

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

Unaudited Condensed Interim Financial Statements
31 December 2019

KENANGA INVESTMENT BANK BERHAD
197301002193 (15678-H)

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

| <u>Group</u> | Note | As at 31 December 2019 RM'000 | As at 31 December 2018 RM'000 |
|---|----------|--|--|
| ASSETS | | | |
| Cash and bank balances | A11 | 2,063,057 | 1,351,260 |
| Financial assets at fair value through profit or loss ("FVTPL") | A12 | 328,680 | 189,224 |
| Financial investments at fair value through other comprehensive income ("FVOCI") | A13 (i) | 795,081 | 1,661,676 |
| Financial investments at amortised cost ("AC") | A13 (ii) | 112,756 | 121,256 |
| Derivative financial assets | B11 | 65,174 | 71,992 |
| Loans, advances and financing | A14 | 2,064,674 | 2,004,915 |
| Balances due from clients and brokers | A15 | 280,357 | 296,323 |
| Other assets | A16 | 201,785 | 175,873 |
| Statutory deposit with Bank Negara Malaysia | A17 | 99,164 | 116,619 |
| Tax recoverable | | 24,155 | 25,428 |
| Investment in associates | | 64,642 | 58,809 |
| Investment in a joint venture company | | 15,801 | 14,077 |
| Property, plant and equipment | | 170,450 | 186,322 |
| Intangible assets | | 317,387 | 266,222 |
| Right-of-use assets | | 24,656 | - |
| Deferred tax assets | | 2,955 | 6,532 |
| TOTAL ASSETS | | 6,630,774 | 6,546,528 |
| LIABILITIES | | | |
| Deposits from customers | A18 | 4,065,494 | 4,562,104 |
| Deposits and placements of banks and other financial institutions | A19 | 650,718 | 95,016 |
| Balances due to clients and brokers | | 537,393 | 481,932 |
| Derivative financial liabilities | B11 | 13,416 | 12,693 |
| Other liabilities | A20 | 322,952 | 308,722 |
| Obligations on securities sold under repurchase agreements | | - | 83,067 |
| Borrowings | A21 | 96,600 | 119,300 |
| Lease liabilities | | 24,429 | - |
| Provision for taxation and zakat | | 14,793 | 12,688 |
| Deferred tax liabilities | | 690 | - |
| TOTAL LIABILITIES | | 5,726,485 | 5,675,522 |
| EQUITY | | | |
| Share capital | | 246,249 | 246,249 |
| Treasury shares | | (16,990) | (16,808) |
| Reserves | | 675,030 | 641,565 |
| TOTAL EQUITY | | 904,289 | 871,006 |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | | 6,630,774 | 6,546,528 |
| Commitments and contingencies | A29 | 3,041,684 | 3,120,704 |
| Net assets per share attributable to equity holders of the Bank (RM) | | 1.29 | 1.25 |

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

KENANGA INVESTMENT BANK BERHAD
197301002193 (15678-H)

UNAUDITED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

| <u>Bank</u> | Note | As at 31 December 2019 RM'000 | As at 31 December 2018 RM'000 |
|--|----------|--|--|
| ASSETS | | | |
| Cash and bank balances | A11 | 1,877,150 | 1,116,117 |
| Financial assets at FVTPL | A12 | 326,560 | 188,576 |
| Financial investments at FVOCI | A13 (i) | 795,081 | 1,661,676 |
| Financial investments at AC | A13 (ii) | 112,756 | 121,256 |
| Derivative financial assets | B11 | 65,174 | 71,992 |
| Loans, advances and financing | A14 | 2,039,517 | 1,975,765 |
| Balances due from clients and brokers | A15 | 280,357 | 296,323 |
| Other assets | A16 | 122,564 | 85,413 |
| Statutory deposit with Bank Negara Malaysia | A17 | 99,164 | 116,619 |
| Tax recoverable | | 20,246 | 18,114 |
| Investment in subsidiaries | | 70,135 | 70,428 |
| Investment in an associate | | 56,235 | 56,235 |
| Investment in a joint venture company | | 40,000 | 30,000 |
| Property, plant and equipment | | 166,710 | 183,131 |
| Intangible assets | | 320,712 | 305,409 |
| Right-of-use assets | | 23,745 | - |
| Deferred tax assets | | - | 3,666 |
| TOTAL ASSETS | | 6,416,106 | 6,300,720 |
| LIABILITIES | | | |
| Deposits from customers | A18 | 4,119,352 | 4,613,788 |
| Deposits and placements of banks and other financial institutions | A19 | 650,718 | 95,016 |
| Balances due to clients and brokers | | 304,880 | 221,083 |
| Derivative financial liabilities | B11 | 13,416 | 12,693 |
| Other liabilities | A20 | 269,026 | 258,080 |
| Obligations on securities sold under repurchase agreements | | - | 83,067 |
| Borrowings | A21 | 66,600 | 77,800 |
| Lease liabilities | | 23,436 | |
| Provision for taxation and zakat | | 12,052 | 11,963 |
| Deferred tax liabilities | | 657 | - |
| TOTAL LIABILITIES | | 5,460,137 | 5,373,490 |
| EQUITY | | | |
| Share capital | | 246,249 | 246,249 |
| Treasury shares | | (16,990) | (16,808) |
| Reserves | | 726,710 | 697,789 |
| TOTAL EQUITY | | 955,969 | 927,230 |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | | 6,416,106 | 6,300,720 |
| Commitments and contingencies | A29 | 3,127,341 | 3,245,541 |
| Net assets per share (RM) | | 1.37 | 1.33 |

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

KENANGA INVESTMENT BANK BERHAD
197301002193 (15678-H)

CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

| | Note | Individual Quarter | | Cumulative Quarters | |
|--|------|---|---|--|--|
| | | 3 months ended 31 December 2019 RM'000 | 3 months ended 31 December 2018 RM'000 (Restated) | 12 months ended 31 December 2019 RM'000 | 12 months ended 31 December 2018 RM'000 (Restated) |
| Group | | | | | |
| Interest income | A22 | 60,146 | 63,055 | 244,152 | 260,851 |
| Interest expense | A23 | (36,913) | (40,867) | (158,731) | (177,851) |
| Net interest income | | 23,233 | 22,188 | 85,421 | 83,000 |
| Net income from Islamic banking business | A34 | 3,768 | 5,267 | 17,982 | 15,760 |
| Other operating income | A24 | 87,857 | 90,443 | 346,628 | 353,286 |
| Net income | | 114,858 | 117,898 | 450,031 | 452,046 |
| Other operating expenses | A25 | (108,396) | (96,611) | (418,187) | (400,684) |
| Operating profit | | 6,462 | 21,287 | 31,844 | 51,362 |
| Credit loss reversal/(expenses) | A26 | 10,885 | (30,217) | 15,216 | (29,823) |
| Bad debts recovered | A27 | 48 | 134 | 3,464 | 13,860 |
| | | 17,395 | (8,796) | 50,524 | 35,399 |
| Share of results of associates and joint venture | | (2,961) | (622) | (7,573) | (6,548) |
| Profit/(Loss) before taxation and zakat | | 14,434 | (9,418) | 42,951 | 28,851 |
| Taxation and zakat | B5 | (5,727) | (3,019) | (16,565) | (16,940) |
| Profit/(Loss) for the period/year | | 8,707 | (12,437) | 26,386 | 11,911 |
| Other comprehensive income | | | | | |
| Items that will not be reclassified subsequently to profit or loss: | | | | | |
| Fair value loss on equity instruments at FVOCI | | - | - | (666) | - |
| Share of other comprehensive profit/(loss) in associates | | 2,095 | (1,973) | 5,457 | (4,506) |
| Income tax related to the above | | - | - | 160 | - |
| Items that will be reclassified subsequently to profit or loss: | | | | | |
| Foreign exchange differences on consolidation | | (1,819) | 219 | (994) | 1,385 |
| Net (loss)/gain on fair value changes of debt instrument at FVOCI | | (5,085) | 4,494 | 11,626 | 7,948 |
| Income tax relating to the components of other comprehensive income | | 1,222 | (1,078) | (2,790) | (1,907) |
| Other comprehensive (loss)/income for the period/year, net of tax | | (3,587) | 1,662 | 12,793 | 2,920 |
| Total comprehensive income/(loss) for the period/year, net of tax | | 5,120 | (10,775) | 39,179 | 14,831 |

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 YEAR ENDED 31 DECEMBER 2019

| | <u>Individual Quarter</u> | | <u>Cumulative Quarters</u> | | |
|----------------------------------|--|--|---|---|------|
| | 3 months ended 31 December 2019 | 3 months ended 31 December 2018 | 12 months ended 31 December 2019 | 12 months ended 31 December 2018 | |
| Note | RM'000 | RM'000 | RM'000 | RM'000 | |
| Earnings/(Loss) per share | | | | | |
| Basic (sen) | B8 | 1.25 | (1.75) | 3.78 | 1.67 |
| Fully diluted (sen) | B8 | 1.25 | (1.75) | 3.78 | 1.67 |

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

KENANGA INVESTMENT BANK BERHAD
197301002193 (15678-H)

CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

| | Note | Individual Quarter | | Cumulative Quarters | |
|--|------|---|---|--|--|
| | | 3 months ended 31 December 2019 RM'000 | 3 months ended 31 December 2018 RM'000 (Restated) | 12 months ended 31 December 2019 RM'000 | 12 months ended 31 December 2018 RM'000 (Restated) |
| Bank | | | | | |
| Interest income | A22 | 58,500 | 60,544 | 236,401 | 251,921 |
| Interest expense | A23 | (39,594) | (40,340) | (162,896) | (176,603) |
| Net interest income | | 18,906 | 20,204 | 73,505 | 75,318 |
| Net income from Islamic banking business | A34 | 3,768 | 5,267 | 17,982 | 15,760 |
| Other operating income | A24 | 61,314 | 78,362 | 247,913 | 284,687 |
| Net income | | 83,988 | 103,833 | 339,400 | 375,765 |
| Other operating expenses | A25 | (81,342) | (79,263) | (315,121) | (319,078) |
| Operating profit | | 2,646 | 24,570 | 24,279 | 56,687 |
| Credit loss reversal/(expenses) | A26 | 10,585 | (30,356) | 12,926 | (29,848) |
| Bad debts recovered | A27 | 48 | 134 | 3,464 | 13,860 |
| Allowance for impairment on investment in subsidiaries | | (293) | (2,136) | (293) | (2,136) |
| Profit/(Loss) before taxation and zakat | | 12,986 | (7,788) | 40,376 | 38,563 |
| Taxation and zakat | | (3,760) | (1,375) | (14,071) | (15,216) |
| Profit/(Loss) for the period/year | | 9,226 | (9,163) | 26,305 | 23,347 |
| Other comprehensive income | | | | | |
| Items that will not be reclassified subsequently to profit or loss: | | | | | |
| Fair value loss on equity instruments at FVOCI | | - | - | (666) | - |
| Income tax related to the above | | - | - | 160 | - |
| Items that will be reclassified subsequently to profit or loss: | | | | | |
| Net (loss)/gain on fair value changes of debt instruments at FVOCI | | (5,085) | 4,494 | 11,626 | 7,948 |
| Income tax relating to the components of other comprehensive income | | 1,222 | (1,078) | (2,790) | (1,907) |
| Other comprehensive (loss)/income for the period/year, net of tax | | (3,863) | 3,416 | 8,330 | 6,041 |
| Total comprehensive income/(loss) for the period/year, net of tax | | 5,363 | (5,747) | 34,635 | 29,388 |

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

KENANGA INVESTMENT BANK BERHAD
197301002193 (15678-H)

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

| Group | Non- Distributable | | | | | Distributable | | Total Equity RM'000 | |
|---|---------------------------|-----------------------|--|------------------------------|----------------------------|---------------------------|---------------------------|------------------------|----------------------------|
| | Ordinary Shares RM'000 | ESS Reserve RM'000 | Fair Value (Deficit)/Reserve RM'000 | Regulatory Reserve RM'000 | Exchange Reserve RM'000 | Capital Reserve RM'000 | Treasury Shares RM'000 | | Retained Profits RM'000 |
| At 1 January 2019 | 246,249 | 2,588 | (4,120) | 25,488 | 18,783 | 88,938 | (16,808) | 509,888 | 871,006 |
| Net profit for the financial year | - | - | - | - | - | - | - | 26,386 | 26,386 |
| Share of other comprehensive income of associates | - | - | 2,278 | - | - | - | - | 3,179 | 5,457 |
| Other comprehensive income/(loss) | - | - | 8,330 | - | (994) | - | - | - | 7,336 |
| Total comprehensive income/(loss) | - | - | 10,608 | - | (994) | - | - | 29,565 | 39,179 |
| Share based payment under Employees' Share Options Scheme ("ESS") | - | 1,972 | - | - | - | - | - | - | 1,972 |
| Buy-back of shares | - | - | - | - | - | - | (182) | - | (182) |
| Transfer from regulatory reserve | - | - | - | (44) | - | - | - | 44 | - |
| Dividend paid | - | - | - | - | - | - | - | (7,686) | (7,686) |
| At 31 December 2019 | 246,249 | 4,560 | 6,488 | 25,444 | 17,789 | 88,938 | (16,990) | 531,811 | 904,289 |

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

KENANGA INVESTMENT BANK BERHAD
197301002193 (15678-H)

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

| Group | Non- Distributable | | | | | Distributable | | | Total Equity RM'000 |
|--|------------------------------|--------------------------|---------------------------------|---------------------------------|-------------------------------|------------------------------|------------------------------|-------------------------------|------------------------|
| | Ordinary Shares RM'000 | ESS Reserve RM'000 | Fair Value 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 2018 | 246,137 | - | (5,655) | 25,277 | 17,398 | 88,938 | - | 519,824 | 891,919 |
| Net profit for the financial year | - | - | - | - | - | - | - | 11,911 | 11,911 |
| Share of other comprehensive loss of associates | - | - | (4,506) | - | - | - | - | - | (4,506) |
| Other comprehensive income | - | - | 6,041 | - | 1,385 | - | - | - | 7,426 |
| Total comprehensive income | - | - | 1,535 | - | 1,385 | - | - | 11,911 | 14,831 |
| Share based payment under ESS | - | 2,605 | - | - | - | - | - | - | 2,605 |
| Issue of shares pursuant to exercise of ESS | 112 | - | - | - | - | - | - | - | 112 |
| Buy-back of shares | - | - | - | - | - | - | (16,808) | - | (16,808) |
| Transfer to regulatory reserve | - | - | - | 211 | - | - | - | (211) | - |
| Transfer to retained profits | - | (17) | - | - | - | - | - | 17 | - |
| Dividend paid | - | - | - | - | - | - | - | (21,653) | (21,653) |
| At 31 December 2018 | 246,249 | 2,588 | (4,120) | 25,488 | 18,783 | 88,938 | (16,808) | 509,888 | 871,006 |

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

KENANGA INVESTMENT BANK BERHAD
197301002193 (15678-H)

UNAUDITED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

| | Non- Distributable | | | | | Distributable | | Total Equity RM'000 |
|-----------------------------------|---------------------------------------|--|-----------------------------------|--|---------------------------------------|---------------------------------------|--|--------------------------------|
| | Ordinary Shares RM'000 | Regulatory Reserve RM'000 | ESS Reserve RM'000 | Fair Value Reserve RM'000 | Capital Reserve RM'000 | Treasury Shares RM'000 | Retained Profits RM'000 | |
| Bank | | | | | | | | |
| At 1 January 2019 | 246,249 | 25,488 | 2,588 | 2,175 | 153,863 | (16,808) | 513,675 | 927,230 |
| Net profit for the financial year | - | - | - | - | - | - | 26,305 | 26,305 |
| Other comprehensive income | - | - | - | 8,330 | - | - | - | 8,330 |
| Total comprehensive income | - | - | - | 8,330 | - | - | 26,305 | 34,635 |
| Share based payment under ESS | - | - | 1,972 | - | - | - | - | 1,972 |
| Buy-back of shares | - | - | - | - | - | (182) | - | (182) |
| Transfer from regulatory reserve | - | (44) | - | - | - | - | 44 | - |
| Dividend paid | - | - | - | - | - | - | (7,686) | (7,686) |
| At 31 December 2019 | 246,249 | 25,444 | 4,560 | 10,505 | 153,863 | (16,990) | 532,338 | 955,969 |

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

KENANGA INVESTMENT BANK BERHAD
197301002193 (15678-H)

UNAUDITED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

| | Non- Distributable | | | | | Distributable | | Total Equity RM'000 |
|--|---------------------------------------|--|-----------------------------------|--|---------------------------------------|---------------------------------------|--|--------------------------------|
| | Ordinary Shares RM'000 | Regulatory Reserve RM'000 | ESS Reserve RM'000 | Fair Value (Deficit)/Reserve RM'000 | Capital Reserve RM'000 | Treasury Shares RM'000 | Retained Profits RM'000 | |
| Bank | | | | | | | | |
| At 1 January 2018 | 246,137 | 25,277 | - | (3,866) | 153,863 | - | 512,175 | 933,586 |
| Net profit for the financial year | - | - | - | - | - | - | 23,347 | 23,347 |
| Other comprehensive income | - | - | - | 6,041 | - | - | - | 6,041 |
| Total comprehensive income | - | - | - | 6,041 | - | - | 23,347 | 29,388 |
| Share based payment under ESS | - | - | 2,605 | - | - | - | - | 2,605 |
| Issue of shares pursuant to exercise of ESS | 112 | - | - | - | - | - | - | 112 |
| Buy-back of shares | - | - | - | - | - | (16,808) | - | (16,808) |
| Transfer to regulatory reserve | - | 211 | - | - | - | - | (211) | - |
| Transfer to retained profits | - | - | (17) | - | - | - | 17 | - |
| Dividend paid | - | - | - | - | - | - | (21,653) | (21,653) |
| At 31 December 2018 | 246,249 | 25,488 | 2,588 | 2,175 | 153,863 | (16,808) | 513,675 | 927,230 |

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

UNAUDITED CONDENSED STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

| | Group | | Bank | |
|--|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| | 31 December 2019 RM'000 | 31 December 2018 RM'000 | 31 December 2019 RM'000 | 31 December 2018 RM'000 |
| Cash flows from operating activities | | | | |
| Profit before taxation | 42,951 | 28,851 | 40,376 | 38,563 |
| Adjustments for: | | | | |
| Depreciation of property, plant and equipment | 10,724 | 13,843 | 10,046 | 13,342 |
| Amortisation of intangible assets | 4,305 | 213 | 4,030 | - |
| Amortisation of right-of-use assets | 9,769 | - | 8,864 | - |
| Lease interest expenses | 1,235 | - | 1,177 | - |
| ESS expenses | 1,734 | 2,319 | 1,734 | 2,319 |
| Credit loss (reversal)/expense | (15,216) | 29,823 | (12,926) | 29,848 |
| Impairment allowance on investment in subsidiary | - | - | 293 | 2,136 |
| Property, plant and equipment written off | 37 | 7 | 36 | 5 |
| Bad debts written off | 266 | 55 | 266 | 55 |
| Write off of other assets | - | 32 | - | 32 |
| Non-cash items | 12,854 | 46,292 | 13,520 | 47,737 |
| Net gain from sale of financial assets at FVTPL and derivatives | (56,878) | (35,300) | (56,878) | (35,300) |
| Net gain from sale of financial investments other than those measured at FVTPL | (12,072) | (2,816) | (12,072) | (2,816) |
| Gross dividend income from investments | (1,384) | (1,302) | (1,243) | (1,098) |
| Loss/(Gain) on revaluation of financial assets at FVTPL and derivatives | 17,326 | (14,950) | 19,758 | (15,640) |
| Gain on disposal of property, plant and equipment | (23) | (93) | (23) | (93) |
| Share of results of associates and joint venture | 6,905 | 6,548 | - | - |
| Non-operating items - investing | (46,126) | (47,913) | (50,458) | (54,947) |
| Adjustments for non-operating and non-cash items | (33,272) | (1,621) | (36,938) | (7,210) |
| Operating profit before working capital changes | 9,679 | 27,230 | 3,438 | 31,353 |
| Changes in working capital: | | | | |
| Net changes in operating assets | (1,220) | 250,319 | (53,190) | 350,694 |
| Net changes in operating liabilities | 26,889 | 57,774 | 71,526 | 47,384 |
| Cash generated from operations | 35,348 | 335,323 | 21,774 | 429,431 |
| Taxation and zakat paid | (11,473) | (20,733) | (14,421) | (20,275) |
| Rental/lease payment (Interest) | (1,235) | - | (1,177) | - |
| Net operating cash flow | 22,640 | 314,590 | 6,176 | 409,156 |
| Cash flows from investing activities | | | | |
| Dividends received from other investments | 1,384 | 1,302 | 1,243 | 1,098 |
| Purchase of property, plant and equipment and intangible assets | (13,844) | (10,351) | (12,994) | (9,500) |
| Acquisition of subsidiaries, net of cash acquired | (25,383) | - | - | - |
| Proceeds from disposal of property, plant and equipment and intangible assets | 23 | 93 | 23 | 93 |
| Capital injection in a joint venture | (10,000) | (10,000) | (10,000) | (10,000) |
| Net sale/(purchase) of securities | 806,475 | (333,290) | 805,515 | (339,785) |
| Net investing cash flow | 758,655 | (352,246) | 783,787 | (358,094) |

KENANGA INVESTMENT BANK BERHAD
197301002193 (15678-H)

UNAUDITED CONDENSED STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

| | Group | | Bank | |
|--|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| | 31 December 2019 RM'000 | 31 December 2018 RM'000 | 31 December 2019 RM'000 | 31 December 2018 RM'000 |
| Cash flows from financing activities | | | | |
| Dividend paid | (7,686) | (21,653) | (7,686) | (21,653) |
| Issuance of shares | - | 112 | - | 112 |
| Rental/lease payment (Principal) | (8,341) | - | (7,519) | - |
| Net (repayment)/drawdown of borrowings | (22,700) | 29,300 | (11,200) | 8,800 |
| Buy-back of shares | (182) | (16,808) | (182) | (16,808) |
| Net financing cash flow | (38,909) | (9,049) | (26,587) | (29,549) |
| Net change in cash and cash equivalents during the financial year | 742,386 | (46,705) | 763,376 | 21,513 |
| Effect of exchange rate differences | 1 | 1 | - | - |
| Cash and cash equivalents brought forward | 1,096,373 | 1,143,077 | 1,053,573 | 1,032,060 |
| Cash and cash equivalents carried forward | 1,838,760 | 1,096,373 | 1,816,949 | 1,053,573 |

Cash and Cash Equivalents

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

| | Group | | Bank | |
|---|--|--|--|--|
| | As at 31 December 2019 RM'000 | As at 31 December 2018 RM'000 | As at 31 December 2019 RM'000 | As at 31 December 2018 RM'000 |
| Cash and short-term funds | 1,990,155 | 1,260,864 | 1,777,150 | 1,116,117 |
| Deposits and placements with banks and other financial institutions | 72,902 | 90,396 | 100,000 | - |
| Less: Segregated funds from customers | (164,096) | (192,343) | - | - |
| Less: Cash and bank balances and deposits held in trust | (60,201) | (62,544) | (60,201) | (62,544) |
| | 1,838,760 | 1,096,373 | 1,816,949 | 1,053,573 |

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

A1. Basis Of Preparation

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

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

The significant accounting policies adopted in preparing these interim financial statements are consistent with those of the audited financial statements for the financial year ended 31 December 2018, except for the adoption of new standard, MFRS 16 Leases which was effective as of 1 January 2019 and recognition of revenue in respect of interest income generated from financial assets measured at FVTPL has been reclassified from separate line of interest income to other operating income in the statement of profit or loss. The Group has not early adopted any other standard, interpretation or amendment that have been issued but not effective yet.

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

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

When measuring lease liabilities, the Group and the Bank discounted lease payments based on the cost of borrowing of the companies.

A2. Condensed financial statements

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

A3. Preceding financial year audit report

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

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

A4. Seasonal or Cyclical Factors

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

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

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

A6. Changes in the nature and amount of estimated figures reported in prior interim periods and 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 year ended 31 December 2019, other than the Bank repurchased 310,000 ordinary shares of its issued share capital from the open market at an average cost of RM0.57859 per share. The total consideration paid for the share buy-back, including transaction costs was RM181,079 and was financed by internally generated fund.

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

A8. Dividends paid per share

An interim dividend of 1.1 sen per share in respect of the financial year ended 31 December 2018, which amounted to RM7,685,562 was paid on 19 April 2019.

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 A10 and B10 respectively.

A10. Changes in composition of the Group

Kenanga Investors Berhad ("KIB"), a wholly-owned subsidiary of the Bank, had on 28 March 2019 entered into a conditional Share Purchase Agreement with ECM Libra Financial Group Berhad ("Vendor") ("SPA") to acquire the entire issued share capital of Libra Invest Berhad ("Libra Invest") comprising 6,500,000 ordinary shares in Libra Invest held by the Vendor, subject to the terms and conditions as stipulated in the SPA ("Proposed Acquisition").

On 8 July 2019, KIB had completed the proposed acquisition of Libra Invest which became a 100% wholly owned subsidiary of the Group.

KENANGA INVESTMENT BANK BERHAD
197301002193 (15678-H)

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

| | Group | | Bank | |
|---|--|--|--|--|
| | As at 31 December 2019 RM'000 | As at 31 December 2018 RM'000 | As at 31 December 2019 RM'000 | As at 31 December 2018 RM'000 |
| A11. Cash and bank balances | | | | |
| Cash and balances with banks and other financial institutions | 408,089 | 257,762 | 291,599 | 144,307 |
| Money at call and deposit placements | 1,654,968 | 1,093,498 | 1,585,551 | 971,810 |
| | <u>2,063,057</u> | <u>1,351,260</u> | <u>1,877,150</u> | <u>1,116,117</u> |
| Included in cash and bank balances are: | | | | |
| Cash and cash equivalents | 1,838,760 | 1,096,373 | 1,816,949 | 1,053,573 |
| Monies held in trust on behalf of dealer's representatives and segregated funds for customers | 224,297 | 254,887 | 60,201 | 62,544 |
| | <u>2,063,057</u> | <u>1,351,260</u> | <u>1,877,150</u> | <u>1,116,117</u> |
| A12. Financial Assets At FVTPL | | | | |
| At fair value | | | | |
| Quoted Securities: | | | | |
| Shares in Malaysia | 193,566 | 37,491 | 193,566 | 37,491 |
| Shares outside Malaysia | - | 147 | - | 147 |
| | <u>193,566</u> | <u>37,638</u> | <u>193,566</u> | <u>37,638</u> |
| Unquoted Securities: | | | | |
| Shares and funds in Malaysia | 135,114 | 131,725 | 132,994 | 131,077 |
| | <u>135,114</u> | <u>131,725</u> | <u>132,994</u> | <u>131,077</u> |
| Unquoted Debt Securities in Malaysia: | | | | |
| Islamic Corporate Bills | - | 19,861 | - | 19,861 |
| | <u>-</u> | <u>19,861</u> | <u>-</u> | <u>19,861</u> |
| Total financial assets at FVTPL | <u>328,680</u> | <u>189,224</u> | <u>326,560</u> | <u>188,576</u> |

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

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

A13. Financial investments other than those measured at FVTPL

(i) Financial investments at FVOCI

Money market instruments:

| | | |
|--|----------------|----------------|
| Malaysian Government Securities | 30,550 | 40,182 |
| Malaysian Government Investment Certificates | 72,649 | 195,055 |
| Negotiable Instruments of Deposits | - | 50,000 |
| Islamic Negotiable Instruments of Deposits | 59,550 | 629,165 |
| | <u>162,749</u> | <u>914,402</u> |

Equity instruments in Malaysia:

| | | |
|-----------------|--------------|--------------|
| Unquoted Shares | 1,088 | 1,754 |
| | <u>1,088</u> | <u>1,754</u> |

Debt instruments in Malaysia:

| | | |
|-------------------------|----------------|----------------|
| Islamic Corporate Sukuk | 458,204 | 584,853 |
| Corporate Bonds | 173,040 | 160,667 |
| | <u>631,244</u> | <u>745,520</u> |

Total financial investments at FVOCI:

| | |
|----------------|------------------|
| <u>795,081</u> | <u>1,661,676</u> |
|----------------|------------------|

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

| | | |
|-----------------|----------|---------------|
| Corporate Bonds | - | 83,067 |
| | <u>-</u> | <u>83,067</u> |

Impairment losses on debt instrument measured at FVOCI:

Group and Bank

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

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

| Group and Bank | |
|----------------|-------------|
| As at | As at |
| 31 December | 31 December |
| 2019 | 2018 |
| 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 | 9,892 | 9,876 |
| | <u>9,892</u> | <u>9,876</u> |

Debt instruments in Malaysia:

| | | |
|-------------------------|----------------|----------------|
| At cost | | |
| Islamic Corporate Sukuk | 83,172 | 92,202 |
| Corporate Bonds | 20,030 | 20,038 |
| Less: Allowance for ECL | (338) | (860) |
| | <u>102,864</u> | <u>111,380</u> |

Total financial investment at AC:

| | |
|----------------|----------------|
| <u>112,756</u> | <u>121,256</u> |
|----------------|----------------|

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

Group and Bank

| | 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 | - | 860 | - | 860 |
| Impact of net re-measurement of ECL | - | (366) | - | (366) |
| Assets derecognised or matured (excluding write-off) | - | (156) | - | (156) |
| As at 31 December 2019 | <u>-</u> | <u>338</u> | <u>-</u> | <u>338</u> |

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

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

| | Group | | Bank | |
|--|--|--|--|--|
| | As at 31 December 2019 RM'000 | As at 31 December 2018 RM'000 | As at 31 December 2019 RM'000 | As at 31 December 2018 RM'000 |
| A14. Loans, Advances and Financing | | | | |
| At AC | | | | |
| Share margin financing | 1,320,106 | 1,419,617 | 1,320,106 | 1,419,617 |
| Term loans | 665,323 | 554,282 | 722,404 | 577,312 |
| Subordinated term loan | - | - | 15,417 | 10,278 |
| Other lending and factoring receivables | 97,317 | 62,735 | - | - |
| Advances to group employees | 17 | 60 | 17 | 60 |
| Gross loans, advances and financing | <u>2,082,763</u> | <u>2,036,694</u> | <u>2,057,944</u> | <u>2,007,267</u> |
| Less: Allowance for ECL | | | | |
| - Stage 1- 12-month ECL | (1,312) | (898) | (2,366) | (1,402) |
| - Stage 2- Lifetime ECL non-credit impaired | - | (8,847) | - | (8,847) |
| - Stage 3- Lifetime ECL credit impaired | (16,777) | (22,034) | (16,061) | (21,253) |
| Net Loans, Advances and Financing | <u>2,064,674</u> | <u>2,004,915</u> | <u>2,039,517</u> | <u>1,975,765</u> |
| (i) By Type of Customer | | | | |
| Domestic business enterprise | | | | |
| - Small medium enterprise | 256,545 | 233,392 | 208,259 | 213,770 |
| - Others | 744,067 | 587,463 | 816,565 | 587,463 |
| Individuals | 1,052,269 | 1,149,370 | 1,003,238 | 1,139,565 |
| Foreign enterprises | 29,882 | 66,469 | 29,882 | 66,469 |
| Gross Loans, Advances and Financing | <u>2,082,763</u> | <u>2,036,694</u> | <u>2,057,944</u> | <u>2,007,267</u> |
| (ii) By Geographical Distribution | | | | |
| In Malaysia | 2,040,133 | 1,944,629 | 2,015,314 | 1,915,202 |
| Outside Malaysia | 42,630 | 92,065 | 42,630 | 92,065 |
| Gross Loans, Advances and Financing | <u>2,082,763</u> | <u>2,036,694</u> | <u>2,057,944</u> | <u>2,007,267</u> |
| (iii) By Interest Rate/ Profit Rate Sensitivity | | | | |
| Fixed rate | | | | |
| - Other fixed rate loans | 1,417,423 | 1,482,352 | 1,320,105 | 1,419,617 |
| Variable rate | | | | |
| - Other variable rates | 646,871 | 535,855 | 719,370 | 569,163 |
| - Base lending rate plus | 18,452 | 18,427 | 18,452 | 18,427 |
| Interest free | 17 | 60 | 17 | 60 |
| Gross Loans, Advances and Financing | <u>2,082,763</u> | <u>2,036,694</u> | <u>2,057,944</u> | <u>2,007,267</u> |
| (iv) By Purpose | | | | |
| - Purchase of securities | 1,639,548 | 1,715,237 | 1,638,853 | 1,704,785 |
| - Working capital | 195,864 | 154,549 | 221,271 | 159,238 |
| - Others | 247,351 | 166,908 | 197,820 | 143,244 |
| Gross Loans, Advances and Financing | <u>2,082,763</u> | <u>2,036,694</u> | <u>2,057,944</u> | <u>2,007,267</u> |

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

| | Group | | Bank | |
|--|--|--|--|--|
| | As at 31 December 2019 RM'000 | As at 31 December 2018 RM'000 | As at 31 December 2019 RM'000 | As at 31 December 2018 RM'000 |
| A14. Loans, Advances and Financing (cont'd.) | | | | |
| (v) By Residual Contractual Maturity | | | | |
| - Within one year | 1,657,891 | 1,656,272 | 1,686,370 | 1,640,660 |
| - More than one year | 424,872 | 380,422 | 371,574 | 366,607 |
| Gross Loans, Advances and Financing | 2,082,763 | 2,036,694 | 2,057,944 | 2,007,267 |
| (vi) Movements in impaired loans, advances and financing ("Impaired loans") | | | | |
| At beginning of the financial year | 59,068 | 2,737 | 58,283 | 1,910 |
| Impaired during the financial year | 32,032 | 57,814 | 32,032 | 57,814 |
| Amount written off against allowance for ECL | - | (1,441) | - | (1,441) |
| Amount recovered | (42,220) | (42) | (42,155) | - |
| At end of the financial year | 48,880 | 59,068 | 48,160 | 58,283 |
| Less: Allowance for ECL | (16,777) | (22,034) | (16,061) | (21,253) |
| Net impaired loans | 32,103 | 37,034 | 32,099 | 37,030 |
| Net impaired loans as a % of gross loans, advances and financing less allowance | 1.55% | 1.85% | 1.57% | 1.87% |
| (vii) Impaired loans by Geographical Distribution | | | | |
| In Malaysia | 36,121 | 11,863 | 35,401 | 11,078 |
| Outside Malaysia | 12,759 | 47,205 | 12,759 | 47,205 |
| Gross impaired loans | 48,880 | 59,068 | 48,160 | 58,283 |
| (viii) Impaired loans by Purpose | | | | |
| Working capital | 720 | 785 | - | - |
| Purchase of securities | 48,160 | 58,283 | 48,160 | 58,283 |
| Gross impaired loans | 48,880 | 59,068 | 48,160 | 58,283 |

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

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

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

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

Share margin financing:

Group and Bank

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

Group and Bank

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

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

Term loan and subordinated term loan:

Group

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

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

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

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

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

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

Bank

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

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

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

Others lending and factoring receivables

Group

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

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

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

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

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

Undrawn commitment:

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

Group

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

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

Bank

| | 2019 | | | |
|---|-------------------|-------------------|-------------------|-----------------|
| | Stage 1 RM'000 | Stage 2 RM'000 | Stage 3 RM'000 | Total RM'000 |
| Movement in 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 |

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

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

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

A15. Balances due from clients and brokers

| | | |
|---------------------------------------|----------------|----------------|
| Balances due from clients and brokers | 294,014 | 310,778 |
| Less: | | |
| Allowance for ECL | (13,657) | (14,455) |
| | 280,357 | 296,323 |

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

Group and Bank

| | 2019 | | |
|------------------------------|------------|----------|---------|
| | Non-Credit | Credit- | Total |
| | Impaired | Impaired | |
| | RM'000 | RM'000 | RM'000 |
| Movement in ECL | | | |
| As at 1 January 2019 | 1,517 | 12,938 | 14,455 |
| Charge 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 |

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

| Group | | Bank | |
|-------------|-------------|-------------|-------------|
| As at | As at | As at | As at |
| 31 December | 31 December | 31 December | 31 December |
| 2019 | 2018 | 2019 | 2018 |
| RM'000 | RM'000 | RM'000 | RM'000 |

A16. Other Assets

| | | | | |
|---------------------------------|----------------|----------------|----------------|---------------|
| Assets segregated for customers | 86,376 | 78,127 | - | - |
| Interest/income receivable | 11,641 | 12,847 | 11,401 | 12,456 |
| Prepayments and deposits | 19,378 | 18,666 | 17,771 | 17,439 |
| Other debtors | 39,166 | 31,528 | 17,873 | 19,153 |
| Treasury trade receivables | 49,842 | 39,530 | 49,842 | 39,530 |
| Amount due from subsidiaries | - | - | 30,599 | 289 |
| Amount due from related parties | 33 | 31 | 33 | 31 |
| | 206,436 | 180,729 | 127,519 | 88,898 |
| Allowance for ECL | | | | |
| - Other debtors | (4,651) | (4,856) | (4,651) | (3,485) |
| - Amount due from subsidiaries | - | - | (304) | - |
| | 201,785 | 175,873 | 122,564 | 85,413 |

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A16. Other Assets (cont'd.)

Group

Movement in ECL

| |
|------------------------------|
| As at 1 January 2019 |
| Charge during the year |
| Written back during the year |
| Transfers of stages |
| Written off during the year |
| As at 31 December 2019 |

| 2019 | | |
|---------------------|-----------------|---------|
| Non-Credit Impaired | Credit Impaired | Total |
| RM'000 | RM'000 | 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 |

Movement in ECL

| |
|--|
| As at 1 January 2018 |
| Charge during the year |
| Written back/transfer of stage during the year |
| Transfers of stages |
| As at 31 December 2018 |

| 2018 | | |
|---------------------|-----------------|--------|
| Non-Credit Impaired | Credit Impaired | Total |
| RM'000 | RM'000 | RM'000 |
| 473 | 4,267 | 4,740 |
| 96 | 97 | 193 |
| - | (77) | (77) |
| (310) | 310 | - |
| 259 | 4,597 | 4,856 |

Bank

Movement in ECL

| |
|------------------------------|
| As at 1 January 2019 |
| Charge during the year |
| Written back during the year |
| Transfers of stages |
| Written off during the year |
| As at 31 December 2019 |

| 2019 | | |
|---------------------|-----------------|---------|
| Non-Credit Impaired | Credit Impaired | Total |
| RM'000 | RM'000 | 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 |

Movement in ECL

| |
|--|
| As at 1 January 2018 |
| Charge/transfer of stage during the year |
| Written back/transfer of stage during the year |
| Transfers of stages |
| As at 31 December 2018 |

| 2018 | | |
|---------------------|-----------------|--------|
| Non-Credit Impaired | Credit Impaired | Total |
| RM'000 | RM'000 | RM'000 |
| 473 | 2,879 | 3,352 |
| 96 | 97 | 193 |
| - | (60) | (60) |
| (310) | 310 | - |
| 259 | 3,226 | 3,485 |

Bank

Movement in ECLs

| |
|------------------------------------|
| As at 1 January 2019 |
| New assets originated or purchased |
| As at 31 December 2019 |

| 2019 | | | |
|---------|---------|---------|--------|
| Stage 1 | Stage 2 | Stage 3 | Total |
| RM'000 | RM'000 | RM'000 | RM'000 |
| - | - | - | - |
| (304) | - | - | (304) |
| (304) | - | - | (304) |

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

A17. Statutory deposit with Bank Negara Malaysia

| | | |
|-------------------|---------------|----------------|
| Statutory Deposit | 99,164 | 116,619 |
|-------------------|---------------|----------------|

The non-interest bearing statutory deposit is maintained by the Bank with Bank Negara Malaysia in compliance with Section 26(2) (c) of the Central Bank of Malaysia Act 2009, and is determined as a set percentage of net eligible liabilities.

| Group | | Bank | |
|-------------|-------------|-------------|-------------|
| As at | As at | As at | As at |
| 31 December | 31 December | 31 December | 31 December |
| 2019 | 2018 | 2019 | 2018 |
| RM'000 | RM'000 | RM'000 | RM'000 |

A18. Deposits from customers

(i) By type of deposit

| | | | | |
|-----------------------------------|------------------|------------------|------------------|------------------|
| Fixed term deposits | 3,282,087 | 3,645,634 | 3,312,129 | 3,683,800 |
| Short term money deposits | 657,880 | 782,435 | 681,696 | 795,578 |
| Call money deposits | 71,367 | 88,246 | 71,367 | 88,246 |
| Negotiable instruments of deposit | 54,160 | 45,789 | 54,160 | 46,164 |
| | 4,065,494 | 4,562,104 | 4,119,352 | 4,613,788 |

(ii) By type of customer

| | | | | |
|---------------------------------------|------------------|------------------|------------------|------------------|
| Government and other statutory bodies | 786,494 | 972,649 | 786,494 | 972,649 |
| Individuals | 124,805 | 125,692 | 124,805 | 125,692 |
| Business enterprises | 776,876 | 1,076,432 | 776,876 | 1,076,432 |
| Non-bank financial institutions | 2,265,852 | 2,315,172 | 2,265,852 | 2,315,172 |
| Subsidiaries and related companies | 111,467 | 72,159 | 165,325 | 123,843 |
| | 4,065,494 | 4,562,104 | 4,119,352 | 4,613,788 |

(iii) By maturity structure

| | | | | |
|----------------------------------|------------------|------------------|------------------|------------------|
| Due within six months | 2,911,025 | 3,332,226 | 2,964,883 | 3,383,910 |
| More than six months to one year | 727,267 | 1,014,878 | 727,267 | 1,014,878 |
| More than one year | 427,202 | 215,000 | 427,202 | 215,000 |
| | 4,065,494 | 4,562,104 | 4,119,352 | 4,613,788 |

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| | Group | | Bank | |
|---|--|--|--|--|
| | As at 31 December 2019 RM'000 | As at 31 December 2018 RM'000 | As at 31 December 2019 RM'000 | As at 31 December 2018 RM'000 |
| A19. Deposits and placements of banks and financial institutions | | | | |
| Licenced investment banks | 50,000 | 50,000 | 50,000 | 50,000 |
| Bank Negara Malaysia ("BNM") | 600,718 | 45,016 | 600,718 | 45,016 |
| | 650,718 | 95,016 | 650,718 | 95,016 |
| A20. Other liabilities | | | | |
| Interest/Income payable | 35,878 | 35,902 | 35,375 | 35,563 |
| Securities borrowing and lending | 3,040 | - | 3,040 | - |
| Accruals and provision | 70,989 | 64,374 | 35,484 | 37,871 |
| Retention for contra losses | 17 | 487 | 17 | 487 |
| Structured products | 5,399 | 37,222 | 5,399 | 37,222 |
| Treasury trade payables | 49,842 | 19,458 | 49,842 | 19,458 |
| Deposits and other creditors | 84,975 | 67,929 | 79,400 | 64,476 |
| Amounts held in trust on behalf of | | | | |
| Dealer's Representatives | 60,201 | 62,544 | 60,201 | 62,544 |
| Amount due to trustees | 12,611 | 20,806 | - | - |
| Amount due to subsidiaries | - | - | 268 | 459 |
| | 322,952 | 308,722 | 269,026 | 258,080 |
| A21. Borrowings | | | | |
| Secured: | | | | |
| Revolving bank loan | 41,600 | 52,800 | 41,600 | 52,800 |
| Unsecured: | | | | |
| Revolving bank loans | 30,000 | 41,500 | - | - |
| Subordinated notes | 25,000 | 25,000 | 25,000 | 25,000 |
| | 96,600 | 119,300 | 66,600 | 77,800 |

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| | Individual Quarter | | Cumulative Quarters | |
|---|---|---|--|--|
| | 3 months ended 31 December 2019 RM'000 | 3 months ended 31 December 2018 RM'000 (Restated) | 12 months ended 31 December 2019 RM'000 | 12 months ended 31 December 2018 RM'000 (Restated) |
| A22. Interest Income | | | | |
| Group | | | | |
| Loans, advances and financing | 34,975 | 36,242 | 137,948 | 150,508 |
| Money at call and deposit placements with financial institutions | 12,881 | 12,286 | 50,794 | 52,617 |
| Financial investments at FVOCI | 7,426 | 10,872 | 35,857 | 37,299 |
| Financial investments at AC | 1,021 | 1,182 | 4,159 | 4,020 |
| Others | 3,843 | 2,473 | 15,394 | 16,407 |
| | 60,146 | 63,055 | 244,152 | 260,851 |
| Bank | | | | |
| Loans, advances and financing | 34,069 | 34,616 | 134,035 | 144,342 |
| Money at call and deposit placements with financial institutions | 12,144 | 11,407 | 46,971 | 49,865 |
| Financial investments at FVOCI | 7,426 | 10,872 | 35,857 | 37,299 |
| Financial investments at AC | 1,021 | 1,182 | 4,159 | 4,020 |
| Others | 3,840 | 2,467 | 15,379 | 16,395 |
| | 58,500 | 60,544 | 236,401 | 251,921 |
| A23. Interest Expense | | | | |
| Group | | | | |
| Deposits from customers | 34,290 | 36,959 | 144,968 | 165,143 |
| Deposits and placement from banks and other financial institutions | 549 | 869 | 4,701 | 2,227 |
| Borrowings | 1,403 | 1,874 | 5,848 | 6,549 |
| Lease interest expense | 400 | - | 1,236 | - |
| Others | 271 | 1,165 | 1,978 | 3,932 |
| | 36,913 | 40,867 | 158,731 | 177,851 |
| Bank | | | | |
| Deposits from customers | 36,314 | 37,393 | 148,309 | 166,767 |
| Deposits and placement from banks and other financial institutions | 549 | 868 | 4,701 | 2,227 |
| Borrowings | 857 | 1,023 | 3,630 | 3,677 |
| Lease interest expense | 403 | - | 1,177 | - |
| Others | 1,471 | 1,056 | 5,079 | 3,932 |
| | 39,594 | 40,340 | 162,896 | 176,603 |

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| | Individual Quarter | | Cumulative Quarters | |
|---|---|---|--|--|
| | 3 months ended 31 December 2019 RM'000 | 3 months ended 31 December 2018 RM'000 (Restated) | 12 months ended 31 December 2019 RM'000 | 12 months ended 31 December 2018 RM'000 (Restated) |
| A24. Other Operating Income | | | | |
| Group | | | | |
| (a) Fee income: | | | | |
| Brokerage fees | 35,928 | 36,114 | 144,453 | 172,253 |
| Corporate advisory fees | 2,714 | 2,065 | 12,671 | 9,518 |
| Processing fees on loans, advances and financing | 636 | 1,546 | 4,021 | 6,285 |
| Commissions | 1,738 | 1,879 | 6,890 | 6,998 |
| Management fee income | 22,740 | 7,487 | 82,755 | 55,991 |
| Placement fees | 1,651 | 4,555 | 9,002 | 13,782 |
| Underwriting commission | 859 | 572 | 1,241 | 1,491 |
| Other fee income | 4,077 | 5,082 | 14,653 | 12,753 |
| Others | 610 | 611 | 1,679 | 2,243 |
| | <u>70,953</u> | <u>59,911</u> | <u>277,365</u> | <u>281,314</u> |
| (b) Net gain arising from sale/ redemption of: Financial assets at FVTPL and derivatives | 20,155 | 15,295 | 55,590 | 35,597 |
| Financial investments at FVOCI | 3,750 | 371 | 10,827 | 1,728 |
| | <u>23,905</u> | <u>15,666</u> | <u>66,417</u> | <u>37,325</u> |
| (c) Gross dividend income from: Financial assets at FVTPL | 71 | 68 | 1,064 | 1,012 |
| Financial investments at FVOCI | 88 | 50 | 320 | 290 |
| | <u>159</u> | <u>118</u> | <u>1,384</u> | <u>1,302</u> |
| (d) Interest Income from financial assets at FVTPL | <u>394</u> | <u>798</u> | <u>2,137</u> | <u>5,386</u> |
| (e) Unrealised (loss)/gain on revaluation of financial assets at FVTPL and derivatives | <u>(10,780)</u> | <u>10,925</u> | <u>(17,264)</u> | <u>14,704</u> |
| (f) Other income: | | | | |
| Net foreign exchange income | 1,409 | 1,189 | 6,800 | 5,602 |
| Gain on disposal of property, plant and equipment | 23 | 93 | 23 | 93 |
| Other operating income | 526 | 157 | 1,004 | 1,253 |
| Other non-operating income | | | | |
| - Rental income | 708 | 687 | 2,828 | 2,689 |
| - Others | 560 | 899 | 5,934 | 3,618 |
| | <u>3,226</u> | <u>3,025</u> | <u>16,589</u> | <u>13,255</u> |
| Total other operating income | <u>87,857</u> | <u>90,443</u> | <u>346,628</u> | <u>353,286</u> |

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| | Individual Quarter | | Cumulative Quarters | |
|--|---|---|--|--|
| | 3 months ended 31 December 2019 RM'000 | 3 months ended 31 December 2018 RM'000 (Restated) | 12 months ended 31 December 2019 RM'000 | 12 months ended 31 December 2018 RM'000 (Restated) |
| A24. Other Operating Income (cont'd.) | | | | |
| Bank | | | | |
| (a) Fee income: | | | | |
| Brokerage fees | 36,375 | 36,114 | 144,900 | 172,253 |
| Corporate advisory fees | 2,743 | 2,073 | 12,788 | 9,558 |
| Processing fees on loans, advances and financing | 388 | 1,261 | 3,335 | 5,074 |
| Management fee income | 574 | 180 | 1,445 | 525 |
| Placement fees | 1,303 | 4,054 | 8,100 | 12,183 |
| Underwriting commission | 859 | 572 | 1,241 | 1,491 |
| Other fee income | 1,717 | 1,960 | 6,902 | 8,076 |
| Others | 186 | 354 | 582 | 1,303 |
| | <u>44,145</u> | <u>46,568</u> | <u>179,293</u> | <u>210,463</u> |
| (b) Net gain arising from sale/ redemption of: | | | | |
| Financial assets at FVTPL and derivatives | 20,155 | 15,295 | 55,590 | 35,597 |
| Financial investments at FVOCI | 3,750 | 371 | 10,827 | 1,728 |
| | <u>23,905</u> | <u>15,666</u> | <u>66,417</u> | <u>37,325</u> |
| (c) Gross dividend from: | | | | |
| Financial assets at FVTPL | 33 | 17 | 923 | 808 |
| Financial investments at FVOCI | 88 | 50 | 320 | 290 |
| | <u>121</u> | <u>67</u> | <u>1,243</u> | <u>1,098</u> |
| (d) Interest Income from financial assets at FVTPL | <u>394</u> | <u>798</u> | <u>2,137</u> | <u>5,386</u> |
| (e) Unrealised (loss)/gain on revaluation of financial assets at FVTPL and derivatives | <u>(10,992)</u> | <u>11,615</u> | <u>(19,696)</u> | <u>15,394</u> |
| (f) Other income: | | | | |
| Net foreign exchange income | 1,434 | 1,224 | 6,825 | 5,618 |
| Gain on disposal of property, plant and equipment | 23 | 93 | 23 | 93 |
| Other operating income | 626 | 215 | 1,474 | 1,547 |
| Other non-operating income | | | | |
| - Rental income | 1,168 | 1,115 | 4,658 | 4,392 |
| - Others | 490 | 1,001 | 5,539 | 3,371 |
| | <u>3,741</u> | <u>3,648</u> | <u>18,519</u> | <u>15,021</u> |
| Total other operating income | <u>61,314</u> | <u>78,362</u> | <u>247,913</u> | <u>284,687</u> |

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| | Individual Quarter | | Cumulative Quarters | |
|---|---|---|--|--|
| | 3 months ended 31 December 2019 RM'000 | 3 months ended 31 December 2018 RM'000 | 12 months ended 31 December 2019 RM'000 | 12 months ended 31 December 2018 RM'000 |
| A25. Other operating expenses | | | | |
| Group | | | | |
| Personnel costs | 50,591 | 45,263 | 185,103 | 166,779 |
| - Salaries, allowances and bonuses | 39,101 | 33,844 | 143,504 | 127,467 |
| - EPF | 4,651 | 4,382 | 18,006 | 17,147 |
| - ESS | 394 | 848 | 1,972 | 2,633 |
| - Others | 6,445 | 6,189 | 21,621 | 19,532 |
| Establishment costs | 13,472 | 11,604 | 49,354 | 45,031 |
| - Depreciation of property, plant and equipment | 2,732 | 3,806 | 10,724 | 13,843 |
| - Amortisation of intangible assets | 1,107 | 44 | 4,305 | 213 |
| - Amortisation of right-of-use assets | 2,979 | - | 9,769 | - |
| - Rental of premises * | | | | |
| - Current year | 118 | 2,359 | 730 | 9,441 |
| - Over accrual in prior year | (685) | - | (1,617) | - |
| - Rental of equipment | 105 | 163 | 469 | 645 |
| - Repairs and maintenance | 1,936 | 968 | 5,691 | 3,957 |
| - Information technology expenses | 3,780 | 2,542 | 12,630 | 10,267 |
| - Others | 1,400 | 1,722 | 6,653 | 6,665 |
| Marketing expenses | 4,186 | 4,525 | 15,946 | 14,935 |
| - Promotion and advertisements | 2,454 | 1,319 | 10,587 | 7,627 |
| - Travel and entertainment | 1,526 | 2,739 | 4,600 | 6,145 |
| - Others | 206 | 467 | 759 | 1,163 |
| Administration and general expenses | 40,147 | 35,219 | 167,784 | 173,939 |
| - Communication expenses | 1,200 | 964 | 5,210 | 4,636 |
| - Professional fees and legal fees | 1,270 | 747 | 4,741 | 4,178 |
| - Regulatory charges | 5,216 | 5,180 | 21,760 | 21,384 |
| - Fees and brokerage | 30,366 | 27,136 | 121,156 | 127,761 |
| - Administrative expenses | 1,731 | 811 | 13,415 | 14,420 |
| - Printing and stationery | 364 | 381 | 1,502 | 1,560 |
| | 108,396 | 96,611 | 418,187 | 400,684 |

* Rental expense is now reclassified as amortisation of right of use assets. Please refer to Note A1 for change in accounting policies.

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| | Individual Quarter | | Cumulative Quarters | |
|---|---|---|--|--|
| | 3 months ended 31 December 2019 RM'000 | 3 months ended 31 December 2018 RM'000 | 12 months ended 31 December 2019 RM'000 | 12 months ended 31 December 2018 RM'000 |
| A25. Other operating expenses (cont'd.) | | | | |
| Bank | | | | |
| Personnel costs | 38,780 | 34,588 | 140,071 | 126,670 |
| - Salaries, allowances and bonuses | 30,272 | 26,014 | 111,093 | 99,099 |
| - EPF | 3,640 | 3,394 | 14,309 | 13,374 |
| - ESS | 344 | 762 | 1,733 | 2,322 |
| - Others | 4,524 | 4,418 | 12,936 | 11,875 |
| Establishment costs | 11,459 | 10,300 | 42,132 | 39,403 |
| - Depreciation of property, plant and equipment | 2,595 | 3,671 | 10,046 | 13,342 |
| - Amortisation of intangible assets | 966 | - | 4,030 | - |
| - Amortisation of right-of-use assets | 2,738 | - | 8,864 | - |
| - Rental of premises * | | | | |
| - Current year | 7 | 2,134 | 463 | 8,642 |
| - Over accrual in prior year | (685) | - | (1,617) | - |
| - Rental of equipment | 73 | 69 | 306 | 282 |
| - Repair and maintenance | 1,163 | 669 | 3,879 | 3,079 |
| - Information technology expenses | 3,756 | 2,520 | 12,537 | 10,184 |
| - Others | 846 | 1,237 | 3,624 | 3,874 |
| Marketing expenses | 2,114 | 3,453 | 7,915 | 9,536 |
| - Promotion and advertisement | 1,233 | 2,008 | 4,591 | 5,219 |
| - Travel and entertainment | 722 | 1,012 | 2,687 | 3,226 |
| - Others | 159 | 433 | 637 | 1,091 |
| Administration and general expenses | 28,989 | 30,922 | 125,003 | 143,469 |
| - Communication expenses | 977 | 883 | 4,462 | 4,015 |
| - Professional fees and legal fees | 1,247 | 439 | 4,189 | 3,704 |
| - Regulatory charges | 4,698 | 4,688 | 19,563 | 19,563 |
| - Fees and brokerages | 20,654 | 24,128 | 84,346 | 102,386 |
| - Administrative expenses | 1,185 | 544 | 11,470 | 12,779 |
| - Printing and stationery | 228 | 240 | 973 | 1,022 |
| | 81,342 | 79,263 | 315,121 | 319,078 |

* Rental expense is now reclassified as amortisation of right of use assets. Please refer to Note A1 for change in accounting policies.

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A26. Credit loss (expense)/reversal

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

Group

Individual Quarter

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

| | 2019 | | | |
|---------------------------------------|----------------|----------------|----------------|---------------|
| | Stage 1 | Stage 2 | Stage 3 | Total |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Debt instruments at FVOCI | 32 | - | - | 32 |
| Debt instruments at amortised cost | - | (5) | - | (5) |
| Loans, advances and financing | (72) | - | 9,784 | 9,712 |
| Loan commitments | 13 | - | - | 13 |
| Credit loss (expense)/reversal | (27) | (5) | 9,784 | 9,752 |

| | 2018 | | | |
|------------------------------------|----------------|----------------|-----------------|-----------------|
| | Stage 1 | Stage 2 | Stage 3 | Total |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Debt instruments at FVOCI | (208) | - | - | (208) |
| Debt instruments at amortised cost | - | (17) | - | (17) |
| Loans, advances and financing | 46 | (8,847) | (21,239) | (30,040) |
| Loan commitments | - | - | - | - |
| Credit loss expense | (162) | (8,864) | (21,239) | (30,265) |

(ii) Movement in ECL on other financial assets

| | 2019 | | |
|---------------------------------------|----------------------------|------------------------|---------------|
| | Non-Credit Impaired | Credit-Impaired | Total |
| | RM'000 | RM'000 | RM'000 |
| Balance due from clients and brokers | 1 | 656 | 657 |
| Other debtors | (1,318) | 1,794 | 476 |
| Credit loss (expense)/reversal | (1,317) | 2,450 | 1,133 |

| | 2018 | | |
|---------------------------------------|----------------------------|------------------------|---------------|
| | Non-Credit Impaired | Credit-Impaired | Total |
| | RM'000 | RM'000 | RM'000 |
| Balance due from clients and brokers | (1) | (4) | (5) |
| Other debtors | (53) | 106 | 53 |
| Credit loss reversal/(expense) | (54) | 102 | 48 |

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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

| | 2019 | | | |
|---------------------------------------|----------------|----------------|----------------|---------------|
| | Stage 1 | Stage 2 | Stage 3 | Total |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Debt instruments at FVOCI | 189 | - | - | 189 |
| Debt instruments at amortised cost | - | 522 | - | 522 |
| Loans, advances and financing | (345) | - | 14,104 | 13,759 |
| Loan commitments | (69) | - | - | (69) |
| Credit loss (expense)/reversal | (225) | 522 | 14,104 | 14,401 |

| | 2018 | | | |
|---------------------------------------|----------------|----------------|-----------------|-----------------|
| | Stage 1 | Stage 2 | Stage 3 | Total |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Debt instruments at FVOCI | (208) | - | - | (208) |
| Debt instruments at amortised cost | 64 | 92 | - | 156 |
| Loans, advances and financing | 485 | (8,847) | (21,211) | (29,573) |
| Loan commitments | (47) | - | - | (47) |
| Credit loss reversal/(expense) | 294 | (8,755) | (21,211) | (29,672) |

(iv) Movement in ECLs on other financial assets

| | 2019 | | |
|--------------------------------------|--------------------------------|-----------------------------|---------------|
| | Non-Credit Impaired | Credit- Impaired | Total |
| | RM'000 | RM'000 | RM'000 |
| Balance due from clients and brokers | 1 | 797 | 798 |
| Other debtors | (1,207) | 1,224 | 17 |
| Credit loss reversal | (1,206) | 2,021 | 815 |

| | 2018 | | |
|---------------------------------------|--------------------------------|-----------------------------|---------------|
| | Non-Credit Impaired | Credit- Impaired | Total |
| | RM'000 | RM'000 | RM'000 |
| Balance due from clients and brokers | (1) | (34) | (35) |
| Other debtors | (96) | (20) | (116) |
| Credit loss reversal/(expense) | (97) | (54) | (151) |

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

Bank

Individual Quarter

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

| | 2019 | | | |
|---------------------------------------|----------------|----------------|----------------|---------------|
| | Stage 1 | Stage 2 | Stage 3 | Total |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Debt instruments at FVOCI | 32 | - | - | 32 |
| Debt instruments at amortised cost | - | (5) | - | (5) |
| Loans, advances and financing | (79) | - | 9,763 | 9,684 |
| Loan commitments | 14 | - | - | 14 |
| Credit loss (expense)/reversal | (33) | (5) | 9,763 | 9,725 |

| | 2018 | | | |
|------------------------------------|----------------|----------------|-----------------|-----------------|
| | Stage 1 | Stage 2 | Stage 3 | Total |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Debt instruments at FVOCI | (208) | - | - | (208) |
| Debt instruments at amortised cost | - | (17) | - | (17) |
| Loans, advances and financing | (80) | (8,847) | (21,253) | (30,180) |
| Credit loss expense | (288) | (8,864) | (21,253) | (30,405) |

(vi) Movement in ECL on other financial assets

| | 2019 | | |
|---------------------------------------|-------------------|-----------------|---------------|
| | Non-Credit | Credit- | Total |
| | Impaired | Impaired | RM'000 |
| | RM'000 | RM'000 | RM'000 |
| Balance due from clients and brokers | 1 | 656 | 657 |
| Other debtors | (271) | 474 | 203 |
| Credit loss (expense)/reversal | (270) | 1,130 | 860 |

| | 2018 | | |
|---------------------------------------|-------------------|-----------------|---------------|
| | Non-Credit | Credit- | Total |
| | Impaired | Impaired | RM'000 |
| | RM'000 | RM'000 | RM'000 |
| Balance due from clients and brokers | (1) | (4) | (5) |
| Other debtors | (52) | 106 | 54 |
| Credit loss reversal/(expense) | (53) | 102 | 49 |

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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

| | 2019 | | | |
|---------------------------------------|----------------|----------------|----------------|---------------|
| | Stage 1 | Stage 2 | Stage 3 | Total |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Debt instruments at FVOCI | 189 | - | - | 189 |
| Debt instruments at amortised cost | - | 522 | - | 522 |
| Loans, advances and financing | (910) | - | 14,039 | 13,129 |
| Loan commitments | (54) | - | - | (54) |
| Amount due from subsidiaries | (304) | - | - | (304) |
| Credit loss (expense)/reversal | (1,079) | 522 | 14,039 | 13,482 |

| | 2018 | | | |
|---------------------------------------|----------------|----------------|-----------------|-----------------|
| | Stage 1 | Stage 2 | Stage 3 | Total |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Debt instruments at FVOCI | (208) | - | - | (208) |
| Debt instruments at amortised cost | 64 | 92 | - | 156 |
| Loans, advances and financing | 519 | (8,847) | (21,253) | (29,581) |
| Loan commitments | (47) | - | - | (47) |
| Credit loss reversal/(expense) | 328 | (8,755) | (21,253) | (29,680) |

(viii) Movement in ECLs on other financial assets

| | 2019 | | |
|---------------------------------------|-------------------|-----------------|---------------|
| | Non-Credit | Credit- | Total |
| | Impaired | Impaired | RM'000 |
| | RM'000 | RM'000 | RM'000 |
| Balance due from clients and brokers | 1 | 797 | 798 |
| Other debtors | (1,207) | (147) | (1,354) |
| Credit loss reversal/(expense) | (1,206) | 650 | (556) |

| | 2018 | | |
|---------------------------------------|-------------------|----------------|---------------|
| | Non-Credit | Credit- | Total |
| | RM'000 | RM'000 | RM'000 |
| Balance due from clients and brokers | (1) | (34) | (35) |
| Other debtors | (96) | (37) | (133) |
| Credit loss reversal/(expense) | (97) | (71) | (168) |

A27. Bad debts recovered

| | Individual Quarter | | Cumulative Quarters | |
|--------------------------------------|---------------------------|--------------------|----------------------------|--------------------|
| | 3 months | 3 months | 12 months | 12 months |
| | ended | ended | ended | ended |
| | 31 December | 31 December | 31 December | 31 December |
| | 2019 | 2018 | 2019 | 2018 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Loans, advances and financing | 12 | 202 | 3,534 | 13,730 |
| Balance due from clients and brokers | 11 | (42) | 196 | 185 |
| Other debtors | 25 | (26) | (266) | (55) |
| | 48 | 134 | 3,464 | 13,860 |

Group and Bank

| | | | | |
|--------------------------------------|-----------|------------|--------------|---------------|
| Loans, advances and financing | 12 | 202 | 3,534 | 13,730 |
| Balance due from clients and brokers | 11 | (42) | 196 | 185 |
| Other debtors | 25 | (26) | (266) | (55) |
| | 48 | 134 | 3,464 | 13,860 |

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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

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 |

31 December 2018

| | Level 1 | Level 2 | Level 3 | Total |
|---|---------|-----------|-----------|-----------|
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Financial assets measured at fair value | | | | |
| Financial assets at FVTPL | | | | |
| - Debt securities | - | 114,171 | - | 114,171 |
| - Equity securities | 37,638 | 6,338 | 31,077 | 75,053 |
| Financial investments at FVOCI | | | | |
| - Debt securities | - | 1,659,922 | - | 1,659,922 |
| - Equity securities | - | - | 1,754 | 1,754 |
| Derivative financial assets | - | 71,992 | - | 71,992 |
| Financial assets at amortised cost for which fair values are disclosed | | | | |
| Financial investments at AC | - | 125,156 | - | 125,156 |
| Loans, advances and financing | - | - | 2,002,626 | 2,002,626 |
| | 37,638 | 1,977,579 | 2,035,457 | 4,050,674 |

Financial liabilities measured at fair value

| | | | | |
|--|-------|---------|---|---------|
| Derivative financial liabilities | 1,854 | 10,839 | - | 12,693 |
| Obligations on securities sold under repurchase agreements | - | 83,067 | - | 83,067 |
| Borrowings | - | 114,409 | - | 114,409 |
| | 1,854 | 208,315 | - | 210,169 |

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

Bank

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 | - | 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 |

31 December 2018

| | Level 1 | Level 2 | Level 3 | Total |
|---|---------|-----------|-----------|-----------|
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Financial assets measured at fair value | | | | |
| Financial assets at FVTPL | | | | |
| - Debt securities | - | 119,861 | - | 119,861 |
| - Equity securities | 37,638 | - | 31,077 | 68,715 |
| Financial investments at FVOCI | | | | |
| - Debt securities | - | 1,659,922 | - | 1,659,922 |
| - Equity securities | - | - | 1,754 | 1,754 |
| Derivative financial assets | - | 71,992 | - | 71,992 |
| Financial assets at amortised cost for which fair values are disclosed | | | | |
| Financial investments at AC | - | 125,156 | - | 125,156 |
| Loans, advances and financing | - | - | 1,973,758 | 1,973,758 |
| | 37,638 | 1,976,931 | 2,006,589 | 4,021,158 |
| Financial liabilities measured at fair value | | | | |
| Derivative financial liabilities | 1,854 | 10,839 | - | 12,693 |
| Obligations on securities sold under repurchase agreements | - | 83,067 | - | 83,067 |
| Borrowings | - | 72,908 | - | 72,908 |
| | 1,854 | 166,814 | - | 168,668 |

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

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| | As at 31 December 2019 | As at 31 December 2018 |
|---|-------------------------------|-------------------------------|
| | Principal Amount RM'000 | Principal Amount RM'000 |
| A29. Commitments and Contingencies | | |
| Group | | |
| Commitments to extend credit with maturity of less than 1 year :- | | |
| - share margin financing | 1,892,577 | 1,871,277 |
| - corporate loan | 23,742 | 25,551 |
| - foreign exchange related contract | 30,356 | 58,155 |
| - equity exchange related contract | 108,435 | 105,036 |
| Commitments to extend credit with maturity of more than 1 year :- | | |
| - corporate loan | 76,458 | 97,854 |
| - equity related contract | 520 | 2,113 |
| Client trust in respect of the stockbroking business | 623,581 | 689,222 |
| Securities borrowing and lending | 2,705 | - |
| Derivative financial assets | | |
| - dual currency investment - options | 4,509 | 13,636 |
| - equity related contracts - options | 66,528 | 100,319 |
| - equity related contracts - swaps | 52,340 | 14,771 |
| - synthetic protected forward | 77,667 | - |
| Derivative financial liabilities | | |
| - dual currency investment - options | 4,509 | 13,636 |
| - equity related contracts - options | 72,413 | 122,122 |
| - equity related contracts - swaps | - | 5,900 |
| Capital commitment: | | |
| - Authorised and contracted for | 5,344 | 1,112 |
| | 3,041,684 | 3,120,704 |

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| | As at 31 December 2019 | As at 31 December 2018 |
|--|-------------------------------|-------------------------------|
| | Principal Amount RM'000 | Principal Amount RM'000 |

A29. Commitments and Contingencies

Bank

Commitments to extend credit with maturity of less than
1 year :-

| | | |
|-------------------------------------|-----------|-----------|
| - share margin financing | 1,892,577 | 1,871,277 |
| - corporate loan | 66,742 | 102,551 |
| - foreign exchange related contract | 30,356 | 58,155 |
| - equity exchange related contract | 108,435 | 105,036 |

Commitments to extend credit with maturity of more than
1 year :-

| | | |
|------------------------------------|---------|---------|
| - corporate loan | 101,458 | 127,854 |
| - equity exchange related contract | 520 | 2,113 |

Client trust in respect of the stockbroking business

| | | |
|--|---------|---------|
| | 623,581 | 689,222 |
|--|---------|---------|

Securities borrowing and lending

| | | |
|--|-------|---|
| | 2,705 | - |
|--|-------|---|

Derivative financial assets

| | | |
|--------------------------------------|--------|---------|
| - dual currency investment - options | 4,509 | 13,636 |
| - equity related contracts - options | 66,528 | 100,319 |
| - equity related contracts - swaps | 52,340 | 14,771 |
| - synthetic protected forward | 77,667 | - |

Derivative financial liabilities

| | | |
|--------------------------------------|--------|---------|
| - dual currency investment - options | 4,509 | 13,636 |
| - equity related contracts - options | 72,413 | 122,122 |
| - equity related contracts - swaps | - | 5,900 |

Capital commitment:

| | | |
|---------------------------------|-------|-------|
| - Authorised and contracted for | 5,147 | 1,095 |
|---------------------------------|-------|-------|

Investment in equity fund

| | | |
|--|--------|--------|
| | 17,854 | 17,854 |
|--|--------|--------|

| | | |
|--|------------------|------------------|
| | 3,127,341 | 3,245,541 |
|--|------------------|------------------|

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

A31. Capital Adequacy

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

| | Group | | Bank | |
|--|----------------|----------------|----------------|----------------|
| | 31 December | 31 December | 31 December | 31 December |
| | 2019 | 2018 | 2019 | 2018 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| <u>CET 1 / Tier 1 capital</u> | | | | |
| Paid-up share capital | 246,249 | 246,249 | 246,249 | 246,249 |
| Retained profits | 531,811 | 509,888 | 532,338 | 513,675 |
| Other reserves | 143,219 | 131,677 | 194,372 | 184,114 |
| Less: Regulatory adjustments: | | | | |
| Deferred tax assets | (2,955) | (6,532) | - | (3,666) |
| 55% of cumulative gains of financial investments at FVOCI | (3,568) | - | (5,777) | (1,196) |
| Goodwill | (243,754) | (208,754) | (252,909) | (252,909) |
| Other intangibles | (73,633) | (57,468) | (67,803) | (52,500) |
| Regulatory reserve | (25,444) | (25,488) | (25,444) | (25,488) |
| Treasury shares | (16,990) | (16,808) | (16,990) | (16,808) |
| Regulatory adjustments applied to CET 1 Capital due to insufficient Tier 2 Capital * | (80,442) | (72,885) | (166,170) | (156,462) |
| Total CET 1/Tier 1 capital | <u>474,493</u> | <u>499,879</u> | <u>437,866</u> | <u>435,009</u> |
| <u>Tier 2 capital</u> | | | | |
| Subordinated obligations capital | 25,000 | 25,000 | 25,000 | 25,000 |
| Stage 1 and Stage 2 expected credit loss allowances and regulatory reserves | 16,752 | 18,447 | 17,151 | 18,180 |
| Total Tier 2 capital | <u>41,752</u> | <u>43,447</u> | <u>42,151</u> | <u>43,180</u> |
| Total capital | <u>516,245</u> | <u>543,326</u> | <u>480,017</u> | <u>478,189</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 | |
|----------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| | 31 December 2019 | 31 December 2018 | 31 December 2019 | 31 December 2018 |
| CET 1 capital ratio | 21.309% | 23.237% | 20.730% | 21.714% |
| Tier 1 capital ratio | 21.309% | 23.237% | 20.730% | 21.714% |
| Total capital ratio | 23.184% | 25.257% | 22.725% | 23.869% |

* 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 | |
|-----------------------------------|-------------------------------|------------------------------------|-------------------------------|------------------------------------|
| | 31 December 2019 | | 31 December 2018 | |
| | Notional amount RM'000 | Risk-weighted amount RM'000 | Notional amount RM'000 | Risk-weighted amount RM'000 |
| Credit Risk | 5,116,298 | 1,340,143 | 5,267,199 | 1,475,789 |
| Market Risk | - | 219,406 | - | 59,609 |
| Operational Risk | - | 604,853 | - | 586,419 |
| Large exposure risk | - | 62,367 | - | 29,385 |
| Total Risk Weighted Assets | 5,116,298 | 2,226,769 | 5,267,199 | 2,151,202 |

| | Bank | | Bank | |
|-----------------------------------|-------------------------------|------------------------------------|-------------------------------|------------------------------------|
| | 31 December 2019 | | 31 December 2018 | |
| | Notional amount RM'000 | Risk-weighted amount RM'000 | Notional amount RM'000 | Risk-weighted amount RM'000 |
| Credit Risk | 4,919,418 | 1,372,091 | 4,980,663 | 1,454,395 |
| Market Risk | - | 204,614 | - | 42,180 |
| Operational Risk | - | 473,201 | - | 477,424 |
| Large exposure risk | - | 62,367 | - | 29,385 |
| Total Risk Weighted Assets | 4,919,418 | 2,112,273 | 4,980,663 | 2,003,384 |

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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

| | 31 December 2019 | 31 December 2018 |
|---|-----------------------------|-----------------------------|
| Outstanding credit exposures with connected parties (RM'000) | <u>171,387</u> | <u>164,104</u> |
| Percentage of outstanding credit exposures to connected parties:- | | |
| - as a proportion of total credit exposures | <u>5.06%</u> | <u>4.97%</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 |
|--|---------------------------------|----------------------------|------------------------------|--|--|--------------------------------------|--|-----------------|
| 2019 | | | | | | | | |
| Revenue | | | | | | | | |
| External sales | 276,469 | 247,901 | 10,669 | 9,345 | 97,289 | 9,150 | - | 650,823 |
| - Interest income | 216,191 | 55,828 | 3,779 | 8,060 | 3,355 | 10,685 | - | 297,898 |
| - Fee income | 26,196 | 154,243 | 6,890 | 1,285 | 93,008 | 430 | - | 282,052 |
| - Trading and investment income | 30,554 | 34,647 | - | - | 141 | (1,985) | - | 63,357 |
| - Other operating income | 3,528 | 3,183 | - | - | 785 | 20 | - | 7,516 |
| Inter-segment sales | 1,550 | 714 | 1,073 | - | 3,611 | 747 | (7,695) | - |
| Total revenue | 278,019 | 248,615 | 11,742 | 9,345 | 100,900 | 9,897 | (7,695) | 650,823 |
| Result | | | | | | | | |
| Net income | 84,082 | 236,601 | 10,836 | 5,366 | 100,976 | 12,420 | (250) | 450,031 |
| Other operating expenses | (57,659) | (242,206) | (13,751) | (4,621) | (95,811) | (7,567) | 3,428 | (418,187) |
| Credit loss (expense)/reversal | (1,247) | 14,878 | - | 88 | - | 665 | 832 | 15,216 |
| Bad debt (written off)/recovery | (455) | 241 | - | - | - | 3,678 | - | 3,464 |
| Impairment of investment in a subsidiary | - | - | - | - | - | (293) | 293 | - |
| Share of results of associates and a joint venture company | - | - | - | - | - | (7,573) | - | (7,573) |
| Profit/(loss) before taxation and zakat | 24,721 | 9,514 | (2,915) | 833 | 5,165 | 1,330 | 4,303 | 42,951 |
| Taxation and zakat | | | | | | | | (16,565) |
| Net profit for the financial year | | | | | | | | <u>26,386</u> |

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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 |
|---|---|------------------------------|--|--|--------------------------------------|--|----------|-----------------|
| 2019 (cont'd.) | | | | | | | | |
| Other information | | | | | | | | |
| Net interest and finance income | 65,701 | 3,975 | 3,292 | 3,204 | 7,537 | 4,593 | - | 88,302 |
| Depreciation and amortisation | 13,269 | 634 | 143 | 2,603 | 9,670 | (1,521) | - | 24,798 |
| Non cash expenses | | | | | | | | |
| - Unrealised (losses)/gains on revaluation of financial assets at FVTPL and derivatives | (17,675) | - | - | 2,432 | (2,083) | - | - | (17,326) |
| Assets | | | | | | | | |
| Investments in associate companies | - | - | - | - | 64,642 | - | | 64,642 |
| Investment in a joint venture company | | | | | 15,801 | | | 15,801 |
| Addition to non-current assets | 12,994 | 18 | 12 | 35,820 | | | A | 48,844 |
| Segment assets | 6,416,106 | 81 | 104,156 | 141,884 | 286,879 | (318,332) | B | 6,630,774 |
| Liabilities | | | | | | | | |
| Segment liabilities | 5,460,137 | 250,708 | 91,621 | 86,359 | 1,656 | (163,996) | C | 5,726,485 |

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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 |
|--|---------------------------------|----------------------------|------------------------------|--|--|--------------------------------------|--|-----------------|
| 2018 | | | | | | | | |
| Revenue | | | | | | | | |
| External sales | 275,726 | 272,596 | 10,795 | 8,214 | 70,232 | 31,805 | - | 669,368 |
| - Interest income | 221,583 | 63,728 | 3,796 | 6,475 | 4,298 | 12,073 | - | 311,953 |
| - Fee income | 28,779 | 182,408 | 6,999 | 1,739 | 63,072 | 359 | - | 283,356 |
| - Trading and investment income | 22,222 | 23,531 | - | - | 2,385 | 19,355 | - | 67,493 |
| - Other operating income | 3,142 | 2,929 | - | - | 477 | 18 | - | 6,566 |
| Inter-segment sales | 1,800 | 295 | 1,085 | - | 14,849 | - | (18,029) | - |
| Total revenue | 277,526 | 272,891 | 11,880 | 8,214 | 85,081 | 31,805 | (18,029) | 669,368 |
| Result | | | | | | | | |
| Net income | 74,586 | 258,620 | 11,311 | 5,064 | 85,548 | 33,631 | (16,714) | 452,046 |
| Other operating expenses | (52,216) | (242,317) | (14,067) | (4,566) | (85,522) | (13,019) | 11,023 | (400,684) |
| Credit loss reversal/(expense) | 131 | (30,187) | - | 41 | 7 | 218 | (33) | (29,823) |
| Bad debt (written off)/recovery | (50) | 408 | - | - | - | 13,502 | - | 13,860 |
| Impairment of investment in a subsidiary | - | - | - | - | - | (2,352) | 2,352 | - |
| Share of results of associates and a joint venture company | - | - | - | - | - | (6,548) | - | (6,548) |
| Profit/(loss) before taxation and zakat | 22,451 | (13,476) | (2,756) | 539 | 33 | 25,432 | (3,372) | 28,851 |
| Taxation and zakat | | | | | | | | (16,940) |
| Net profit for the financial year | | | | | | | | 11,911 |

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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 |
|--|---|------------------------------|--|--|--------------------------------------|--|----------|-----------------|
| 2018 (cont'd.) | | | | | | | | |
| Other information | | | | | | | | |
| Net interest and finance income | 79,389 | 4,276 | 2,799 | 4,781 | 8,521 | - | - | 99,766 |
| Depreciation and amortisation | 5,972 | 101 | 34 | 626 | 7,323 | - | - | 14,056 |
| Non cash expenses | | | | | | | | |
| - Unrealised (loss)/gain on financial assets at FVTPL and derivatives | (3,290) | - | - | - | 18,930 | (690) | - | 14,950 |
| Assets | | | | | | | | |
| Investments in associate companies | - | - | - | - | 58,809 | - | | 58,809 |
| Investment in a joint venture company | | | | | 14,077 | | | 14,077 |
| Addition to non-current assets | 9,500 | 72 | 63 | 715 | | | A | 10,350 |
| Segment assets | 6,300,720 | 297,326 | 80,604 | 83,221 | 16,753 | (232,096) | B | 6,546,528 |
| Liabilities | | | | | | | | |
| Segment liabilities | 5,373,491 | 273,280 | 68,871 | 47,394 | 4,909 | (92,423) | C | 5,675,522 |

Notes

A Additions to non-current assets consist of:

| | 2019 RM'000 | 2018 RM'000 |
|---------------------------------------|----------------|----------------|
| Property, plant and equipment | | |
| - Additions during the financial year | 9,143 | 10,330 |
| Intangible assets | | |
| - Additions during the financial year | 39,701 | 21 |
| | <u>48,844</u> | <u>10,351</u> |

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

A33. Segmental reporting (cont'd.)

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

| | 2019 | 2018 |
|--|------------------|------------------|
| | RM'000 | RM'000 |
| Investment in subsidiaries | (94,942) | (70,428) |
| Investment in associates and joint venture | (16,536) | (14,093) |
| Intangible assets | (40,095) | (40,095) |
| Inter-segment assets | (166,759) | (107,480) |
| | <u>(318,332)</u> | <u>(232,096)</u> |

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

| | 2019 | 2018 |
|-------------------------------------|------------------|-----------------|
| | RM'000 | RM'000 |
| Deposits accepted from subsidiaries | (53,859) | (51,684) |
| Inter-segment liabilities | (110,137) | (40,739) |
| | <u>(163,996)</u> | <u>(92,423)</u> |

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

A34. Operations of Islamic Banking

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

| | Note | Group and Bank | |
|--|---------|---|---|
| | | As at 31 December 2019 RM '000 | As at 31 December 2018 RM '000 |
| ASSETS | | | |
| Cash and bank balances | (e) | 982,933 | 420,144 |
| Financial assets at FVTPL | (f) | 100,000 | 119,861 |
| Financial investment at FVOCI | (g)(i) | 157,374 | 774,466 |
| Financial investment at AC | (g)(ii) | 30,087 | 30,102 |
| Financing and advances | (h) | 169,155 | 173,911 |
| Balances due from clients and brokers | | 410 | 929 |
| Other assets | | 4,692 | 26,489 |
| Property, plant and equipment | | 28 | 89 |
| Intangible assets | | 12 | - |
| TOTAL ASSETS | | 1,444,691 | 1,545,991 |
| LIABILITIES | | | |
| Deposits from customers | (i) | 1,174,263 | 1,274,758 |
| Balances due to clients and brokers | | 2,670 | 1,712 |
| Other liabilities | (j) | 98,311 | 114,945 |
| Deferred tax liabilities | | 1,121 | 92 |
| Provision for taxation and zakat | | 3,822 | 3,432 |
| TOTAL LIABILITIES | | 1,280,187 | 1,394,939 |
| ISLAMIC BANKING CAPITAL FUNDS | | | |
| Islamic banking funds | | 120,000 | 120,000 |
| Reserves | | 44,504 | 31,052 |
| TOTAL ISLAMIC BANKING CAPITAL FUNDS | | 164,504 | 151,052 |
| TOTAL LIABILITIES AND ISLAMIC BANKING CAPITAL FUNDS | | 1,444,691 | 1,545,991 |

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

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

(b) Unaudited Statement Of Profit Or Loss And Other Comprehensive Income
For the financial year ended 31 December 2019

| | Group and Bank | | | |
|---|--------------------|------------------|---------------------|------------------|
| | Individual Quarter | | Cumulative Quarters | |
| | 3 months ended | 3 months ended | 12 months ended | 12 months ended |
| | 31 December 2019 | 31 December 2018 | 31 December 2019 | 31 December 2018 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Income derived from investment of depositors' funds | (k) 14,404 | 14,313 | 60,810 | 53,401 |
| Income derived from investment of shareholders' funds | (l) 2,383 | 2,876 | 8,096 | 9,199 |
| Credit loss (expense)/reversal | (74) | 35 | (680) | 386 |
| Total attributable income | 16,713 | 17,224 | 68,226 | 62,986 |
| Profit distributed to depositors | (m) (12,372) | (11,109) | (48,668) | (43,734) |
| Net income | 4,341 | 6,115 | 19,558 | 19,252 |
| Finance cost | (647) | (813) | (2,256) | (3,106) |
| Personnel expenses | (n) (190) | (171) | (747) | (676) |
| Other overhead expenses | (o) (684) | (391) | (2,719) | (2,280) |
| Profit before taxation and zakat | 2,820 | 4,740 | 13,836 | 13,190 |
| Taxation and zakat | (773) | (1,262) | (3,822) | (3,432) |
| Profit for the financial period/year | 2,047 | 3,478 | 10,014 | 9,758 |
| Other comprehensive income | | | | |
| Items that will be reclassified subsequently to profit or loss: | | | | |
| Fair value gain on debt instruments at FVOCI | (593) | (510) | 4,461 | 49 |
| Income tax related to the above items | 151 | 122 | (1,029) | (12) |
| Total other comprehensive income for the financial period/year, net of tax | (442) | (388) | 3,432 | 37 |
| Total comprehensive income for the financial period/year, net of tax | 1,605 | 3,090 | 13,446 | 9,795 |

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

| | | | | |
|--|--------------|--------------|---------------|---------------|
| Income derived from investment of depositors' funds | 14,404 | 14,313 | 60,810 | 53,401 |
| Income derived from investment of shareholders' funds | 2,383 | 2,876 | 8,096 | 9,199 |
| Total income before impairment allowances and overhead expenses | 16,787 | 17,189 | 68,906 | 62,600 |
| Profit distributed to depositors | (12,372) | (11,109) | (48,668) | (43,734) |
| Finance cost | (647) | (813) | (2,256) | (3,106) |
| Income from Islamic Banking Window operations reported in the statement of profit or loss of the Group and the Bank | 3,768 | 5,267 | 17,982 | 15,760 |

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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

(c) Statement Of Changes In Islamic Banking Funds
For the financial year ended 31 December 2019

Group and Bank

| | Non-Distributable | | | | Distributable | | Total RM'000 |
|--|-----------------------------------|---------------------------------|---------------------------------|---------------------------|--------------------------------|-------------------------------|-----------------|
| | Islamic Banking Fund RM'000 | Fair value Reserve RM'000 | Regulatory Reserve RM'000 | ESS Reserves RM'000 | Capital Reserve * RM'000 | Retained Profits RM'000 | |
| At 1 January 2019 | 120,000 | 85 | 3,335 | 9 | 5,248 | 22,375 | 151,052 |
| Profit for the financial year | - | - | - | - | - | 10,014 | 10,014 |
| Other comprehensive income for the financial year | - | 3,432 | - | - | - | - | 3,432 |
| Issue of shares pursuant to ESS | - | - | - | 6 | - | - | 6 |
| Transfer from regulatory reserve | - | - | (832) | - | - | 832 | - |
| At 31 December 2019 | 120,000 | 3,517 | 2,503 | 15 | 5,248 | 33,221 | 164,504 |
| At 1 January 2018 | 120,000 | 48 | 1,928 | - | 5,248 | 14,024 | 141,248 |
| Profit for the financial year | - | - | - | - | - | 9,758 | 9,758 |
| Other comprehensive income for the financial year | - | 37 | - | - | - | - | 37 |
| Issue of shares pursuant to ESS | - | - | - | 9 | - | - | 9 |
| Transfer to regulatory reserve | - | - | 1,407 | - | - | (1,407) | - |
| At 31 December 2018 | 120,000 | 85 | 3,335 | 9 | 5,248 | 22,375 | 151,052 |

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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

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

| | Group and Bank | |
|--|---|---|
| | 31 December 2019 RM '000 | 31 December 2018 RM '000 |
| Cash flows from operating activities | | |
| Profit before tax expense and zakat | 13,836 | 13,190 |
| Adjustments for: | | |
| Depreciation of plant and equipment | 6 | 45 |
| Amortisation of intangible assets | 43 | - |
| Credit loss expense/(reversal) | 680 | (386) |
| Net (gain)/loss from sale of financial assets at FVTPL | (1,288) | 297 |
| Net gain from sale of financial investments other than those measured at FVTPL | (1,245) | (1,088) |
| Loss/(Gain) on revaluation of financial assets at FVTPL | 62 | (246) |
| Operating profit before working capital changes | <u>12,094</u> | <u>11,812</u> |
| Changes in operating assets: | | |
| Financing and advances | 4,111 | (1,728) |
| Balances due from clients and brokers | 519 | 6,568 |
| Other assets | 21,745 | (3,664) |
| Changes in operating liabilities: | | |
| Deposits from customers | (100,495) | 455,462 |
| Balances due to clients and brokers | 958 | 334 |
| Other liabilities | (19,720) | 17,152 |
| Cash (used in)/generated from operating activities | <u>(80,788)</u> | <u>485,936</u> |
| Taxation and zakat paid | (340) | (2,177) |
| Net cash (used in)/generated from operating activities | <u>(81,128)</u> | <u>483,759</u> |
| Cash flows from investing activities | | |
| Purchase of property, plant and equipment | - | (30) |
| Net sale/(purchase) of securities | 643,917 | (596,248) |
| Net investing cash flow | <u>643,917</u> | <u>(596,278)</u> |
| Net change in cash and cash equivalents | 562,789 | (112,519) |
| Cash and cash equivalents at beginning of the financial year | <u>420,144</u> | <u>532,663</u> |
| Cash and cash equivalents at end of the financial year | <u>982,933</u> | <u>420,144</u> |

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

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

| | Group and Bank | |
|---|--|--|
| | As at 31 December 2019 RM'000 | As at 31 December 2018 RM'000 |
| (e) Cash and short-term funds | | |
| Current account with Bank Negara Malaysia and banks | 22,933 | 1,644 |
| Money at call and deposit placements with: | | |
| Licensed banks | 140,000 | 368,500 |
| Bank Negara Malaysia | 350,000 | - |
| Domestic non-bank financial institutions | 470,000 | 50,000 |
| | 982,933 | 420,144 |
| (f) Financial assets at FVTPL | | |
| At Fair Value | | |
| Unquoted Securities in Malaysia: | | |
| Funds | 100,000 | 100,000 |
| Corporate Bills | - | 19,861 |
| | 100,000 | 119,861 |
| (g) Financial investments other than those measured at FVTPL | | |
| (i) Financial investments at FVOCI | | |
| (a) Money market instruments: | | |
| Malaysian Government Investment Certificates | 41,373 | 81,766 |
| Negotiable Instruments of Deposits | - | 549,173 |
| | 41,373 | 630,939 |
| (b) Debt instruments: | | |
| Corporate Sukuk | 116,001 | 143,527 |
| Total financial investments at FVOCI | 157,374 | 774,466 |
| (ii) Financial investments at AC: | | |
| Debt instruments: | | |
| Corporate Sukuk | 30,087 | 30,102 |
| Total financial investment at AC: | 30,087 | 30,102 |
| Total financial investments other than those measured at FVTPL | 187,461 | 804,568 |

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

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

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

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

(h) Financing and advances

At AC

| | | |
|--|---------|---------|
| Commodity Murabahah share margin financing | | |
| - Shariah contract - others | 7,024 | 7,793 |
| Commodity Murabahah revolving credit | | |
| - Shariah contract - others | - | 15,043 |
| Commodity Murabahah term financing | | |
| - Shariah contract - others | 162,776 | 151,075 |
| | 169,800 | 173,911 |
| Less: Allowance for ECL | (645) | - |
| Net financing and advances | 169,155 | 173,911 |

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

| | | |
|---------------------------------------|---------|---------|
| Domestic business enterprise - others | 142,719 | 141,039 |
| Individuals | 27,081 | 32,872 |
| | 169,800 | 173,911 |

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

| | | |
|-------------|---------|---------|
| In Malaysia | 169,800 | 173,911 |
|-------------|---------|---------|

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

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

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

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

(iii) Gross financing and advances analysed by profit rate sensitivity are as follows:

| | | |
|-------------------------------|---------|---------|
| Fixed rate | | |
| - Other fixed rate financings | 7,024 | 7,793 |
| Variable rate: | | |
| - Cost plus | 162,776 | 166,118 |
| | 169,800 | 173,911 |

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

| | | |
|--------------------------|---------|---------|
| - Working capital | 45,707 | - |
| - Purchase of securities | 40,829 | 107,969 |
| - Others | 83,264 | 65,942 |
| | 169,800 | 173,911 |

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

| | | |
|----------------------|---------|---------|
| - Within one year | 73,343 | 32,864 |
| - More than one year | 96,457 | 141,047 |
| | 169,800 | 173,911 |

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

Group and Bank

| | 2019 | | | |
|---|-------------------|-------------------|-------------------|-----------------|
| | Stage 1 RM'000 | Stage 2 RM'000 | Stage 3 RM'000 | Total RM'000 |
| <u>Movement in ECL</u> | | | | |
| As at 1 January 2019 | - | - | - | - |
| New assets originated or purchased | 728 | - | - | 728 |
| Assets derecognised or repaid (excluding write-offs) | (83) | - | - | (83) |
| As at 1 January and 31 December 2019 | 645 | - | - | 645 |

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

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

| | Group and Bank | |
|---|--|--|
| | As at 31 December 2019 RM'000 | As at 31 December 2018 RM'000 |
| (i) Deposits from customers | | |
| (i) By type of deposit | | |
| Term deposits | | |
| - Tawarruq (Commodity Murabahah deposits) | 1,174,263 | 1,274,758 |
| | <u>1,174,263</u> | <u>1,274,758</u> |
| (ii) By type of customers | | |
| Domestic non-bank institutions | 875,842 | 755,520 |
| Government and other statutory bodies | 200,000 | 200,000 |
| Business enterprises | 96,923 | 318,249 |
| Individuals | 1,498 | 989 |
| | <u>1,174,263</u> | <u>1,274,758</u> |
| (iii) By maturity | | |
| - Due within six months | 915,150 | 1,005,258 |
| - Due more than six months | 259,113 | 269,500 |
| | <u>1,174,263</u> | <u>1,274,758</u> |
| (j) Other liabilities | | |
| Mudarabah Specific Investment Account | 54,200 | 54,000 |
| Profit payable | 4,133 | 4,423 |
| Other payable | 39,978 | 56,522 |
| | <u>98,311</u> | <u>114,945</u> |

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

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

| | Group and Bank Individual Quarter | | Group and Bank Cumulative Quarters | |
|--|--|--|---|---|
| | 3 months ended 31 December 2019 RM'000 | 3 months ended 31 December 2018 RM'000 | 12 months ended 31 December 2019 RM'000 | 12 months ended 31 December 2018 RM'000 |
| (k) Income derived from investment of depositors' funds | | | | |
| Finance income and hibah | | | | |
| Financing and advances | 766 | 350 | 4,432 | 4,312 |
| Deposits placements with financial institutions | 7,147 | 3,226 | 21,387 | 10,085 |
| Financial investment other than those measured at FVTPL | 3,883 | 7,089 | 20,600 | 28,291 |
| Accretion of discount | (172) | (255) | (710) | (716) |
| | <u>11,624</u> | <u>10,410</u> | <u>45,709</u> | <u>41,972</u> |
| Other operating income | | | | |
| Net (loss)/gain on sale of financial assets at FVTPL | (264) | 123 | 1,226 | (51) |
| Net gain on sale of financial investments other than those measured at FVTPL | 320 | 449 | 1,245 | 1,088 |
| Fees on financing and advances | - | 1,215 | 1,788 | 1,922 |
| Brokerage fee | 813 | 367 | 2,517 | 1,376 |
| Profit income | 1,858 | 1,699 | 8,287 | 7,051 |
| Advisory fee | 109 | 116 | 217 | 313 |
| Placement fee | - | - | 90 | 27 |
| Direct trading fees | (68) | (65) | (313) | (302) |
| Other operating income | - | (1) | - | - |
| Other non-operating income | 12 | - | 44 | 5 |
| | <u>2,780</u> | <u>3,903</u> | <u>15,101</u> | <u>11,429</u> |
| | <u>14,404</u> | <u>14,313</u> | <u>60,810</u> | <u>53,401</u> |
| (l) Income derived from investment of shareholders' funds | | | | |
| Finance income and hibah | | | | |
| Financing and advances | 2,321 | 3,145 | 7,476 | 8,835 |
| Financial investment other than those measured at FVTPL | 69 | (359) | 687 | 334 |
| Accretion of discount | (7) | 90 | (67) | 30 |
| | <u>2,383</u> | <u>2,876</u> | <u>8,096</u> | <u>9,199</u> |
| (m) Profit distributed to depositors | | | | |
| Deposits from customers and financial institutions - Murabahah Fund | 11,370 | 14,216 | 44,567 | 43,627 |
| Others | 1,002 | (3,107) | 4,101 | 107 |
| | <u>12,372</u> | <u>11,109</u> | <u>48,668</u> | <u>43,734</u> |

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

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

| | Group and Bank Individual Quarter | | Group and Bank Cumulative Quarters | |
|--|---|---|--|--|
| | 3 months ended 31 December 2019 RM'000 | 3 months ended 31 December 2018 RM'000 | 12 months ended 31 December 2019 RM'000 | 12 months ended 31 December 2018 RM'000 |
| (n) Personnel costs | | | | |
| - Salaries, wages, allowances and bonus | 146 | 129 | 563 | 518 |
| - EPF | 22 | 20 | 86 | 79 |
| - Other staff related expenses | 22 | 22 | 98 | 79 |
| | <u>190</u> | <u>171</u> | <u>747</u> | <u>676</u> |
| (o) Other overhead expenses: | | | | |
| Establishment costs | | | | |
| - Depreciation | 2 | - | 6 | 3 |
| - Amortisation | 12 | 11 | 43 | 42 |
| - Office rental | 14 | 15 | 57 | 57 |
| - Repairs and maintenance | 1 | 2 | 3 | 2 |
| - Others | 1 | - | 5 | 5 |
| | <u>30</u> | <u>28</u> | <u>114</u> | <u>109</u> |
| Marketing and travelling expenses | | | | |
| - Advertisement and promotions | - | - | 4 | 22 |
| - Travelling and entertainment expenses | 2 | 1 | 5 | 3 |
| | <u>2</u> | <u>1</u> | <u>9</u> | <u>25</u> |
| Administration and general expenses | | | | |
| - Fees and brokerage | 68 | (151) | 307 | 145 |
| - Support service charges | 449 | 383 | 1,794 | 1,534 |
| - Shariah committee expenses | 57 | 51 | 222 | 200 |
| - Others | 78 | 79 | 273 | 267 |
| | <u>652</u> | <u>362</u> | <u>2,596</u> | <u>2,146</u> |
| | <u>684</u> | <u>391</u> | <u>2,719</u> | <u>2,280</u> |

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

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

| | Group and Bank | |
|---|--|--|
| | As at 31 December 2019 RM'000 | As at 31 December 2018 RM'000 |
| (p) Capital adequacy | | |
| CET 1 / Tier 1 Capital | | |
| Islamic Banking funds | 120,000 | 120,000 |
| Retained profits | 33,221 | 22,375 |
| Other intangibles | | |
| Other reserves | 11,283 | 8,677 |
| Less: | | |
| Intangible assets | (12) | - |
| 55% of cumulative gains on financial investments at FVOCI | (1,935) | - |
| Regulatory reserves | (2,503) | (3,335) |
| Total CET 1 / Tier 1 capital | 160,054 | 147,717 |
| Tier 2 Capital | | |
| Impairment provision | 3,151 | 3,335 |
| Total Tier 2 capital | 3,151 | 3,335 |
| Total capital | 163,205 | 151,052 |
| CET 1 capital ratio | 45.304% | 40.155% |
| Tier 1 capital ratio | 45.304% | 40.155% |
| Total capital ratio | 46.196% | 41.061% |

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

| | Group and Bank | | | |
|----------------------------|-------------------------------|-----------------|-------------------------------|-----------------|
| | As at 31 December 2019 | | As at 31 December 2018 | |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| | Notional | Risk- | Notional | Risk- |
| | amount | weighted | amount | weighted |
| | | amount | | amount |
| Credit risk | 1,359,665 | 327,481 | 1,451,588 | 344,078 |
| Market risk | - | - | - | 1,119 |
| Operational risk | - | 25,804 | - | 22,673 |
| Total Risk Weighted Assets | 1,359,665 | 353,285 | 1,451,588 | 367,870 |

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B1. Performance Review

Group:

| | Individual period | | Cumulative period | |
|--------------------------|----------------------------|----------------------------|-----------------------------|-----------------------------|
| | 3 months ended | 3 months ended | 12 months ended | 12 months ended |
| | 31 December 2019 (4Q19) | 31 December 2018 (4Q18) | 31 December 2019 (FYE19) | 31 December 2018 (FYE18) |
| (RM'000) | | | | |
| Revenue | 165,713 | 171,368 | 650,823 | 669,368 |
| Net income | 114,858 | 117,898 | 450,031 | 452,046 |
| Profit/(Loss) before tax | 14,434 | (9,418) | 42,951 | 28,851 |
| Profit/(Loss) after tax | 8,707 | (12,437) | 26,386 | 11,911 |

On quarter basis, the Group reported profit before tax ("PBT") of RM14.4 million for current quarter ("4Q19") as compared to loss before tax ("LBT") RM9.4 million for corresponding quarter in the previous year 2018 ("4Q18"). The favourable result in 4Q19 was mainly due to higher trading and investment income, management fees income and the reversal of credit loss expenses. However, these were partially negated by lower investment banking fees income.

The Group's revenue was lower for the financial year ended 31 December 2019 ("FYE19") compared to last year ("FYE18") mainly due to lower brokerage fee income, interest income, trading and investment income and fees on loan. The Group reported PBT of RM43.0 million for FYE19 compared to RM28.9 million for FYE18, mainly due to higher management fee income generated by the investment and wealth management division and the reversal of provision of impairment on share margin accounts.

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

Stockbroking:

| | Individual period | | Cumulative period | |
|--------------------------|----------------------------|----------------------------|-----------------------------|-----------------------------|
| | 3 months ended | 3 months ended | 12 months ended | 12 months ended |
| | 31 December 2019 (4Q19) | 31 December 2018 (4Q18) | 31 December 2019 (FYE19) | 31 December 2018 (FYE18) |
| (RM'000) | | | | |
| Revenue | 64,302 | 51,472 | 248,615 | 272,891 |
| Net income | 61,253 | 48,234 | 236,601 | 258,620 |
| Profit/(Loss) before tax | 8,693 | (34,894) | 9,514 | (13,476) |

PBT of RM8.7 million was recorded from stockbroking segment for current quarter mainly due to reversal of provision of impairment on share margin accounts versus provision of impairment in 4Q18. In addition to that, there was also favourable contribution in the trading and investment income as a result of revaluation gain in derivatives.

The weaker stock market conditions has resulted in slower net income recorded in the stockbroking segment for FYE19 compared to FYE18. However, this was partially mitigated by the reversal of impairment on share margin accounts of RM14 million.

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B1. Performance Review (cont'd.)

Investment Banking:

| | Individual period | | Cumulative period | |
|-------------------|----------------------------|----------------------------|-----------------------------|-----------------------------|
| | 3 months ended | 3 months ended | 12 months ended | 12 months ended |
| | 31 December 2019 (4Q19) | 31 December 2018 (4Q18) | 31 December 2019 (FYE19) | 31 December 2018 (FYE18) |
| (RM'000) | | | | |
| Revenue | 67,988 | 78,498 | 278,019 | 277,526 |
| Net income | 20,654 | 28,010 | 84,082 | 74,586 |
| Profit before tax | 5,827 | 12,084 | 24,721 | 22,451 |

Investment Banking ("IB") registered lower PBT for 4Q19 mainly due to the decline in trading and investment income and investment banking fees income, but partially mitigated by higher interest income in current quarter compared to 4Q18.

IB recorded higher PBT of RM24.7 million for FYE19 (FYE18: PBT of RM22.5 million) mainly due to higher interest income, trading and investment gain from fixed income portfolio, and foreign exchange gain. However, these were partially negated by lower IB fees income and higher personnel cost.

Investment and Wealth Management:

| | Individual period | | Cumulative period | |
|-------------------|----------------------------|----------------------------|-----------------------------|-----------------------------|
| | 3 months ended | 3 months ended | 12 months ended | 12 months ended |
| | 31 December 2019 (4Q19) | 31 December 2018 (4Q18) | 31 December 2019 (FYE19) | 31 December 2018 (FYE18) |
| (RM'000) | | | | |
| Revenue | 27,354 | 27,523 | 100,900 | 85,081 |
| Net income | 27,491 | 29,681 | 100,976 | 85,548 |
| Profit before tax | 3,510 | 1,311 | 5,165 | 33 |

Investment and Wealth Management recorded higher PBT for 4Q19 compared to 4Q18 mainly due to performance fee income and lower overheads recorded for current quarter.

On year to date basis, this segment has achieved higher PBT for FYE19 compared to FYE18 mainly due to higher management fees income and improved private wealth management business negated by higher overheads incurred for business expansion and acquisition of new subsidiary for current year.

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B1. Performance Review (cont'd.)

Futures Broking:

| | Individual period | | Cumulative period | |
|-----------------|----------------------------|----------------------------|-----------------------------|-----------------------------|
| | 3 months ended | 3 months ended | 12 months ended | 12 months ended |
| | 31 December 2019 (4Q19) | 31 December 2018 (4Q18) | 31 December 2019 (FYE19) | 31 December 2018 (FYE18) |
| (RM'000) | | | | |
| Revenue | 2,812 | 3,218 | 11,742 | 11,880 |
| Net income | 2,537 | 3,074 | 10,836 | 11,311 |
| Loss before tax | (691) | (470) | (2,915) | (2,756) |

Futures business recorded higher LBT for 4Q19 compared to 4Q18 mainly due to lower commission and net interest income as a result of decrease in the futures market activity and placement of clients' fund coupled with higher subordinated loan interest charges.

This segment registered marginal increase in LBT of RM2.9 million for FYE19 compared to LBT of RM2.8 million for FYE18 mainly due to lower net income from commission and interest during the year.

Money Lending and Financing:

| | Individual period | | Cumulative period | |
|-------------------|----------------------------|----------------------------|-----------------------------|-----------------------------|
| | 3 months ended | 3 months ended | 12 months ended | 12 months ended |
| | 31 December 2019 (4Q19) | 31 December 2018 (4Q18) | 31 December 2019 (FYE19) | 31 December 2018 (FYE18) |
| (RM'000) | | | | |
| Revenue | 2,895 | 2,224 | 9,345 | 8,214 |
| Net income | 1,840 | 1,258 | 5,366 | 5,064 |
| Profit before tax | 461 | 59 | 833 | 539 |

On quarter to quarter basis, Money Lending and Financing recorded higher PBT for current quarter compared to 4Q18 mainly due to higher net interest and profit income as a contribution from higher loan book.

PBT of RM0.8 million was recorded for FYE19 compared to PBT of RM0.5 million for FYE18 mainly due to increase in interest and profit income but partially negated by lower factoring business income.

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B1. Performance Review (cont'd.)

Corporate and others:

| | Individual period | | Cumulative period | |
|--------------------------|----------------------------|----------------------------|-----------------------------|-----------------------------|
| | 3 months ended | 3 months ended | 12 months ended | 12 months ended |
| | 31 December 2019 (4Q19) | 31 December 2018 (4Q18) | 31 December 2019 (FYE19) | 31 December 2018 (FYE18) |
| (RM'000) | | | | |
| Revenue | 879 | 22,012 | 9,897 | 31,805 |
| Net income | 394 | 22,575 | 12,420 | 33,631 |
| (Loss)/Profit before tax | (4,531) | 15,225 | 1,330 | 25,432 |

LBT was recorded for this segment for 4Q19 compared to PBT for 4Q18 mainly due to share of loss in associate in current quarter compared to share of gain on disposal of equity investment of an associate in 4Q18.

Weaker result was recorded for FYE19 compared to FYE18 mainly due to lower share of profit from associates and one-off bad debt recovery of RM12.0 million from net settlement of a court case during same period last year.

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

Current quarter versus previous quarter

Group:

| | Current quarter | Previous quarter |
|-------------------|--|--|
| | 3 months ended 31 December 2019 (FYE19) | 3 months ended 30 September 2019 (3Q19) |
| (RM'000) | | |
| Revenue | 165,713 | 159,418 |
| Net income | 114,858 | 110,458 |
| Profit before tax | 14,434 | 9,077 |
| Profit after tax | 8,707 | 4,292 |

For 4Q19, the Group has recorded higher PBT compared to previous quarter ended 30 September 2019 mainly due to reversal of provision of impairment of RM11 million and higher management fees income but partially negated by lower bad debt recovered and higher personnel cost incurred in current quarter.

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B3. Prospects for 2020

Growth outlook for 2020 is set to remain uncertain with the likelihood of the economic slowdown continuing although fiscal and monetary policy efforts may lift domestic demand, underscoring the official forecast of 4.8%. Despite the signing of the Phase One of the US-China trade agreement, 2020 is projected to be a year of global growth consolidation due to the risk of the US-China trade dispute continuing with its resulting negative impact on China and its trading partners' economies. Rising order levels in the tech sector might mitigate the adverse effects of the trade dispute going forward but it is still too early to ascertain whether the momentum would be sustainable. Domestically, the effort to raise fiscal spending and revive key infrastructure projects would be positive on the economy. However the full impact may only start to be felt after 2Q2020. At present, we expect Gross Domestic Product ("GDP") growth to remain subdued in 2020 at 4.3% (Ministry of Finance ("MoF"): 4.8%).

Inflationary pressure is expected to remain mild well into 2020 (1.0-1.5% versus an estimated 0.7% in 2019) in the absence of any material demand pull factors due to domestic demand remaining slow. However the highly anticipated gradual floating of fuel prices (though recently postponed) and the planned nationwide upward adjustment in water tariffs would add some pressure to inflation. Nevertheless, on the back of slow growth momentum, we project the Consumer Price Index to grow between 1-0%-1.5% year over year compared to an estimated 0.7% registered last year. With a tentatively mild inflationary and growth outlook, BNM has lowered the Overnight Policy Rate to support the economy. We also expect heightened market volatility ahead arising from the current COVID-19 outbreak which has resulted in rising levels of concern among consumers and would affect Visit Malaysia Year 2020 and to a certain extent the economy mainly in the first half of 2020 (1H20). In addition, the current domestic political uncertainties may weigh down the economy and further heighten negative market sentiments in the short term.

The Board expects the Group to face challenges in the current financial year but it will continue to focus on its strategic objectives to achieve long term sustainable growth across the Group whilst ensuring its core businesses remain resilient.

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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B5. Taxation and zakat

| | Individual Quarter | | Cumulative Quarters | |
|----------------------|--|--|---|---|
| | 3 months ended 31 December 2019 | 3 months ended 31 December 2018 | 12 months ended 31 December 2019 | 12 months ended 31 December 2018 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Income tax and zakat | (5,511) | (4,331) | (15,062) | (15,272) |
| Deferred taxation | (216) | 1,312 | (1,503) | (1,668) |
| Total | (5,727) | (3,019) | (16,565) | (16,940) |

The effective tax rate of the Group for the fourth 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 31 December 2019 | As at 31 December 2018 | As at 31 December 2019 | As at 31 December 2018 |
| | RM '000 | RM '000 | RM '000 | RM '000 |
| Secured | | | | |
| Revolving bank loan denominated in RM | | | | |
| - More than one year | 41,600 | 52,800 | 41,600 | 52,800 |
| Unsecured | | | | |
| Revolving bank loans denominated in RM | | | | |
| - Within one year | 30,000 | 41,500 | - | - |
| Subordinated notes denominated in RM | | | | |
| - More than one year | 25,000 | 25,000 | 25,000 | 25,000 |
| | 96,600 | 119,300 | 66,600 | 77,800 |

B7. Dividend

No dividend has been proposed for the current financial quarter.

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B8. Earnings/(Loss) per share

| | <u>Individual Quarter</u> | | <u>Cumulative Quarters</u> | |
|--|---------------------------|-----------------------|----------------------------|------------------------|
| | <u>3 months ended</u> | <u>3 months ended</u> | <u>12 months ended</u> | <u>12 months ended</u> |
| | <u>31 December</u> | <u>31 December</u> | <u>31 December</u> | <u>31 December</u> |
| | <u>2019</u> | <u>2018</u> | <u>2019</u> | <u>2018</u> |
| | <u>RM'000</u> | <u>RM'000</u> | <u>RM'000</u> | <u>RM'000</u> |
| Profit/(Loss) for the period/year attributable to equity holders of the Bank | <u>8,707</u> | <u>(12,437)</u> | <u>26,386</u> | <u>11,911</u> |
| Weighted average number of ordinary shares in issue ('000) | <u>698,687</u> | <u>708,862</u> | <u>698,702</u> | <u>713,185</u> |
| Effects of dilution | - | 3,506 | - | 1,566 |
| Adjusted weighted average number of ordinary shares in issue ('000) | <u>698,687</u> | <u>712,368</u> | <u>698,702</u> | <u>714,751</u> |
| Earnings/(Loss) per share (sen) | | | | |
| - basic | <u>1.25</u> | <u>(1.75)</u> | <u>3.78</u> | <u>1.67</u> |
| - fully diluted | <u>1.25</u> | <u>(1.75)</u> | <u>3.78</u> | <u>1.67</u> |

There were no potential dilutive ordinary shares outstanding as at 31 December 2019.

B9. Changes in Material Litigation

The status of material litigations are as follows:

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

The Plaintiff is alleging that, inter alia, the 2nd Defendant (who is a Dealer's Representative ("DR") of the Bank) recommended for the Plaintiff to purchase 2,200,000 shares of a public listed company with the total purchase price of RM2,635,618.04 on the basis that a subsequent purchase at a higher price was guaranteed. The Plaintiff alleges that the 2nd Defendant has failed to arrange for the sale of the said shares at the anticipated value which caused the Plaintiff to suffer losses and claims, inter alia, the amount of RM2,080,592.00. The Plaintiff claims against the Bank on the basis that the 2nd Defendant is a DR with the Bank. The Bank filed its Statement of Defence on 7 June 2019. The matter is fixed for mediation on 11 December 2019. The Court has fixed the trial dates to 23 and 24 March 2020.

On 11 December 2019, the claim against the Bank was withdrawn by the Plaintiff and therefore struck off by the Court with no order as costs and without liberty to file afresh.

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

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

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

On 23 September 2019, the Federal Court had unanimously dismissed both Swee Joo's Berhad appeal with costs of RM20,000 each for the Bank. The Court of Appeal's Judgment that was granted in favour of KIBB against the remaining 4 share chargors for the shortfall, was upheld by the Federal Court.

Meanwhile, on 3 October 2019, the Court dismissed the share chargors application to strike out and/or stay of the Creditor's Petition and Bankruptcy Order which was obtained against the 4 share chargors. As for the Winding-Up Petition against the 2 share chargors, the Court has fixed 25 October 2019 to hear the Respondent's application for striking out and/or stay of the Winding-Up Petition and the hearing of the Winding-Up Petition.

Following the Bankruptcy and Winding-up Orders, KIBB has filed the respective proofs of debt with the Insolvency Department on 10 December 2019.

- (c) KIBB was served with a sealed Writ of Summons and Statement of Claim filed by Lai Sing Foo ("the Plaintiff") on 27 November 2019.

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 RM3.6million. The Plaintiff's claims against KIBB are on the basis that, inter alia, the 2nd Defendant is a DR with KIBB.

KIBB will contest the Plaintiff's claims in the court.

- (d) 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.

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B10. Status of corporate proposal

There were no corporate proposals announced but not completed as at 31 December 2019.

B11. Derivative financial instruments

Derivative financial instruments are as follows:

Group and Bank

| Items | As at 31 December 2019 | | As at 31 December 2018 | |
|---|-----------------------------------|----------------------|-----------------------------------|----------------------|
| | Contract/Notional Value RM'000 | Fair Value RM'000 | Contract/Notional Value RM'000 | Fair Value RM'000 |
| <u>Derivative financial assets</u> | | | | |
| Equity related contract- options | 66,528 | 58,659 | 100,319 | 69,585 |
| Equity related contract- swaps | 52,340 | 3,602 | 14,771 | 2,292 |
| Dual currency investment- options | 4,509 | 11 | 13,636 | 115 |
| Synthetic protected forward | 77,667 | 2,902 | - | - |
| | 201,044 | 65,174 | 128,726 | 71,992 |
| <u>Derivative financial liabilities</u> | | | | |
| Equity related contract- options | 72,413 | 13,402 | 122,122 | 12,559 |
| Equity related contract- swaps | - | - | 5,900 | 23 |
| Dual currency investment- options | 4,509 | 14 | 13,636 | 111 |
| | 76,922 | 13,416 | 141,658 | 12,693 |

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

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

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

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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.

Gain arising from fair value change of derivative financial instruments

The unrealised loss arising from fair value changes of derivative financial instruments for the current quarter amounted to RM9,394,637 (3Q19 loss: RM1,348,583). 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.