

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

Unaudited Condensed Interim Financial Statements
30 June 2019

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

**UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2019**

<u>Group</u>	Note	As at 30 June 2019 RM'000	As at 31 December 2018 RM'000 Restated
ASSETS			
Cash and bank balances	A11	1,969,270	1,351,260
Financial assets at fair value through profit or loss ("FVTPL")	A12	421,152	189,224
Financial investments at fair value through other comprehensive income ("FVOCI")	A13 (i)	1,298,638	1,661,676
Financial investments at amortised cost	A13 (ii)	112,690	121,256
Derivative financial assets	B11	61,398	71,992
Loans, advances and financing	A14	1,944,013	2,004,915
Balances due from clients and brokers	A15	286,115	296,323
Other assets	A16	625,030	175,873
Statutory deposit with Bank Negara Malaysia	A17	120,612	116,619
Tax recoverable		18,162	25,428
Investment in associates		63,249	58,809
Investment in a joint venture company		14,929	14,077
Property, plant and equipment		171,486	186,322
Intangible assets		281,473	266,222
Right-of-use assets		10,681	13,649
Deferred tax assets		2,753	6,532
TOTAL ASSETS		7,401,651	6,560,177
LIABILITIES			
Deposits from customers	A18	5,011,666	4,562,104
Deposits and placements of banks and other financial institutions	A19	-	95,016
Balances due to clients and brokers		505,838	481,932
Derivative financial liabilities	B11	13,727	12,693
Other liabilities	A20	745,684	308,722
Obligations on securities sold under repurchase agreements		113,559	83,067
Borrowings	A21	105,700	119,300
Lease liabilities		10,976	13,649
Provision for taxation and zakat		4,653	12,688
Deferred tax liabilities		524	-
TOTAL LIABILITIES		6,512,327	5,689,171
EQUITY			
Share capital		246,249	246,249
Treasury shares		(16,990)	(16,808)
Reserves		660,065	641,565
TOTAL EQUITY		889,324	871,006
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		7,401,651	6,560,177
Commitments and contingencies	A29	3,165,018	3,120,704
Net assets per share attributable to equity holders of the Bank (RM)		1.27	1.25

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

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

**UNAUDITED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2019**

<u>Bank</u>	Note	As at 30 June 2019 RM'000	As at 31 December 2018 RM'000 Restated
ASSETS			
Cash and bank balances	A11	1,692,830	1,116,117
Financial assets at FVTPL	A12	419,993	188,576
Financial investments at FVOCI	A13 (i)	1,298,638	1,661,676
Financial investments at amortised cost	A13 (ii)	112,690	121,256
Derivative financial assets	B11	61,398	71,992
Loans, advances and financing	A14	1,918,721	1,975,765
Balances due from clients and brokers	A15	286,115	296,323
Other assets	A16	544,384	85,413
Statutory deposit with Bank Negara Malaysia	A17	120,612	116,619
Tax recoverable		15,244	18,114
Investment in subsidiaries		70,428	70,428
Investment in an associate		56,235	56,235
Investment in a joint venture company		35,000	30,000
Property, plant and equipment		168,012	183,131
Intangible assets		320,726	305,409
Right-of-use assets		9,615	12,765
Deferred tax assets		-	3,666
TOTAL ASSETS		7,130,641	6,313,485
LIABILITIES			
Deposits from customers	A18	5,066,257	4,613,788
Deposits and placements of banks and other financial institutions	A19	-	95,016
Balances due to clients and brokers		208,491	221,083
Derivative financial liabilities	B11	13,727	12,693
Other liabilities	A20	700,055	258,080
Obligations on securities sold under repurchase agreements		113,559	83,067
Borrowings	A21	72,200	77,800
Lease liabilities		9,878	12,765
Provision for taxation and zakat		4,451	11,963
Deferred tax liabilities		524	-
TOTAL LIABILITIES		6,189,142	5,386,255
EQUITY			
Share capital		246,249	246,249
Treasury shares		(16,990)	(16,808)
Reserves		712,240	697,789
TOTAL EQUITY		941,499	927,230
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		7,130,641	6,313,485
Commitments and contingencies	A29	3,254,855	3,245,541
Net assets per share (RM)		1.35	1.33

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

KENANGA INVESTMENT BANK BERHAD
(15678-H)

CONDENSED INTERIM FINANCIAL STATEMENTS

**UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2019**

	Note	Individual Quarter		Cumulative Quarters	
		3 months ended 30 June 2019 RM'000	3 months ended 30 June 2018 RM'000 (Restated)	6 months ended 30 June 2019 RM'000	6 months ended 30 June 2018 RM'000 (Restated)
Group					
Interest income	A22	63,190	68,033	125,484	133,604
Interest expense	A23	(42,368)	(45,927)	(84,239)	(90,299)
Net interest income		20,822	22,106	41,245	43,305
Net income from Islamic banking business	A34	4,030	2,886	8,836	5,717
Other operating income	A24	91,631	78,415	174,634	175,927
Net income		116,483	103,407	224,715	224,949
Other operating expenses	A25	(106,776)	(97,004)	(208,671)	(206,017)
Operating profit		9,707	6,403	16,044	18,932
Credit loss reversal/(expenses)	A26	669	(234)	5,550	(248)
Bad debts recovered	A27	8	147	287	13,673
		10,384	6,316	21,881	32,357
Share of results of associates and joint venture		(1,913)	(966)	(2,441)	(3,425)
Profit before taxation and zakat		8,471	5,350	19,440	28,932
Taxation and zakat	B5	(2,870)	(2,230)	(6,053)	(10,376)
Profit for the period		5,601	3,120	13,387	18,556
Other comprehensive income					
Items that will not be reclassified subsequently to profit or loss:					
Revaluation loss on equity instruments at FVOCI		-	-	(578)	-
Share of other comprehensive profit/(loss) in associates		615	(506)	2,891	87
Income tax related to the above		-	-	139	-
Items that will be reclassified subsequently to profit or loss:					
Foreign exchange differences on consolidation		908	2,753	(158)	(513)
Net gain/(loss) on fair value changes of debt instrument at FVOCI		4,709	(3,499)	12,353	(3,328)
Income tax relating to the components of other comprehensive income		(1,130)	840	(2,965)	799
Other comprehensive income/(loss) for the period, net of tax		5,102	(412)	11,682	(2,955)
Total comprehensive income for the period, net of tax		10,703	2,708	25,069	15,601

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

CONDENSED INTERIM FINANCIAL STATEMENTS

**UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2019**

	Note	Individual Quarter		Cumulative Quarters	
		3 months ended 30 June 2019 RM'000	3 months ended 30 June 2018 RM'000	6 months ended 30 June 2019 RM'000	6 months ended 30 June 2018 RM'000
Earnings per share					
Basic (sen)	B9	0.80	0.43	1.92	2.57
Fully diluted (sen)	B9	0.80	0.43	1.91	2.54

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

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

**CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2019**

	Note	Individual Quarter		Cumulative Quarters	
		3 months ended 30 June 2019 RM'000	3 months ended 30 June 2018 RM'000 (Restated)	6 months ended 30 June 2019 RM'000	6 months ended 30 June 2018 RM'000 (Restated)
Bank					
Interest income	A22	60,990	65,724	121,236	129,693
Interest expense	A23	(42,746)	(45,576)	(84,541)	(89,922)
Net interest income		18,244	20,148	36,695	39,771
Net income from Islamic banking business	A34	4,030	2,886	8,836	5,717
Other operating income	A24	65,263	59,747	126,420	139,104
Net income		87,537	82,781	171,951	184,592
Other operating expenses	A25	(79,174)	(75,239)	(158,298)	(162,937)
Operating profit		8,363	7,542	13,653	21,655
Credit loss (expenses)/reversal	A26	(866)	(243)	3,945	(114)
Bad debts recovered	A27	8	147	287	13,673
Profit before taxation and zakat		7,505	7,446	17,885	35,214
Taxation and zakat		(2,664)	(2,199)	(5,814)	(10,249)
Profit for the period		4,841	5,247	12,071	24,965
Other comprehensive income					
Items that will not be reclassified subsequently to profit or loss:					
Revaluation loss on equity instruments at FVOCI		-	-	(578)	-
Income tax related to the above		-	-	139	-
Items that will be reclassified subsequently to profit or loss:					
Net (loss)/gain on fair value changes of debt instruments at FVOCI		-	(3,499)	12,353	(3,328)
Income tax relating to the components of other comprehensive income		-	840	(2,965)	799
Other comprehensive (loss)/income for the period, net of tax		-	(2,659)	8,949	(2,529)
Total comprehensive income for the period, net of tax		4,841	2,588	21,020	22,436

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

KENANGA INVESTMENT BANK BERHAD
(15678-H)

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2019

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

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

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

**UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 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	-	519,053	891,148
Net profit for the financial period	-	-	-	-	-	-	-	18,556	18,556
Share of other comprehensive (loss)/income of associates	-	-	(407)	-	-	-	-	494	87
Other comprehensive loss	-	-	(2,529)	-	(513)	-	-	-	(3,042)
Total comprehensive loss/(income)	-	-	(2,936)	-	(513)	-	-	19,050	15,601
Share based payment under ESS	-	1,172	-	-	-	-	-	-	1,172
Issue of shares pursuant to exercise of ESS	76	(11)	-	-	-	-	-	11	76
Buy-back of shares	-	-	-	-	-	-	(3,772)	-	(3,772)
Transfer to regulatory reserve	-	-	-	(51)	-	-	-	51	-
Dividend paid	-	-	-	-	-	-	-	(21,653)	(21,653)
At 30 June 2018	246,213	1,161	(8,591)	25,226	16,885	88,938	(3,772)	516,512	882,572

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

KENANGA INVESTMENT BANK BERHAD
(15678-H)

UNAUDITED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 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	-	-	-	-	-	-	12,071	12,071
Other comprehensive income	-	-	-	8,949	-	-	-	8,949
Total comprehensive income	-	-	-	8,949	-	-	12,071	21,020
Share based payment under ESS	-	-	1,117	-	-	-	-	1,117
Buy-back of shares	-	-	-	-	-	(182)	-	(182)
Transfer to regulatory reserve	-	2,014	-	-	-	-	(2,014)	-
Dividend paid	-	-	-	-	-	-	(7,686)	(7,686)
At 30 June 2019	246,249	27,502	3,705	11,124	153,863	(16,990)	516,046	941,499

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

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

**UNAUDITED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2019**

	Non- Distributable					Distributable		Total Equity RM'000
	Ordinary Shares RM'000	Regulatory Reserve RM'000	ESS Reserve RM'000	Fair Value Deficit 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	-	-	-	-	-	-	24,965	24,965
Other comprehensive loss	-	-	-	(2,529)	-	-	-	(2,529)
Total comprehensive (loss)/income	-	-	-	(2,529)	-	-	24,965	22,436
Share based payment under ESS	-	-	1,172	-	-	-	-	1,172
Issue of shares pursuant to exercise of ESS	76	-	(11)	-	-	-	11	76
Buy-back of shares	-	-	-	-	-	(3,772)	-	(3,772)
Transfer to regulatory reserve	-	(51)	-	-	-	-	51	-
Dividend paid	-	-	-	-	-	-	(21,653)	(21,653)
At 30 June 2018	246,213	25,226	1,161	(6,395)	153,863	(3,772)	515,549	931,845

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

KENANGA INVESTMENT BANK BERHAD
(15678-H)

UNAUDITED CONDENSED STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2019

	Group		Bank	
	30 June 2019 RM'000	30 June 2018 RM'000	30 June 2019 RM'000	30 June 2018 RM'000
Cash flows from operating activities				
Profit before taxation	19,440	28,932	17,885	35,214
Adjustments for:				
Depreciation of property, plant and equipment	5,217	6,630	4,915	6,394
Amortisation of intangible assets	2,158	124	2,070	-
Amortisation of right-of-use assets	4,537	-	4,098	-
Lease interest expenses	579	-	539	-
ESS expenses	996	1,020	996	1,020
Credit loss (reversal)/expense	(5,550)	248	(3,945)	114
Property, plant and equipment written off	36	1	36	1
Non-cash items	7,973	8,023	8,709	7,529
Net gain from sale of financial assets at FVTPL and derivatives	(26,474)	(8,759)	(26,474)	(8,759)
Net gain from sale of financial investments other than those measured at FVTPL	(5,469)	(331)	(5,469)	(331)
Gross dividend income from investments	(343)	(869)	(278)	(769)
Loss/(Gain) on revaluation of financial assets at FVTPL and derivatives	5,173	(5,696)	6,720	(5,696)
Share of results of associates and joint venture	2,441	3,425	-	-
Non-operating items - investing	(24,672)	(12,230)	(25,501)	(15,555)
Adjustments for non-operating and non-cash items	(16,699)	(4,207)	(16,792)	(8,026)
Operating profit before working capital changes	2,741	24,725	1,093	27,188
Changes in working capital:				
Net changes in operating assets	(432,845)	23,998	(391,148)	138,968
Net changes in operating liabilities	846,027	452,141	817,449	443,451
Cash generated from operations	415,923	500,864	427,394	609,607
Taxation and zakat paid	(5,347)	(7,685)	(9,093)	(7,501)
Net operating cash flow	410,576	493,179	418,301	602,106
Cash flows from investing activities				
Dividends received from other investments	343	869	278	769
Purchase of property, plant and equipment and intangible assets	(7,826)	(5,523)	(7,219)	(5,189)
Capital injection in a joint venture	(5,000)	(5,000)	(5,000)	(5,000)
Net purchase of securities	190,345	(460,488)	189,309	(462,589)
Net investing cash flow	177,862	(470,142)	177,368	(472,009)
Cash flows from financing activities				
Dividend paid	(7,686)	(21,653)	(7,686)	(21,653)
Issuance of shares	-	76	-	76
Rental/lease payments	(4,821)	-	(4,374)	-
Net (repayment)/drawdown of borrowings	(13,600)	49,900	(5,600)	4,400
Buy-back of shares	(182)	(3,772)	(182)	(3,772)
Net financing cash flow	(26,289)	24,551	(17,842)	(20,949)

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

**UNAUDITED CONDENSED STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2019**

	Group		Bank	
	30 June 2019 RM'000	30 June 2018 RM'000	30 June 2019 RM'000	30 June 2018 RM'000
Net change in cash and cash equivalents during the financial period	562,149	47,588	577,827	109,148
Effect of exchange rate differences	1	2	-	-
Cash and cash equivalents brought forward	1,096,373	1,143,077	1,053,573	1,032,060
Cash and cash equivalents carried forward	1,658,523	1,190,667	1,631,400	1,141,208

Cash and Cash Equivalents

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

	Group		Bank	
	As at 30 June 2019 RM'000	As at 30 June 2018 RM'000	As at 30 June 2019 RM'000	As at 30 June 2018 RM'000
Cash and short-term funds	1,886,688	1,369,526	1,692,830	1,202,873
Deposits and placements with banks and other financial institutions	82,582	79,886	-	-
Less: Segregated funds from customers	(249,317)	(197,080)	-	-
Less: Cash and bank balances and deposits held in trust	(61,430)	(61,665)	(61,430)	(61,665)
	1,658,523	1,190,667	1,631,400	1,141,208

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

**NOTES TO INTERIM FINANCIAL REPORT
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2019**

A1. Basis Of Preparation

The interim financial statements, for the financial period ended 30 June 2019, have been prepared in accordance with Malaysian Financial Reporting Standard ("MFRS") 134 Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad.

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

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

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

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

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

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

A2. Condensed financial statements

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

A3. Preceding financial year audit report

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

NOTES TO INTERIM FINANCIAL REPORT
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2019

A4. Seasonal or Cyclical Factors

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

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

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

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

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

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

There were no issuance, cancellation, repurchase, resale or repayment of debt and equity securities during the financial period ended 30 June 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 thousand, and was financed by internally generated fund.

As at 30 June 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 B10.

A10. Changes in composition of the Group

There were no changes in the composition of the Group during the current quarter ended 30 June 2019.

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

**NOTES TO INTERIM FINANCIAL REPORT
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2019**

	Group		Bank	
	As at 30 June 2019 RM'000	As at 31 December 2018 RM'000	As at 30 June 2019 RM'000	As at 31 December 2018 RM'000
A11. Cash and bank balances				
Cash and balances with banks and other financial institutions	285,537	257,762	124,260	144,307
Money at call and deposit placements	1,683,733	1,093,498	1,568,570	971,810
	<u>1,969,270</u>	<u>1,351,260</u>	<u>1,692,830</u>	<u>1,116,117</u>
Included in cash and bank balances are:				
Cash and cash equivalents	1,658,523	1,096,373	1,631,400	1,053,573
Monies held in trust on behalf of dealer's representatives and segregated funds for customers	310,747	254,887	61,430	62,544
	<u>1,969,270</u>	<u>1,351,260</u>	<u>1,692,830</u>	<u>1,116,117</u>
A12. Financial Assets At FVTPL				
At fair value				
Money Market Instruments:				
Malaysian Government Securities	10,217	-	10,217	-
Malaysian Government Investment Certificates	92,956	-	92,956	-
Bank Negara Malaysia Bills and Notes	69,288	-	69,288	-
	<u>172,461</u>	<u>-</u>	<u>172,461</u>	<u>-</u>
Quoted Securities:				
Shares in Malaysia	96,594	37,491	96,594	37,491
Shares outside Malaysia	-	147	-	147
	<u>96,594</u>	<u>37,638</u>	<u>96,594</u>	<u>37,638</u>
Unquoted Securities:				
Shares and funds in Malaysia	<u>132,236</u>	<u>131,725</u>	<u>131,077</u>	<u>131,077</u>
Unquoted Debt Securities in Malaysia:				
Islamic Corporate Bills	19,861	19,861	19,861	19,861
	<u>19,861</u>	<u>19,861</u>	<u>19,861</u>	<u>19,861</u>
Total Financial Assets At FVTPL	<u>421,152</u>	<u>189,224</u>	<u>419,993</u>	<u>188,576</u>

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

**NOTES TO INTERIM FINANCIAL REPORT
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2019**

Group and Bank	
As at 30 June 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	51,749	40,182
Malaysian Government Investment Certificates	93,740	195,055
Negotiable Instruments of Deposits	-	50,000
Islamic Negotiable Instruments of Deposits	408,445	629,165
	<u>553,934</u>	<u>914,402</u>

Equity instruments in Malaysia:

Unquoted Shares	1,176	1,754
	<u>1,176</u>	<u>1,754</u>

Debt instruments in Malaysia:

Islamic Corporate Sukuk	580,941	584,853
Corporate Bonds	162,587	160,667
	<u>743,528</u>	<u>745,520</u>

Total Financial investments at FVOCI:

<u>1,298,638</u>	<u>1,661,676</u>
------------------	------------------

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

Islamic Corporate Sukuk	122,781	83,067
	<u>122,781</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	35	-	-	35
Impact of net re-measurement of ECL	(21)	-	-	(21)
Assets derecognised or matured	(72)	-	-	(72)
As at 30 June 2019	<u>167</u>	<u>-</u>	<u>-</u>	<u>167</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>

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

**NOTES TO INTERIM FINANCIAL REPORT
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2019**

Group and Bank	
As at 30 June 2019 RM'000	As at 31 December 2018 RM'000

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

(ii) Financial investment at amortised cost:

Money market instruments:

Malaysian Government Investment Certificates

9,884	9,876
9,884	9,876

Debt instruments in Malaysia:

At cost

Islamic Corporate Sukuk

Corporate Bonds

Less: Allowance for ECL

83,196	92,202
20,033	20,038
(423)	(860)
102,806	111,380

Total financial investment at amortised cost:

112,690	121,256
----------------	----------------

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

Group and Bank

	2019			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Movement in ECLs				
As at 1 January 2019	-	860	-	860
Impact of net re-measurement of ECL	-	(153)	-	(153)
Assets derecognised or matured (excluding write-off)	-	(284)	-	(284)
As at 30 June 2019	-	423	-	423

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

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

**NOTES TO INTERIM FINANCIAL REPORT
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2019**

	Group		Bank	
	As at 30 June 2019 RM'000	As at 31 December 2018 RM'000	As at 30 June 2019 RM'000	As at 31 December 2018 RM'000
A14. Loans, Advances and Financing				
At Amortised Cost				
Share margin financing	1,285,635	1,419,617	1,285,635	1,419,617
Term loans	592,317	554,282	645,378	577,312
Subordinated term loan	-	-	15,345	10,278
Other lending and factoring receivables	93,462	62,735	-	-
Advances to group employees	38	60	38	60
Gross loans, advances and financing	1,971,452	2,036,694	1,946,396	2,007,267
Less: Allowance for ECL				
- Stage 1- 12-month ECL	(1,333)	(898)	(2,320)	(1,402)
- Stage 2- Lifetime ECL non-credit impaired	-	(8,847)	-	(8,847)
- Stage 3- Lifetime ECL credit impaired	(26,106)	(22,034)	(25,355)	(21,253)
Net Loans, Advances and Financing	1,944,013	2,004,915	1,918,721	1,975,765
(i) By Type of Customer				
Domestic business enterprise				
- Small medium enterprise	258,110	233,392	199,095	213,770
- Others	611,910	587,463	680,315	587,463
Individuals	1,064,964	1,149,370	1,030,518	1,139,565
Foreign enterprises	36,468	66,469	36,468	66,469
Gross Loans, Advances and Financing	1,971,452	2,036,694	1,946,396	2,007,267
(ii) By Geographical Distribution				
In Malaysia	1,928,480	1,944,629	1,903,424	1,915,202
Outside Malaysia	42,972	92,065	42,972	92,065
Gross Loans, Advances and Financing	1,971,452	2,036,694	1,946,396	2,007,267
(iii) By Interest Rate/ Profit Rate Sensitivity				
Fixed rate				
- Other fixed rate loans	1,379,096	1,482,352	1,285,635	1,419,617
Variable rate				
- Other variable rates	573,897	535,855	642,302	569,163
- Base lending rate plus	18,420	18,427	18,420	18,427
Interest free	39	60	39	60
Gross Loans, Advances and Financing	1,971,452	2,036,694	1,946,396	2,007,267
(iv) By Purpose				
- Purchase of securities	1,515,082	1,715,237	1,506,306	1,704,785
- Working capital	185,512	154,549	202,478	159,238
- Others	270,858	166,908	237,612	143,244
Gross Loans, Advances and Financing	1,971,452	2,036,694	1,946,396	2,007,267

KENANGA INVESTMENT BANK BERHAD
(15678-H)

NOTES TO INTERIM FINANCIAL REPORT
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2019

	Group		Bank	
	As at 30 June 2019 RM'000	As at 31 December 2018 RM'000	As at 30 June 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	1,472,913	1,656,272	1,514,804	1,640,660
- More than one year	498,539	380,422	431,592	366,607
Gross Loans, Advances and Financing	1,971,452	2,036,694	1,946,396	2,007,267
(vi) Movements in impaired loans, advances and financing ("Impaired loans")				
At beginning of the financial period	59,068	2,737	58,283	1,910
Impaired during the financial period	31,404	57,814	31,404	57,814
Amount written off against allowance for ECL	-	(1,441)	-	(1,441)
Amount recovered	(35,941)	(42)	(35,911)	-
At end of the financial period	54,531	59,068	53,776	58,283
Less: Allowance for ECL	(26,106)	(22,034)	(25,355)	(21,253)
Net impaired loans	28,425	37,034	28,421	37,030
Net impaired loans as a % of gross loans, advances and financing less allowance	1.46%	1.85%	1.48%	1.87%
(vii) Impaired loans by Geographical Distribution				
In Malaysia	37,454	11,863	36,699	11,078
Outside Malaysia	17,077	47,205	17,077	47,205
Gross impaired loans	54,531	59,068	53,776	58,283
(viii) Impaired loans by Purpose				
Working capital	755	785	-	-
Purchase of securities	53,776	58,283	53,776	58,283
Gross impaired loans	54,531	59,068	53,776	58,283

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

**NOTES TO INTERIM FINANCIAL REPORT
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 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	-	-	5,691	5,691
Assets derecognised or repaid (excluding write-offs)	-	-	(10,436)	(10,436)
Transfers of stages	-	(8,847)	8,847	-
As at 30 June 2019	-	-	25,355	25,355

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	510	-	-	510
Assets derecognised or repaid (excluding write-offs)	(133)	-	-	(133)
As at 30 June 2019	1,192	-	-	1,192

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

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

**NOTES TO INTERIM FINANCIAL REPORT
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 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	996	-	-	996
Assets derecognised or repaid (excluding write-offs)	(132)	-	-	(132)
As at 30 June 2019	2,065	-	-	2,065

	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)	(11)	-	(30)	(41)
As at 30 June 2019	12	-	751	763

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

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

**NOTES TO INTERIM FINANCIAL REPORT
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 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	81	-	-	81
Exposure derecognised or matured/lapsed (excluding write-offs)	(12)	-	-	(12)
As at 30 June 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 ECLs				
As at 1 January 2019	201	-	-	201
New assets originated or purchased	81	-	-	81
Exposure derecognised or matured/lapsed (excluding write-offs)	(27)	-	-	(27)
As at 30 June 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 assets originated or purchased	60	-	-	60
Exposure derecognised or matured/lapsed (excluding write-offs)	(13)	-	-	(13)
As at 31 December 2018	201	-	-	201

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

**NOTES TO INTERIM FINANCIAL REPORT
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2019**

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

A15. Balances due from clients and brokers

Balances due from clients and brokers	300,496	310,778
Less:		
Allowance for ECL	(14,381)	(14,455)
	286,115	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

Movement in ECL	2019		
	Non-Credit Impaired RM'000	Credit- Impaired RM'000	Total RM'000
As at 1 January 2019	1,517	12,938	14,455
Charge during the period	38	96	134
Written back during the period	(40)	(168)	(208)
As at 30 June 2019	1,515	12,866	14,381

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

	Group		Bank	
	As at 30 June 2019 RM'000	As at 31 December 2018 RM'000	As at 30 June 2019 RM'000	As at 31 December 2018 RM'000

A16. Other Assets

Assets segregated for customers	57,387	78,127	-	-
Interest/income receivable	13,755	12,847	13,425	12,456
Prepayments and deposits	24,489	18,666	18,175	17,439
Other debtors	39,342	31,528	22,066	19,153
Treasury trade receivables	494,244	39,530	494,244	39,530
Amount due from subsidiaries	-	-	382	289
Amount due from related parties	28	31	28	31
	629,245	180,729	548,320	88,898
Allowance for ECL	(4,215)	(4,856)	(3,936)	(3,485)
	625,030	175,873	544,384	85,413

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

**NOTES TO INTERIM FINANCIAL REPORT
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2019**

A16. Other Assets (cont'd.)

Group

Movement in ECL

As at 1 January 2019
Charge/transfer of stage during the period
Written back/transfer of stage during the period
As at 30 June 2019

2019		
Non-Credit Impaired RM'000	Credit- Impaired RM'000	Total RM'000
259	4,597	4,856
512	1,179	1,691
(655)	(1,677)	(2,332)
116	4,099	4,215

Movement in ECL

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

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

Bank

Movement in ECL

As at 1 January 2019
Charge/transfer of stage during the period
Written back/transfer of stage during the period
As at 30 June 2019

2019		
Non-Credit Impaired RM'000	Credit Impaired RM'000	Total RM'000
259	3,226	3,485
512	1,190	1,702
(655)	(596)	(1,251)
116	3,820	3,936

Movement in ECL

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

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

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

**NOTES TO INTERIM FINANCIAL REPORT
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2019**

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

A17. Statutory deposit with Bank Negara Malaysia

Statutory Deposit	120,612	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
30 June	31 December	30 June	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	3,864,559	3,645,634	3,897,617	3,683,800
Short term money deposits	970,333	782,435	991,485	795,578
Call money deposits	127,146	88,246	127,146	88,246
Negotiable instruments of deposit	49,628	45,789	50,009	46,164
	5,011,666	4,562,104	5,066,257	4,613,788

(ii) By type of customer

Government and other statutory bodies	948,814	972,649	948,814	972,649
Individuals	118,668	125,692	118,668	125,692
Business enterprises	846,030	1,076,432	846,030	1,076,432
Non-bank financial institutions	3,006,195	2,315,172	3,006,195	2,315,172
Subsidiaries and related companies	91,959	72,159	146,550	123,843
	5,011,666	4,562,104	5,066,257	4,613,788

(iii) By maturity structure

Due within six months	3,680,909	3,332,226	3,735,499	3,383,910
More than six months to one year	929,121	1,014,878	929,122	1,014,878
More than one year	401,636	215,000	401,636	215,000
	5,011,666	4,562,104	5,066,257	4,613,788

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

**NOTES TO INTERIM FINANCIAL REPORT
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2019**

	Group		Bank	
	As at 30 June 2019 RM'000	As at 31 December 2018 RM'000	As at 30 June 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
Others financial institutions	-	45,016	-	45,016
	-	95,016	-	95,016
A20. Other liabilities				
Interest/Income payable	31,431	35,902	31,129	35,563
Accruals and provision	70,023	64,374	36,831	37,871
Retention for contra losses	17	487	17	487
Structured products	19,118	37,222	19,118	37,222
Treasury trade payables	494,046	19,458	494,046	19,458
Deposits and other creditors	63,193	67,929	56,402	64,476
Amounts held in trust on behalf of				
Dealer's Representatives	61,430	62,544	61,430	62,544
Amount due to trustees	6,426	20,806	-	-
Amount due to subsidiaries	-	-	1,082	459
	745,684	308,722	700,055	258,080
A21. Borrowings				
Secured:				
Revolving bank loan	47,200	52,800	47,200	52,800
Unsecured:				
Revolving bank loans	33,500	41,500	-	-
Subordinated notes	25,000	25,000	25,000	25,000
	105,700	119,300	72,200	77,800

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

**NOTES TO INTERIM FINANCIAL REPORT
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2019**

	Individual Quarter		Cumulative Quarters	
	3 months ended 30 June 2019 RM'000	3 months ended 30 June 2018 RM'000 (Restated)	6 months ended 30 June 2019 RM'000	6 months ended 30 June 2018 RM'000 (Restated)
A22. Interest Income				
Group				
Loans, advances and financing	33,897	38,919	68,492	76,948
Money at call and deposit placements with financial institutions	14,002	14,687	26,046	28,169
Financial assets at FVTPL	628	472	1,418	1,177
Financial investments at FVOCI	9,950	8,236	20,271	16,762
Financial investments at amortised cost	1,012	1,027	2,111	1,654
Others	3,701	4,692	7,146	8,894
	63,190	68,033	125,484	133,604
Bank				
Loans, advances and financing	33,122	37,340	66,408	74,363
Money at call and deposit placements with financial institutions	12,581	13,956	23,891	26,842
Financial assets at FVTPL	628	473	1,418	1,178
Financial investments at FVOCI	9,950	8,236	20,271	16,762
Financial investments at amortised cost	1,012	1,027	2,111	1,654
Others	3,697	4,692	7,137	8,894
	60,990	65,724	121,236	129,693
A23. Interest Expense				
Group				
Deposits from customers	38,463	43,218	75,688	84,707
Deposits and placement from banks and other financial institutions	1,432	137	3,452	898
Borrowings	1,527	1,403	2,993	2,486
Others	946	1,169	2,106	2,208
	42,368	45,927	84,239	90,299
Bank				
Deposits from customers	38,949	43,614	76,638	85,488
Deposits and placement from banks and other financial institutions	1,431	137	3,451	898
Borrowings	928	657	1,873	1,329
Others	1,438	1,168	2,579	2,207
	42,746	45,576	84,541	89,922

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

**NOTES TO INTERIM FINANCIAL REPORT
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2019**

	Individual Quarter		Cumulative Quarters	
	3 months ended 30 June 2019 RM'000	3 months ended 30 June 2018 RM'000	6 months ended 30 June 2019 RM'000	6 months ended 30 June 2018 RM'000
A24. Other Operating Income				
Group				
(a) Fee income:				
Brokerage fees	38,368	43,342	75,649	95,907
Corporate advisory fees	1,959	3,046	4,052	5,478
Processing fees on loans, advances and financing	1,157	1,778	1,712	3,596
Commissions	1,721	1,751	3,278	3,579
Management fee income	21,704	15,399	39,927	30,999
Placement fees	2,803	4,283	5,533	6,270
Underwriting commission	165	76	382	315
Other fee income	4,363	3,208	7,713	6,428
	<u>72,240</u>	<u>72,883</u>	<u>138,246</u>	<u>152,572</u>
(b) Net gain/(loss) arising from sale/ redemption of:				
Financial assets at FVTPL and derivatives	10,342	40,212	25,797	9,172
Financial investments at FVOCI	3,667	(11)	5,063	350
	<u>14,009</u>	<u>40,201</u>	<u>30,860</u>	<u>9,522</u>
(c) Gross dividend income from:				
Financial assets at FVTPL	143	268	246	840
Financial investments at FVOCI	86	17	97	29
	<u>229</u>	<u>285</u>	<u>343</u>	<u>869</u>
(d) Unrealised gain/(loss) on revaluation of financial assets at FVTPL and derivatives	<u>1,111</u>	<u>(38,281)</u>	<u>(5,206)</u>	<u>6,116</u>
(e) Other income:				
Net foreign exchange income	2,287	1,109	4,107	2,814
Other operating income	214	122	458	514
Other non-operating income				
- Rental income	1,093	639	2,199	1,320
- Others	448	1,457	3,627	2,200
	<u>4,042</u>	<u>3,327</u>	<u>10,391</u>	<u>6,848</u>
Total other operating income	<u>91,631</u>	<u>78,415</u>	<u>174,634</u>	<u>175,927</u>

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

**NOTES TO INTERIM FINANCIAL REPORT
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2019**

	Individual Quarter		Cumulative Quarters	
	3 months ended 30 June 2019 RM'000	3 months ended 30 June 2018 RM'000	6 months ended 30 June 2019 RM'000	6 months ended 30 June 2018 RM'000
A24. Other Operating Income (cont'd.)				
Bank				
(a) Fee income:				
Brokerage fees	38,368	43,342	75,649	95,907
Corporate advisory fees	1,988	3,055	4,110	5,496
Processing fees on loans, advances and financing	1,026	1,485	1,441	2,992
Management fee income	248	116	492	262
Placement fees	2,300	3,505	5,028	5,492
Underwriting commission	165	76	382	315
Other fee income	1,799	2,479	3,742	4,835
	<u>45,894</u>	<u>54,058</u>	<u>90,844</u>	<u>115,299</u>
(b) Net gain/(loss) arising from sale/redemption of:				
Financial assets at FVTPL and derivatives	10,342	40,230	25,797	9,172
Financial investments at FVOCI	3,667	(29)	5,063	350
	<u>14,009</u>	<u>40,201</u>	<u>30,860</u>	<u>9,522</u>
(c) Gross dividend from:				
Financial assets at FVTPL	102	219	181	740
Financial investments at FVOCI	86	17	97	29
	<u>188</u>	<u>236</u>	<u>278</u>	<u>769</u>
(d) Unrealised gain/(loss) on revaluation of financial assets at FVTPL and derivatives	308	(38,281)	(6,753)	6,116
(e) Other income:				
Net foreign exchange income	2,280	1,066	4,115	2,810
Other operating income	240	192	543	689
Other non-operating income				
- Rental income	1,162	1,065	2,328	2,168
- Others	1,182	1,210	4,205	1,731
	<u>4,864</u>	<u>3,533</u>	<u>11,191</u>	<u>7,398</u>
Total other operating income	65,263	59,747	126,420	139,104

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

**NOTES TO INTERIM FINANCIAL REPORT
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2019**

	Individual Quarter		Cumulative Quarters	
	3 months ended 30 June 2019 RM'000	3 months ended 30 June 2018 RM'000	6 months ended 30 June 2019 RM'000	6 months ended 30 June 2018 RM'000
A25. Other operating expenses				
Group				
Personnel costs	45,471	38,261	89,293	79,856
- Salaries, allowances and bonuses	34,839	29,325	69,221	61,847
- EPF	4,396	4,199	8,704	8,431
- Others	6,236	4,737	11,368	9,578
Establishment costs	11,378	11,007	23,275	22,398
- Depreciation of property, plant and equipment	2,697	3,335	5,217	6,630
- Amortisation of intangible assets	1,026	55	2,158	124
- Amortisation of right-of-use assets	2,265	-	4,537	-
- Rental of premises	(491)	2,342	(442)	4,715
- Rental of equipment	108	154	222	315
- Repairs and maintenance	1,194	924	2,336	2,076
- Information technology expenses	2,764	2,456	5,805	5,081
- Others	1,815	1,741	3,442	3,457
Marketing expenses	4,655	3,677	7,986	6,576
- Promotion and advertisements	3,354	2,052	5,545	3,656
- Travel and entertainment	1,131	1,349	2,010	2,466
- Others	170	276	431	454
Administration and general expenses	45,272	44,059	88,117	97,187
- Communication expenses	1,326	1,218	2,648	2,401
- Professional fees and legal fees	1,557	668	2,461	2,768
- Regulatory charges	5,886	5,757	11,138	11,388
- Fees and brokerage	32,555	31,288	63,587	70,399
- Administrative expenses	3,598	4,744	7,572	9,453
- Printing and stationery	350	384	711	778
	106,776	97,004	208,671	206,017

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

**NOTES TO INTERIM FINANCIAL REPORT
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2019**

	Individual Quarter		Cumulative Quarters	
	3 months ended 30 June 2019 RM'000	3 months ended 30 June 2018 RM'000	6 months ended 30 June 2019 RM'000	6 months ended 30 June 2018 RM'000
A25. Other operating expenses (cont'd.)				
Bank				
Personnel costs	33,505	28,528	67,296	60,633
- Salaries, allowances and bonuses	26,619	22,441	53,885	48,380
- EPF	3,520	3,334	7,052	6,612
- Others	3,366	2,753	6,359	5,641
Establishment costs	9,742	9,497	20,175	19,356
- Depreciation of property, plant and equipment	2,532	3,218	4,915	6,394
- Amortisation of intangible assets	982	-	2,070	-
- Amortisation of right-of-use assets	2,047	-	4,098	-
- Rental of premises	(501)	2,158	(475)	4,355
- Rental of equipment	78	67	153	140
- Repair and maintenance	896	749	1,771	1,667
- Information technology expenses	2,757	2,430	5,794	5,039
- Others	951	875	1,849	1,761
Marketing expenses	2,136	2,215	3,920	3,799
- Promotion and advertisement	1,252	1,197	2,252	1,797
- Travel and entertainment	727	749	1,284	1,564
- Others	157	269	384	438
Administration and general expenses	33,791	34,999	66,907	79,149
- Communication expenses	1,154	1,035	2,309	2,056
- Professional fees and legal fees	1,222	602	2,032	2,640
- Regulatory charges	5,231	5,342	9,984	10,578
- Fees and brokerages	22,847	23,491	45,452	54,935
- Administrative expenses	3,122	4,275	6,677	8,426
- Printing and stationery	215	254	453	514
	79,174	75,239	158,298	162,937

KENANGA INVESTMENT BANK BERHAD
(15678-H)
NOTES TO INTERIM FINANCIAL REPORT
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2019

A26. Credit loss (expense)/reversal

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

Group

Individual 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	63	-	-	63
Debt instruments at amortised cost	-	(7)	-	(7)
Loans, advances and financing	(106)	-	113	7
Loan commitments	11	-	-	11
Credit loss (expense)/reversal	(32)	(7)	113	74

	2018			
	Stage 1	Stage 2	Stage 3	Total
	RM'000	RM'000	RM'000	RM'000
Debt instruments at amortised cost	(1)	(13)	-	(14)
Loans, advances and financing	43	-	18	61
Loan commitments	(56)	-	-	(56)
Credit loss (expense)/reversal	(14)	(13)	18	(9)

(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	6	7	13
Other debtors	55	527	582
Credit loss reversal	61	534	595

	2018		
	Non-Credit Impaired	Credit-Impaired	Total
	RM'000	RM'000	RM'000
Balance due from clients and brokers	4	(30)	(26)
Other debtors	(19)	(180)	(199)
Credit loss expense	(15)	(210)	(225)

**KENANGA INVESTMENT BANK BERHAD
(15678-H)
NOTES TO INTERIM FINANCIAL REPORT
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2019**

A26. Credit loss reversal/(expense) (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	58	-	-	58
Debt instruments at amortised cost	-	437	-	437
Loans, advances and financing	(366)	-	4,775	4,409
Loan commitments	(69)	-	-	(69)
Credit loss (expense)/reversal	(377)	437	4,775	4,835

	2018			
	Stage 1	Stage 2	Stage 3	Total
	RM'000	RM'000	RM'000	RM'000
Debt instruments at amortised cost	-	95	-	95
Loans, advances and financing	(8)	-	18	10
Loan commitments	(50)	-	-	(50)
Credit loss (expense)/reversal	(58)	95	18	55

(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	2	72	74
Other debtors	143	498	641
Credit loss reversal	145	570	715

	2018		
	Non-Credit Impaired	Credit- Impaired	Total
	RM'000	RM'000	RM'000
Balance due from clients and brokers	(4)	(45)	(49)
Other debtors	(62)	(192)	(254)
Credit loss expense	(66)	(237)	(303)

KENANGA INVESTMENT BANK BERHAD
(15678-H)
NOTES TO INTERIM FINANCIAL REPORT
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2019

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	63	-	-	63
Debt instruments at amortised cost	-	(7)	-	(7)
Loans, advances and financing	(555)	-	98	(457)
Loan commitments	26	-	-	26
Credit loss (expense)/reversal	(466)	(7)	98	(375)

	2018			
	Stage 1	Stage 2	Stage 3	Total
	RM'000	RM'000	RM'000	RM'000
Debt instruments at amortised cost	(1)	(13)	-	(14)
Loans, advances and financing	53	-	-	53
Loan commitments	(56)	-	-	(56)
Credit loss expense	(4)	(13)	-	(17)

(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	6	7	13
Other debtors	61	(565)	(504)
Credit loss reversal/(expense)	67	(558)	(491)

	2018		
	Non-Credit	Credit-	Total
	Impaired	Impaired	RM'000
	RM'000	RM'000	RM'000
Balance due from clients and brokers	4	(30)	(26)
Other debtors	(19)	(181)	(200)
Credit loss expense	(15)	(211)	(226)

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

**NOTES TO INTERIM FINANCIAL REPORT
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2019**

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	58	-	-	58
Debt instruments at amortised cost	-	437	-	437
Loans, advances and financing	(864)	-	4,745	3,881
Loan commitments	(54)	-	-	(54)
Credit loss (expense)/reversal	(860)	437	4,745	4,322

	2018			
	Stage 1	Stage 2	Stage 3	Total
	RM'000	RM'000	RM'000	RM'000
Debt instruments at amortised cost	-	95	-	95
Loans, advances and financing	161	-	-	161
Loan commitments	(50)	-	-	(50)
Credit loss reversal	111	95	-	206

(viii) Movement in ECLs on other financial assets

	2019		
	Non-Credit Impaired RM'000	Credit- Impaired RM'000	Total RM'000
Balance due from clients and brokers	2	72	74
Other debtors	143	(594)	(451)
Credit loss reversal/(expense)	145	(522)	(377)

	2018		
	Non-Credit RM'000	Credit- RM'000	Total RM'000
Balance due from clients and brokers	(4)	(45)	(49)
Other debtors	(62)	(209)	(271)
Credit loss expense	(66)	(254)	(320)

A27. Bad debts recovered

	Individual Quarter		Cumulative Quarters	
	3 months ended 30 June 2019 RM'000	3 months ended 30 June 2018 RM'000	6 months ended 30 June 2019 RM'000	6 months ended 30 June 2018 RM'000
Loans, advances and financing	1	26	276	13,527
Amount due from clients and brokers	7	121	11	150
Other receivables	-	-	-	(4)
	8	147	287	13,673

Group and Bank

**NOTES TO INTERIM FINANCIAL REPORT
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2019**

A28. Fair value of financial instruments

Fair value measurements

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

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

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

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

Valuation techniques and sensitivity analysis

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

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

NOTES TO INTERIM FINANCIAL REPORT
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2019

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

Group

30 June 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	-	288,178	-	288,178
- Equity securities	96,594	5,303	31,077	132,974
Financial investments at FVOCI				
- Debt securities	-	889,017	-	889,017
- Equity securities	-	-	1,176	1,176
- Islamic Negotiable Instruments of Deposit	-	408,445	-	408,445
Derivative financial assets	-	61,398	-	61,398
Financial assets at amortised cost for which fair values are disclosed				
Financial investments at amortised cost	-	117,677	-	117,677
Loans, advances and financing	-	-	1,942,747	1,942,747
	96,594	1,770,018	1,975,000	3,841,612

Financial liabilities measured at fair value

Derivative financial liabilities	9,948	3,779	-	13,727
Obligations on securities sold under repurchase agreements	-	113,559	-	113,559
Borrowings	-	95,101	-	95,101
	9,948	212,439	-	222,387

31 December 2018

	Level 1	Level 2	Level 3	Total
	RM'000	RM'000	RM'000	RM'000
Financial assets measured at fair value				
Financial assets at FVTPL				
- Debt securities	-	114,171	-	114,171
- Equity securities	37,638	6,338	31,077	75,053
Financial investments at FVOCI				
- Debt securities	-	980,757	-	980,757
- Equity securities	-	-	1,754	1,754
- Negotiable Instruments of Deposit	-	50,000	-	50,000
- Islamic Negotiable Instruments of Deposit	-	629,165	-	629,165
Derivative financial assets	-	71,992	-	71,992
Financial assets at amortised cost for which fair values are disclosed				
Financial investments at amortised cost	-	125,156	-	125,156
Loans, advances and financing	-	-	2,002,626	2,002,626
	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

NOTES TO INTERIM FINANCIAL REPORT
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2019

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

Bank

30 June 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	-	292,322	-	292,322
- Equity securities	96,594	-	31,077	127,671
Financial investments at FVOCI				
- Debt securities	-	889,017	-	889,017
- Equity securities	-	-	1,176	1,176
- Islamic Negotiable Instruments of Deposit	-	408,445	-	408,445
Derivative financial assets	-	61,398	-	61,398
Financial assets at amortised cost for which fair values are disclosed				
Financial investments at amortised cost	-	117,677	-	117,677
Loans, advances and financing	-	-	1,918,414	1,918,414
	96,594	1,768,859	1,950,667	3,816,120
Financial liabilities measured at fair value				
Derivative financial liabilities	9,948	3,779	-	13,727
Obligations on securities sold under repurchase agreements	-	113,559	-	113,559
Borrowings	-	66,605	-	66,605
	9,948	183,943	-	193,891

31 December 2018

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

There has been no transfer between level 1 & level 2 during the financial period ended 30 June 2019 and year ended 31 December 2018.

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

**NOTES TO INTERIM FINANCIAL REPORT
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2019**

As at 30 June 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	1,964,573	1,871,277
- corporate loan	28,317	25,551
- foreign exchange related contract	80,898	58,155
- equity exchange related contract	112,453	105,036

Commitments to extend credit with maturity of more than

1 year :-

- corporate loan	76,458	97,854
- equity related contract	2,077	2,113

Client trust in respect of the stockbroking business

707,804	689,222
---------	---------

Derivative financial assets

- dual currency investment - options	11,676	13,636
- equity related contracts - options	64,738	100,319
- equity related contracts - swaps	42,016	14,771

Derivative financial liabilities

- dual currency investment - options	11,676	13,636
- equity related contracts - options	52,282	122,122
- equity related contracts - swaps	5,531	5,900

Capital commitment:

- Authorised and contracted for	4,519	1,112
	<u>3,165,018</u>	<u>3,120,704</u>

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

**NOTES TO INTERIM FINANCIAL REPORT
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2019**

As at 30 June 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	1,964,573	1,871,277
- corporate loan	75,317	102,551
- foreign exchange related contract	80,898	58,155
- equity exchange related contract	112,453	105,036

Commitments to extend credit with maturity of more than

1 year :-

- corporate loan	101,458	127,854
- equity exchange related contract	2,077	2,113

Client trust in respect of the stockbroking business

707,804	689,222
---------	---------

Derivative financial assets

- dual currency investment - options	11,676	13,636
- equity related contracts - options	64,738	100,319
- equity related contracts - swaps	42,016	14,771

Derivative financial liabilities

- dual currency investment - options	11,676	13,636
- equity related contracts - options	52,282	122,122
- equity related contracts - swaps	5,531	5,900

Capital commitment:

- Authorised and contracted for	4,502	1,095
---------------------------------	-------	-------

Investment in equity fund	17,854	17,854
---------------------------	--------	--------

3,254,855	3,245,541
-----------	-----------

KENANGA INVESTMENT BANK BERHAD
(15678-H)

NOTES TO INTERIM FINANCIAL REPORT
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2019

	Group		Bank	
	30 June 2019 RM'000	31 December 2018 RM'000	30 June 2019 RM'000	31 December 2018 RM'000
A30. Operating lease arrangements				
Future minimum rental payable:				
Within one year	-	8,114	-	7,706
Between one and five years	-	6,372	-	6,171
	<u>-</u>	<u>14,486</u>	<u>-</u>	<u>13,877</u>
Future minimum sublease receipts:				
Subsidiaries	-	-	2,945	2,945
External parties	4,458	4,458	4,458	4,458
	<u>4,458</u>	<u>4,458</u>	<u>7,403</u>	<u>7,403</u>

A31. Capital Adequacy

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

	Group		Bank	
	30 June 2019 RM'000	31 December 2018 RM'000	30 June 2019 RM'000	31 December 2018 RM'000
<u>CET 1 / Tier 1 capital</u>				
Paid-up share capital	246,249	246,249	246,249	246,249
Retained profits	503,314	509,888	503,975	513,675
Other reserves	143,364	131,677	196,194	184,114
Less: Regulatory adjustments:				
Deferred tax assets	(2,753)	(6,532)	-	(3,666)
55% of cumulative gains of financial investments at FVOCI	(2,526)	-	(6,118)	(1,196)
Goodwill	(208,754)	(208,754)	(252,909)	(252,909)
Other intangibles	(72,719)	(57,468)	(67,817)	(52,500)
Regulatory reserve	(27,502)	(25,488)	(27,502)	(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 *	<u>(78,177)</u>	<u>(72,885)</u>	<u>(161,462)</u>	<u>(156,462)</u>
Total CET 1/Tier 1 capital	<u>483,506</u>	<u>499,879</u>	<u>413,620</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 credit loss allowances and regulatory reserves	19,386	18,447	19,237	18,180
Total Tier 2 capital	<u>44,386</u>	<u>43,447</u>	<u>44,237</u>	<u>43,180</u>
Total capital	<u>527,892</u>	<u>543,326</u>	<u>457,857</u>	<u>478,189</u>

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

**NOTES TO INTERIM FINANCIAL REPORT
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2019**

A31. Capital Adequacy (cont'd.)

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

	Group		Bank	
	30 June 2019	31 December 2018	30 June 2019	31 December 2018
CET 1 capital ratio	20.431%	23.237%	18.659%	21.714%
Tier 1 capital ratio	20.431%	23.237%	18.659%	21.714%
Total capital ratio	22.306%	25.257%	20.654%	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	
	30 June 2019		31 December 2018	
	Notional amount RM'000	Risk-weighted amount RM'000	Notional amount RM'000	Risk-weighted amount RM'000
Credit Risk	7,571,019	1,550,854	5,267,199	1,475,789
Market Risk	-	190,801	-	59,609
Operational Risk	-	595,512	-	586,419
Large exposure risk	-	29,385	-	29,385
Total Risk Weighted Assets	7,571,019	2,366,552	5,267,199	2,151,202

	Bank		Bank	
	30 June 2019		31 December 2018	
	Notional amount RM'000	Risk-weighted amount RM'000	Notional amount RM'000	Risk-weighted amount RM'000
Credit Risk	5,703,013	1,538,931	4,980,663	1,454,395
Market Risk	-	176,217	-	42,180
Operational Risk	-	472,218	-	477,424
Large exposure risk	-	29,385	-	29,385
Total Risk Weighted Assets	5,703,013	2,216,751	4,980,663	2,003,384

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

**NOTES TO INTERIM FINANCIAL REPORT
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2019**

A31. Capital Adequacy (cont'd.)

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

A32. Credit Exposures Arising From Credit Transactions With Connected Parties

	30 June 2019	31 December 2018
Outstanding credit exposures with connected parties (RM'000)	<u>141,042</u>	<u>164,104</u>
Percentage of outstanding credit exposures to connected parties:-		
- as a proportion of total credit exposures	<u>4.25%</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.

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

**NOTES TO INTERIM FINANCIAL REPORT
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2019**

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	134,620	128,296	5,414	3,816	47,699	5,847	-	325,692
- Interest income	113,896	27,779	2,136	3,332	2,440	5,664	-	155,247
- Fee income	11,053	80,438	3,278	484	45,022	178	-	140,453
- Trading and investment income	7,306	18,195	-	-	65	-	-	25,566
- Other operating income	2,365	1,884	-	-	172	5	-	4,426
Inter-segment sales	1,454	91	535	-	1,781	-	(3,861)	-
Total revenue	136,074	128,387	5,949	3,816	49,480	5,847	(3,861)	325,692
Result								
Net income	37,247	122,370	5,551	2,244	49,754	8,580	(1,031)	224,715
Other operating expenses	(27,709)	(122,611)	(6,948)	(2,148)	(49,006)	(2,953)	2,704	(208,671)
Credit loss (expenses)/reversal	(819)	4,822	-	41	-	1,024	482	5,550
Bad debt recovery	-	37	-	-	-	250	-	287
Share of results of associates and a joint venture company	-	-	-	-	-	(2,441)	-	(2,441)
Profit/(loss) before taxation and zakat	8,719	4,618	(1,397)	137	748	4,460	2,155	19,440
Taxation and zakat								(6,053)
Net profit for the financial period								<u>13,387</u>

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

**NOTES TO INTERIM FINANCIAL REPORT
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2019**

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

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

**NOTES TO INTERIM FINANCIAL REPORT
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2019**

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	128,417	153,702	5,106	3,729	38,367	6,588	-	335,909
- Interest income	116,441	32,098	1,703	2,867	1,139	6,156	-	160,404
- Fee income	13,802	101,570	3,578	862	34,081	163	-	154,056
- Trading and investment income	(2,911)	18,165	-	-	3,099	301	-	18,654
- Other operating income	1,085	1,869	(175)	-	48	(32)	-	2,795
Inter-segment sales	882	-	722	-	1,812	-	(3,416)	-
Total revenue	129,299	153,702	5,828	3,729	40,179	6,588	(3,416)	335,909
Result								
Net income	28,647	146,348	5,541	2,672	36,541	7,391	(2,191)	224,949
Other operating expenses	(23,723)	(130,414)	(7,078)	(2,369)	(38,414)	(5,410)	1,391	(206,017)
Credit loss (expenses)/reversal	(258)	(106)	-	6	7	261	(158)	(248)
Bad debt recovery	-	172	-	-	-	13,501	-	13,673
Share of results of associates and a joint venture company	-	-	-	-	-	(3,425)	-	(3,425)
Profit/(loss) before taxation and zakat	4,666	16,000	(1,537)	309	(1,866)	12,318	(958)	28,932
Taxation and zakat								(10,376)
Net profit for the financial period								18,556

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

**NOTES TO INTERIM FINANCIAL REPORT
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2019**

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	39,517	1,957	1,309	378	4,427	927	-	48,515
Depreciation and amortisation	2,797	48	17	294	3,598	-	-	6,754
Non cash expenses								
- Unrealised gain on financial assets at FVTPL and derivatives	5,696	-	-	-	-	-	-	5,696
Assets								
Investments in associate companies	-	-	-	-	46,970	-		46,970
Investment in a joint venture company	-	-	-	-	13,918	-		13,918
Addition to non-current assets	5,189	43	67	224	-	-	A	5,523
Segment assets	6,700,426	300,368	100,860	58,529	17,732	(201,511)	B	6,976,404
Liabilities								
Segment liabilities	5,768,581	275,220	88,813	26,566	5,823	(71,171)	C	6,093,832

Notes

A Additions to non-current assets consist of:

	2019 RM'000	2018 RM'000
Property, plant and equipment		
- Additions during the financial period	5,532	5,502
Intangible assets		
- Additions during the financial period	2,294	21
	<u>7,826</u>	<u>5,523</u>

KENANGA INVESTMENT BANK BERHAD
(15678-H)

NOTES TO INTERIM FINANCIAL REPORT
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 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	(79,619)	(81,755)
Investment in associates and joint venture	(13,801)	(7,388)
Intangible assets	(40,095)	(40,095)
Inter-segment assets	(129,380)	(72,273)
	<u>(262,895)</u>	<u>(201,511)</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	(54,591)	(46,523)
Inter-segment liabilities	(71,005)	(24,648)
	<u>(125,596)</u>	<u>(71,171)</u>

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

**NOTES TO INTERIM FINANCIAL REPORT
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2019**

A34. Operations of Islamic Banking

**(a) Unaudited Statement of Financial Position
As at 30 June 2019**

	Note	Group and Bank	
		As at 30 June 2019 RM '000	As at 31 December 2018 RM '000
ASSETS			
Cash and bank balances	(e)	706,093	420,144
Financial assets at FVTPL	(f)	241,269	119,861
Financial investment at FVOCI	(g)(i)	442,128	774,466
Financial investment at amortised cost	(g)(ii)	30,097	30,102
Financing and advances	(h)	163,987	173,911
Balances due from clients and brokers		1,043	929
Other assets		46,503	26,489
Property, plant and equipment		66	89
TOTAL ASSETS		1,631,186	1,545,991
LIABILITIES			
Deposits from customers	(i)	1,339,623	1,274,758
Balances due to clients and brokers		1,498	1,712
Other liabilities	(j)	128,406	114,945
Deferred tax liabilities		1,009	92
Provision for taxation and zakat		1,861	3,432
TOTAL LIABILITIES		1,472,397	1,394,939
ISLAMIC BANKING CAPITAL FUNDS			
Islamic banking funds		120,000	120,000
Reserves		38,789	31,052
TOTAL ISLAMIC BANKING CAPITAL FUNDS		158,789	151,052
TOTAL LIABILITIES AND ISLAMIC BANKING CAPITAL FUNDS		1,631,186	1,545,991

NOTES TO INTERIM FINANCIAL REPORT
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2019

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

(b) Unaudited Statement Of Profit Or Loss And Other Comprehensive Income
For the financial period ended 30 June 2019

	Group and Bank			
	Individual Quarter		Cumulative Quarters	
	3 months ended	3 months ended	6 months ended	6 months ended
	30 June 2019	30 June 2018	30 June 2019	30 June 2018
	RM'000	RM'000	RM'000	RM'000
Income derived from investment of depositors' funds	(k) 14,642	12,523	28,932	25,396
Income derived from investment of shareholders' funds	(l) 1,694	2,086	4,054	3,999
Credit loss reversal	(455)	(46)	(456)	121
Total attributable income	15,881	14,563	32,530	29,516
Profit distributed to depositors	(m) (11,755)	(10,923)	(23,084)	(22,158)
Net income	4,126	3,640	9,446	7,358
Finance cost	(551)	(800)	(1,066)	(1,520)
Personnel expenses	(n) (189)	(171)	(362)	(336)
Other overhead expenses	(o) (708)	(629)	(1,385)	(1,275)
Profit before taxation and zakat	2,678	2,040	6,633	4,227
Taxation and zakat	(810)	(540)	(1,861)	(1,100)
Profit for the financial period	1,868	1,500	4,772	3,127

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	14,642	12,523	28,932	25,396
Income derived from investment of shareholders' funds	1,694	2,086	4,054	3,999
Total income before impairment allowances and overhead expenses	16,336	14,609	32,986	29,395
Profit distributed to depositors	(11,755)	(10,923)	(23,084)	(22,158)
Finance cost	(551)	(800)	(1,066)	(1,520)
Income from Islamic Banking Window operations reported in the statement of profit or loss of the Group and the Bank	4,030	2,886	8,836	5,717

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

**NOTES TO INTERIM FINANCIAL REPORT
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2019**

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

**(c) Statement Of Changes In Islamic Banking Funds
For the financial period ended 30 June 2019**

Group and Bank

	Non-Distributable					Distributable	Total RM'000
	Islamic Banking Fund RM'000	Fair value Reserve RM'000	Regulatory Reserve RM'000	ESS Reserves RM'000	Capital Reserve * RM'000	Retained Profits RM'000	
At 1 January 2019	120,000	85	3,335	9	5,248	22,375	151,052
Profit for the financial period	-	-	-	-	-	4,772	4,772
Other comprehensive income for the financial period	-	2,961	-	-	-	-	2,961
Issue of shares pursuant to ESS	-	-	-	4	-	-	4
Transfer to regulatory reserve	-	-	(395)	-	-	395	-
At 30 June 2019	120,000	3,046	2,940	13	5,248	27,542	158,789
At 1 January 2018	120,000	48	1,928	-	5,248	14,290	141,514
Impact of adopting MFRS 9	-	-	-	-	-	(266)	(266)
Profit for the financial period	-	-	-	-	-	3,127	3,127
Other comprehensive loss for the financial period	-	(597)	-	-	-	-	(597)
Issue of shares pursuant to ESS	-	-	-	4	-	-	4
Transfer to regulatory reserve	-	-	1,133	-	-	(1,133)	-
At 30 June 2018	120,000	(549)	3,061	4	5,248	16,018	143,782

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

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

**NOTES TO INTERIM FINANCIAL REPORT
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2019**

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

**(d) Unaudited Condensed Statements Of Cash Flows
For the financial year ended 30 June 2019**

	Group and Bank	
	30 June 2019 RM '000	30 June 2018 RM '000
Cash flows from operating activities		
Profit before tax expense and zakat	6,633	4,227
Adjustments for:		
Depreciation of plant and equipment	24	23
Credit loss reversal	456	(121)
Net (gain)/loss from sale of financial assets at FVTPL	(677)	413
Net (gain)/loss from sale of financial investments other than those measured at FVTPL	(406)	19
(Gain)/Loss on revaluation of financial assets at FVTPL	(33)	420
Operating profit before working capital changes	5,997	4,981
Changes in operating assets:		
Financing and advances	9,526	(17,059)
Balances due from clients and brokers	(114)	(5,652)
Other assets	(20,070)	(7,917)
Changes in operating liabilities:		
Deposits from customers	64,865	244,894
Balances due to clients and brokers	(214)	(31)
Other liabilities	10,373	117,290
Cash generated from operating activities	70,363	336,506
Taxation and zakat paid	(340)	-
Net cash generated from operating activities	70,023	336,506
Cash flows from investing activities		
Purchase of property, plant and equipment	(2)	(20)
Net sale/(purchase) of securities	215,928	(580,557)
Net investing cash flow	215,926	(580,577)
Net change in cash and cash equivalents	285,949	(244,071)
Cash and cash equivalents at beginning of the financial period	420,144	532,663
Cash and cash equivalents at end of the financial period	706,093	288,592

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

**NOTES TO INTERIM FINANCIAL REPORT
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2019**

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

	Group and Bank	
	As at 30 June 2019 RM'000	As at 31 December 2018 RM'000
(e) Cash and short-term funds		
Current account with Bank Negara Malaysia and banks	13,243	1,644
Money at call and deposit placements with:		
Licensed banks	410,000	368,500
Bank Negara Malaysia	100,000	-
Domestic non-bank financial institutions	182,850	50,000
	<u>706,093</u>	<u>420,144</u>
(f) Financial assets at FVTPL		
At Fair Value		
Malaysian Government Investment Certificates	52,120	-
Government Bills	69,288	-
Unquoted Securities in Malaysia:		
Funds	100,000	100,000
Corporate Bills	19,861	19,861
	<u>241,269</u>	<u>119,861</u>
(g) Financial investments other than those measured at FVTPL		
(i) Financial investments at FVOCI		
(a) Money market instruments:		
Malaysian Government Investment Certificates	51,685	81,766
Negotiable Instruments of Deposits	249,484	549,173
	<u>301,169</u>	<u>630,939</u>
(b) Debt instruments:		
Corporate Sukuk	140,959	143,527
	<u>140,959</u>	<u>143,527</u>
Total financial investments at FVOCI	<u>442,128</u>	<u>774,466</u>
(ii) Financial investments at amortised cost:		
Debt instruments:		
Corporate Sukuk	30,097	30,102
Total financial investment at amortised cost:	<u>30,097</u>	<u>30,102</u>
Total financial investments other than those measured at FVTPL	<u>472,225</u>	<u>804,568</u>

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 Amortised Cost ("AC"):

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

Group and Bank

	2019			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
<u>Movement in ECL</u>				
As at 1 January and 30 June 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 30 June 2019 RM'000	As at 31 December 2018 RM'000

(h) Financing and advances

At Amortised Cost

Commodity Murabahah share margin financing
- Shariah contract - others
Commodity Murabahah revolving credit
- Shariah contract - others
Commodity Murabahah term financing
- Shariah contract - others

Less: Allowance for ECL
Net financing and advances

	7,811	7,793
	-	15,043
	156,574	151,075
	164,385	173,911
	(398)	-
	163,987	173,911

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

Domestic business enterprise - others
Individuals

	123,984	141,039
	40,401	32,872
	164,385	173,911

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

In Malaysia

	164,385	173,911
--	---------	---------

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

	Group and Bank	
	As at 30 June 2019 RM'000	As at 31 December 2018 RM'000
(iii) Gross financing and advances analysed by profit rate sensitivity are as follows:		
Fixed rate		
- Other fixed rate financings	7,811	7,793
Variable rate:		
- Cost plus	156,574	166,118
	<u>164,385</u>	<u>173,911</u>
(v) Gross financing and advances analysed by economic purpose are as follows:		
- Purchase of securities	41,627	107,969
- Others	102,705	65,942
	<u>164,385</u>	<u>173,911</u>
(vi) Gross financing and advances analysed by residual contractual maturity are as follows:		
- Within one year	50,959	32,864
- More than one year	113,426	141,047
	<u>164,385</u>	<u>173,911</u>
(i) Deposits from customers		
(i) By type of deposit		
Term deposits		
- Tawarruq (Commodity Murabahah deposits)	1,339,623	1,274,758
	<u>1,339,623</u>	<u>1,274,758</u>
(ii) By type of customers		
Domestic non-bank institutions	1,032,662	755,520
Government and other statutory bodies	200,000	200,000
Business enterprises	105,485	318,249
Individuals	1,476	989
	<u>1,339,623</u>	<u>1,274,758</u>
(iii) By maturity		
- Due within six months	1,058,895	1,005,258
- Due more than six months	280,728	269,500
	<u>1,339,623</u>	<u>1,274,758</u>
(j) Other liabilities		
Mudarabah Specific Investment Account	34,800	54,000
Profit payable	5,256	4,423
Other payable	88,350	56,522
	<u>128,406</u>	<u>114,945</u>

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

	Group and Bank Individual Quarter		Group and Bank Cumulative Quarters	
	3 months ended 30 June 2019 RM'000	3 months ended 30 June 2018 RM'000	6 months ended 30 June 2019 RM'000	6 months ended 30 June 2018 RM'000
(k) Income derived from investment of depositors' funds				
Finance income and hibah				
Financing and advances	1,118	1,491	2,096	2,732
Deposits placements with financial institutions	4,892	1,618	7,928	4,212
Financial assets at FVTPL	2,214	2,186	3,983	3,289
Financial investment other than those measured at FVTPL	5,341	7,442	12,136	14,994
Accretion of discount	(225)	(172)	(406)	(338)
	13,340	12,565	25,737	24,889
Other operating income				
Net gain/(loss) on sale of financial assets at FVTPL	95	(614)	711	(833)
Net gain/(loss) on sale of financial investments other than those measured at FVTPL	11	-	406	(19)
Fees on financing and advances	950	203	1,406	603
Brokerage fee	272	352	685	754
Profit income	18	1	36	1
Advisory fee	29	84	78	153
Placement fee	-	2	-	2
Direct trading fees	(85)	(75)	(150)	(159)
Other non-operating income	12	5	23	5
	1,302	(42)	3,195	507
	14,642	12,523	28,932	25,396
(l) Income derived from investment of shareholders' funds				
Finance income and hibah				
Financing and advances	1,716	1,801	3,742	3,567
Financial investment other than those measured at FVTPL	(24)	314	344	475
Accretion of discount	2	(29)	(32)	(43)
	1,694	2,086	4,054	3,999
(m) Profit distributed to depositors				
Deposits from customers and financial institutions - Murabahah Fund	10,743	9,798	21,026	20,005
Others	1,012	1,125	2,058	2,153
	11,755	10,923	23,084	22,158

NOTES TO INTERIM FINANCIAL REPORT
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2019

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

	Group and Bank Individual Quarter		Group and Bank Cumulative Quarters	
	3 months ended 30 June 2019 RM'000	3 months ended 30 June 2018 RM'000	6 months ended 30 June 2019 RM'000	6 months ended 30 June 2018 RM'000
(n) Personnel costs				
- Salaries, wages, allowances and bonus	137	129	271	259
- EPF	21	19	41	39
- Other staff related expenses	31	23	50	38
	189	171	362	336
(o) Other overhead expenses:				
Establishment costs				
- Depreciation	12	12	24	23
- Office rental	14	14	28	28
- Repairs and maintenance	-	-	1	1
- Others	2	2	3	3
	28	28	56	55
Marketing and travelling expenses				
- Advertisement and promotions	3	9	4	11
- Travelling and entertainment expenses	1	1	2	2
	4	10	6	13
Administration and general expenses				
- Fees and brokerage	84	102	150	218
- Support service charges	449	383	897	767
- Shariah committee expenses	55	49	109	99
- Others	88	57	167	123
	676	591	1,323	1,207
	708	629	1,385	1,275

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

	Group and Bank	
	As at 30 June 2019 RM'000	As at 31 December 2018 RM'000
(p) Capital adequacy		
CET 1 / Tier 1 Capital		
Islamic Banking funds	120,000	120,000
Retained profits	22,770	22,375
Other reserves	11,247	8,677
Less:		
55% of cumulative gains on financial investments at FVOCI	(1,675)	-
Regulatory reserves	(2,940)	(3,335)
Total CET 1 / Tier 1 capital	<u>149,402</u>	<u>147,717</u>
Tier 2 Capital		
Impairment provision and regulatory reserves	3,338	3,335
Total Tier 2 capital	<u>3,338</u>	<u>3,335</u>
Total capital	<u>152,740</u>	<u>151,052</u>
CET 1 capital ratio	35.571%	40.155%
Tier 1 capital ratio	35.571%	40.155%
Total capital ratio	<u>36.366%</u>	<u>41.061%</u>

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

	Group and Bank			
	As at 30 June 2019		As at 31 December 2018	
	RM'000	RM'000	RM'000	RM'000
	Notional amount	Risk- weighted amount	Notional amount	Risk- weighted amount
Credit risk	1,391,830	359,106	1,451,588	344,078
Market risk	-	36,606	-	1,119
Operational risk	-	24,296	-	22,673
Total Risk Weighted Assets	<u>1,391,830</u>	<u>420,008</u>	<u>1,451,588</u>	<u>367,870</u>

NOTES TO INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2019

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

B1. Performance Review

Group:

	Individual period		Cumulative period	
	3 months ended	3 months ended	6 months ended	6 months ended
	30 June 2019 (2Q19)	30 June 2018 (2Q18)	30 June 2019 (1H19)	30 June 2018 (1H18)
(RM'000)				
Revenue	169,052	160,796	325,692	335,909
Net income	116,483	103,407	224,715	224,949
Profit before tax	8,471	5,350	19,440	28,932
Profit after tax	5,601	3,120	13,387	18,556

On quarter basis, the Group reported PBT of RM8.5 million for current quarter ("2Q19") as compared to RM5.4 million for corresponding quarter in the previous year 2018 ("2Q18"). The higher PBT was mainly due to higher management fees income, trading and investment income. However, these was partially offset by lower interest income, brokerage fees income, investmen banking fees income and higher overhead expenses.

The Group reported profit before tax ("PBT") of RM19.4 million for period ended 30 June 2019 ("1H19"), supported by higher trading and investment income as well as higher management fee income from our asset management business. The PBT recorded corresponding period last year ("1H18") of RM28.9 million was significantly higher, due to a significant one-off debt recovery of RM12.0 million.

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

Stockbroking:

	Individual period		Cumulative period	
	3 months ended	3 months ended	6 months ended	6 months ended
	30 June 2019 (2Q19)	30 June 2018 (2Q18)	30 June 2019 (1H19)	30 June 2018 (1H18)
(RM'000)				
Revenue	66,578	67,328	128,387	153,702
Net income	63,499	63,743	122,370	146,348
Profit before tax	1,551	4,154	4,618	16,000

Lower PBT was recorded from stockbroking segment for current quarter and 1H19 mainly due to lower net brokerage income and net interest income.

KENANGA INVESTMENT BANK BERHAD
(15678-H)

NOTES TO INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2019

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

B1. Performance Review (cont'd.)

Investment Banking:

	Individual period		Cumulative period	
	3 months ended	3 months ended	6 months ended	6 months ended
	30 June 2019 (2Q19)	30 June 2018 (2Q18)	30 June 2019 (1H19)	30 June 2018 (1H18)
(RM'000)				
Revenue	69,125	65,743	136,074	129,299
Net income	19,128	14,171	37,247	28,647
Profit before tax	4,303	1,997	8,719	4,666

Investment Banking registered higher PBT for 1H19 and 2Q19 mainly due to increase in net trading and investment income and foreign exchange gain partially negated by lower investment banking fees income and higher personnel cost.

Investment and Wealth Management:

	Individual period		Cumulative period	
	3 months ended	3 months ended	6 months ended	6 months ended
	30 June 2019 (2Q19)	30 June 2018 (2Q18)	30 June 2019 (1H19)	30 June 2018 (1H18)
(RM'000)				
Revenue	27,295	22,236	49,480	40,179
Net income	27,432	18,967	49,754	36,541
Profit/(Loss) before tax	74	(359)	748	(1,866)

This segment has achieved PBT for 1H19 and current quarter compared to LBT for 1H18 mainly due to higher management fees income negated by higher overheads recorded for current period.

KENANGA INVESTMENT BANK BERHAD
(15678-H)

NOTES TO INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2019

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

B1. Performance Review (cont'd.)

Futures broking:

	Individual period		Cumulative period	
	3 months ended	3 months ended	6 months ended	6 months ended
	30 June 2019 (2Q19)	30 June 2018 (2Q18)	30 June 2019 (1H19)	30 June 2018 (1H18)
(RM'000)				
Revenue	3,348	2,933	5,949	5,828
Net income	2,863	2,823	5,551	5,541
Loss before tax	(621)	(764)	(1,397)	(1,537)

Futures business recorded marginal decrease in LBT for 1H19 and current quarter compared to corresponding period last year mainly due higher interest income generated.

Money lending and financing:

	Individual period		Cumulative period	
	3 months ended	3 months ended	6 months ended	6 months ended
	30 June 2019 (2Q19)	30 June 2018 (2Q18)	30 June 2019 (1H19)	30 June 2018 (1H18)
(RM'000)				
Revenue	2,102	2,157	3,816	3,729
Net income	1,318	1,495	2,244	2,672
Profit before tax	282	333	137	309

This segment recorded slight decrease in PBT for 2Q19 and 1H19 compared to last year corresponding period mainly due to decline in factoring business.

NOTES TO INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2019

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

B1. Performance Review (cont'd.)

Corporate and others:

	Individual period		Cumulative period	
	3 months ended	3 months ended	6 months ended	6 months ended
	30 June 2019 (2Q19)	30 June 2018 (2Q18)	30 June 2019 (1H19)	30 June 2018 (1H18)
(RM'000)				
Revenue	2,874	3,258	5,847	6,588
Net income	3,226	3,668	8,580	7,391
Profit before tax	1,528	787	4,460	12,318

Higher PBT was recorded for this segment for 2Q19 compared to 2Q18 mainly due to reversal of credit loss on other debtor in current quarter.

Weaker result was recorded for 1H19 compared to 1H18 mainly due to mainly due one-off bad debt recovered of RM12.0 million from net settlement of a court case during same period last year.

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

Current quarter versus previous quarter

Group:

	Current quarter	Previous quarter
	3 months ended 30 June 2019 (2Q19)	3 months ended 31 March 2019 (1Q19)
(RM'000)		
Revenue	169,052	156,640
Net income	116,483	108,232
Profit before tax	8,471	10,969
Profit after tax	5,601	7,786

For 2Q19, the Group's has recorded higher revenue compared to previous quarter ended 31 March 2019 mainly due to higher trading and investment income.

Higher PBT recorded for 1Q19 was mainly due to higher reversal of credit loss expense and share of profit of associate in previous quarter.

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

**NOTES TO INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2019**

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

B3. Prospects for 2019

Malaysia's Gross Domestic Product (GDP) is expected to weaken further amidst sluggish external demand and slowing domestic investment. Latest export data showed that a deepening tech downcycle, and the impact of the US-China trade war as well as the slowdown in China and Europe continue to weigh down on growth prospects for 2019. Domestically, economic activities are losing momentum over a lack of policy clarity evidenced by lethargic private sector investment and consumer spending. Along with efforts to consolidate the fiscal budget, we forecast GDP growth to remain subdued in 2019 at 4.5% after growing by 4.7% in 2018. The full impact of the trade war may serve as a further drag on global trade flows well into 2020.

Overall for this year, we foresee that the targeted fuel subsidy mechanism and floating of domestic fuel prices, coupled with low base effect arising from the changes in consumption tax to technically lift up inflation in 2H19. However, any upside to inflation would be limited mostly due to elevated risks emanating from the slowdown in global growth and US-China trade tensions; as well as sluggish domestic activities. Against this backdrop, the CPI growth is projected to moderate to 0.7% from 1.0% in 2018. A further deterioration in the global economic environment, sluggish domestic demand, along with a clear signal from the Federal Reserve to embark on more than one rate cut this year may provide BNM with a more compelling reason to consider another 25 bps cut on the OPR later this year.

While the Group is of the view that the current financial year will be challenging, we are cautiously optimistic that the financial performance for 2019 will still outperform last year's results.

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.

NOTES TO INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2019

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

B5. Taxation and zakat

	<u>Individual Quarter</u>		<u>Cumulative Quarters</u>	
	<u>3 months ended 30 June 2019</u>	<u>3 months ended 30 June 2018</u>	<u>6 months ended 30 June 2019</u>	<u>6 months ended 30 June 2018</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Income tax and zakat	(96)	(3,133)	(4,578)	(6,845)
Deferred taxation	(2,774)	903	(1,475)	(3,531)
Total	(2,870)	(2,230)	(6,053)	(10,376)

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

B6. Borrowings

	<u>Group</u>		<u>Bank</u>	
	<u>As at 30 June 2019</u>	<u>As at 31 December 2018</u>	<u>As at 30 June 2019</u>	<u>As at 31 December 2018</u>
	<u>RM '000</u>	<u>RM '000</u>	<u>RM '000</u>	<u>RM '000</u>
Secured				
Revolving bank loan denominated in RM				
- More than one year	47,200	52,800	47,200	52,800
Unsecured				
Revolving bank loans denominated in RM				
- Within one year	33,500	41,500	-	-
Subordinated notes denominated in RM				
- More than one year	25,000	25,000	25,000	25,000
	<u>105,700</u>	<u>119,300</u>	<u>72,200</u>	<u>77,800</u>

B7. Dividend

No dividend has been proposed for the current financial quarter.

NOTES TO INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2019

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

B8. Earnings per share

	<u>Individual Quarter</u>		<u>Cumulative Quarters</u>	
	3 months ended 30 June 2019	3 months ended 30 June 2018	6 months ended 30 June 2019	6 months ended 30 June 2018
	RM'000	RM'000	RM'000	RM'000
Profit for the period attributable to equity holders of the Bank	5,601	3,120	13,387	18,556
Weighted average number of ordinary shares in issue ('000)	698,687	717,410	698,717	722,002
Effects of dilution	2,334	7,131	2,334	8,391
Adjusted weighted average number of ordinary shares in issue ('000)	701,021	724,541	701,051	730,393
Earnings per share (sen)				
- basic	0.80	0.43	1.92	2.57
- fully diluted	0.80	0.43	1.91	2.54

There were no potential dilutive ordinary shares outstanding as at 30 June 2019 and 30 June 2018.

B9. Changes in Material Litigation

The status of material litigations are as follows:

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

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

KIBB filed its Statement of Defence on 7 June 2019. The matter is fixed for hearing on 11-13 December 2019.

NOTES TO INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2019

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

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

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

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

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

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

Meanwhile, on 4 January 2019 the share chargors have filed an application for stay of execution against KIBB's Court of Appeal Judgment obtained on 22 December 2017 pending the Federal Court hearing. The Court of Appeal dismissed the appeal on 26 June 2019.

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

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

The share chargors have filed an application to the Court of Appeal on 11 January 2019 appealing against the decision granted by the Judge in Chambers. The Court of Appeal dismissed the appeal on 26 June 2019. The share chargors are now filing an appeal for stay to the Federal Court and the hearing is fixed on 23 July 2019. Creditor's Petition had been filed and the hearing was carried out on 11 June 2019. The decision date has not been fixed.

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

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

**NOTES TO INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2019**

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

B10. Status of corporate proposal

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

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

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

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

BNM had approved KIB's and KIB's application for the proposed acquisition on 24 May 2019 and 29 May 2019 respectively subject to KIB obtaining the necessary approval from the Securities Commission Malaysia.

Securities Commission Malaysia had on 31 May 2019 approved KIB's application for the proposed acquisition subject to the following conditions:

- (a) KIB is to fulfil the representations made and ensure that the acquisition is managed effectively and does not adversely affect the clients of the licensed entities;
- (b) KIB is to ensure that:
 - (i) the merger and integration of the operations are managed effectively with no disruption to the functioning of the licensed entities;
 - (ii) the soundness of the licensed entities is not adversely affected; and
 - (iii) any potential risks are addressed and managed on an on-going basis.

Following the approval from the shareholders of vendor on 27 June 2019 for the disposal of the entire issued share capital of Libra Invest held by the vendor to KIB, all conditions precedent pursuant to the conditional SPA dated 28 March 2019 entered into between the vendor and KIB in relation to the proposed acquisition have been fulfilled and hence, the SPA has become unconditional.

On 8 July 2019, KIB had completed the proposed acquisition in accordance with the conditional share purchase agreement dated 28 March 2019 entered into between ECM Libra Financial Group Berhad and KIB.

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

**NOTES TO INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2019**

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

B11. Derivative financial instruments

Derivative financial instruments are as follows:

Group and Bank

Items	As at 30 June 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	64,738	56,393	100,319	69,585
Equity related contract- swaps	42,016	4,882	14,771	2,292
Dual currency investment- options	11,676	123	13,636	115
	118,430	61,398	128,726	71,992
<u>Derivative financial liabilities</u>				
Equity related contract- options	52,282	12,687	122,122	12,559
Equity related contract- swaps	5,531	917	5,900	23
Dual currency investment- options	11,676	123	13,636	111
	69,489	13,727	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

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.

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

**NOTES TO INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2019**

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

B11. Derivative financial instruments (Cont'd.)

Types of derivative financial instruments (Cont'd.)

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

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

Purposes of engaging in derivative financial instruments

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

Loss arising from fair value change of derivative financial instruments

The unrealised loss arising from fair value changes of derivative financial instruments for the current quarter amounted to RM1,425,107 (1Q19 loss: RM6,563,527). 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.