with a sealed Writ of Summons and Statement of Claim filed by Opes Capital Berhad ("the Plaintiff"). The Plaintiff is alleging that, inter alia, the 1st Defendant (who was a dealer representative of KIBB) and another third (3rd) party had failed to purchase certain shares of a public listed company on its behalf upon transmitting a total of RM16,000,000, and had caused the Plaintiff to suffer losses. KIBB's solicitors are of the view that the claim against KIBB is without merit and KIBB will contest the claim in the court. The trial dates are from 26-29 July 2021.	<u>16,000</u>	<u>16,000</u>

Based on legal advice obtained, the Board of Directors are of the opinion that the Bank has good grounds to defend these claims and that no provisions are necessary as at reporting date.