

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

Unaudited Condensed Interim Financial Statements
31 December 2018

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

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

<u>Group</u>	Note	As at 31 December 2018 RM'000	As at 31 December 2017 RM'000
ASSETS			
Cash and bank balances	A12	1,351,260	1,347,517
Financial assets at fair value through profit or loss ("FVTPL")	A13	189,224	557,568
Financial investments at fair value through other comprehensive income ("FVOCI")	A14 (i)	1,661,676	-
Financial investments at amortised cost	A14 (ii)	121,256	-
Financial investments available-for-sale	A15 (i)	-	1,010,167
Financial investments held-to-maturity	A15 (ii)	-	38,001
Derivative financial assets	B10	71,992	67,393
Loans, advances and financing	A16	2,004,915	2,195,501
Balances due from clients and brokers	A17	296,323	494,883
Other assets	A18	175,873	118,417
Statutory deposit with Bank Negara Malaysia	A19	116,619	116,186
Tax recoverable		25,428	23,167
Investment in associates		58,809	60,438
Investment in a joint venture company		14,077	13,220
Property, plant and equipment		186,322	189,842
Intangible assets		266,222	266,414
Deferred tax assets		6,532	10,006
TOTAL ASSETS		6,546,528	6,508,720
LIABILITIES			
Deposits from customers	A20	4,562,104	4,233,914
Deposits and placements of banks and other financial institutions	A21	95,016	210,762
Balances due to clients and brokers		481,932	624,612
Derivative financial liabilities	B10	12,693	36,174
Other liabilities	A22	308,722	329,150
Obligations on securities sold under repurchase agreements		83,067	74,993
Borrowings	A23	119,300	90,000
Provision for taxation and zakat		12,688	17,649
TOTAL LIABILITIES		5,675,522	5,617,254
EQUITY			
Share capital		246,249	246,137
Treasury shares		(16,808)	-
Reserves		641,565	645,329
TOTAL EQUITY		871,006	891,466
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		6,546,528	6,508,720
Commitments and contingencies	A31	3,120,704	3,293,234
Net assets per share attributable to equity holders of the Bank (RM)		1.21	1.23

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

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

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

<u>Bank</u>	Note	As at 31 December 2018 RM'000	As at 31 December 2017 RM'000
ASSETS			
Cash and bank balances	A12	1,116,117	1,092,544
Financial assets at FVTPL	A13	188,576	549,735
Financial investments at FVOCI	A14 (i)	1,661,676	-
Financial investments at amortised cost	A14 (ii)	121,256	-
Financial investments available-for-sale	A15 (i)	-	1,010,167
Financial investments held-to-maturity	A15 (ii)	-	38,001
Derivative financial assets	B10	71,992	67,393
Loans, advances and financing	A16	1,975,765	2,180,080
Balances due from clients and brokers	A17	296,323	494,883
Other assets	A18	85,413	66,582
Statutory deposit with Bank Negara Malaysia	A19	116,619	116,186
Tax recoverable		18,114	16,139
Investment in subsidiaries		70,428	72,564
Investment in an associate		56,235	56,235
Investment in a joint venture company		30,000	20,000
Property, plant and equipment		183,131	186,978
Intangible assets		305,409	305,409
Deferred tax assets		3,666	7,798
TOTAL ASSETS		6,300,720	6,280,694
LIABILITIES			
Deposits from customers	A20	4,613,788	4,278,148
Deposits and placements of banks and other financial institutions	A21	95,016	210,762
Balances due to clients and brokers		221,083	416,960
Derivative financial liabilities	B10	12,693	36,174
Other liabilities	A22	258,080	243,234
Obligations on securities sold under repurchase agreements		83,067	74,993
Borrowings	A23	77,800	69,000
Provision for taxation and zakat		11,963	17,260
TOTAL LIABILITIES		5,373,490	5,346,531
EQUITY			
Share capital		246,249	246,137
Treasury shares		(16,808)	-
Reserves		697,789	688,026
TOTAL EQUITY		927,230	934,163
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		6,300,720	6,280,694
Commitments and contingencies	A31	3,245,541	3,411,302
Net assets per share (RM)		1.28	1.29

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

KENANGA INVESTMENT BANK BERHAD
(15678-H)

CONDENSED INTERIM FINANCIAL STATEMENTS

**UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018**

	Note	Individual Quarter		Cumulative Quarters	
		3 months ended 31 December 2018 RM'000	3 months ended 31 December 2017 RM'000 (Restated)	12 months ended 31 December 2018 RM'000	12 months ended 31 December 2017 RM'000 (Restated)
Group					
Interest income	A24	63,853	63,611	266,237	245,945
Interest expense	A25	(40,867)	(41,449)	(177,851)	(159,116)
Net interest income		22,986	22,162	88,386	86,829
Net income from Islamic banking business	A35	5,267	3,666	15,760	11,082
Other operating income	A26	89,645	103,363	347,900	368,147
Net income		117,898	129,191	452,046	466,058
Other operating expenses	A27	(96,611)	(105,959)	(400,684)	(411,190)
Operating profit		21,287	23,232	51,362	54,868
Credit loss expenses	A28	(30,217)	(211)	(29,823)	(1,600)
Bad debts recovered	A29	134	483	13,860	707
		(8,796)	23,504	35,399	53,975
Share of results of associates and joint venture		(622)	(6,726)	(6,548)	(13,356)
(Loss)/Profit before taxation and zakat		(9,418)	16,778	28,851	40,619
Taxation and zakat	B5	(3,019)	(4,263)	(16,940)	(16,453)
(Loss)/Profit for the period/year		(12,437)	12,515	11,911	24,166
Other comprehensive income					
Items that will not be reclassified subsequently to profit or loss:					
Share of other comprehensive (loss)/profit in associates		(1,973)	4,412	(4,506)	1,872
Items that will be reclassified subsequently to profit or loss:					
Foreign exchange differences on consolidation		219	(2,745)	1,385	(6,990)
Net gain/(loss) on fair value changes of debt instrument at FVOCI		4,494	-	7,948	-
Net gain on fair value changes of financial investments available-for-sale		-	(3,808)	-	3,333
Income tax relating to the components of other comprehensive income		(1,078)	914	(1,907)	(800)
Other comprehensive income/(loss) for the period/year, net of tax		1,662	(1,227)	2,920	(2,585)
Total comprehensive (loss)/income for the period/year, net of tax		(10,775)	11,288	14,831	21,581

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

CONDENSED INTERIM FINANCIAL STATEMENTS

**UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018**

	<u>Individual Quarter</u>		<u>Cumulative Quarters</u>	
	3 months ended 31 December 2018 RM'000	3 months ended 31 December 2017 RM'000	12 months ended 31 December 2018 RM'000	12 months ended 31 December 2017 RM'000
(Loss)/Profit for the period/year attributable to:				
Equity holders of the Bank	(12,437)	12,515	11,911	24,188
Non-controlling interests	-	-	-	(22)
	<u>(12,437)</u>	<u>12,515</u>	<u>11,911</u>	<u>24,166</u>
Total comprehensive (loss)/income attributable to:				
Equity holders of the Bank	(10,775)	11,288	14,831	21,603
Non-controlling interests	-	-	-	(22)
	<u>(10,775)</u>	<u>11,288</u>	<u>14,831</u>	<u>21,581</u>
(Loss)/Earnings per share				
Basic (sen)	B9 (1.75)	1.73	1.67	3.35
Fully diluted (sen)	B9 (1.75)	1.73	1.67	3.35

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

KENANGA INVESTMENT BANK BERHAD
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CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Note	Individual Quarter		Cumulative Quarters	
		3 months ended 31 December 2018 RM'000	3 months ended 31 December 2017 RM'000 (Restated)	12 months ended 31 December 2018 RM'000	12 months ended 31 December 2017 RM'000 (Restated)
Bank					
Interest income	A24	61,342	62,136	257,307	238,240
Interest expense	A25	(40,340)	(41,708)	(176,603)	(160,313)
Net interest income		21,002	20,428	80,704	77,927
Net income from Islamic banking business	A35	5,267	3,666	15,760	11,082
Other operating income	A26	77,564	86,865	279,301	303,313
Net income		103,833	110,959	375,765	392,322
Other operating expenses	A27	(79,263)	(85,037)	(319,078)	(330,904)
Operating profit		24,570	25,922	56,687	61,418
Credit loss reversal	A28	(30,356)	(294)	(29,848)	(17)
Bad debts recovered	A29	134	483	13,860	707
Allowance for impairment on investment in subsidiaries		(2,136)	(500)	(2,136)	(500)
(Loss)/Profit before taxation and zakat		(7,788)	25,611	38,563	61,608
Taxation and zakat		(1,375)	(4,305)	(15,216)	(16,227)
(Loss)/Profit for the period/year		(9,163)	21,306	23,347	45,381
Other comprehensive income					
Items that will be reclassified subsequently to profit or loss:					
Net gain on fair value changes of debt instruments at FVOCI		4,494	1,322	7,948	3,333
Income tax relating to the components of other comprehensive income		(1,078)	(589)	(1,907)	(800)
Other comprehensive income for the period/year, net of tax		3,416	733	6,041	2,533
Total comprehensive (loss)/income for the period/year, net of tax		(5,747)	22,039	29,388	47,914

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

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

**UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018**

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	-	(6,629)	25,277	17,398	88,938	-	520,345	891,466
Impact of adopting MFRS 9 (Note A4)	-	-	974	-	-	-	-	(1,292)	(318)
Impact of adopting new accounting standard on associate's financial assets	-	-	-	-	-	-	-	771	771
Restated opening balance under MFRS 9	246,137	-	(5,655)	25,277	17,398	88,938	-	519,824	891,919
Net profit for the financial year	-	-	-	-	-	-	-	11,911	11,911
Share of other comprehensive (loss)/profit of associates	-	-	(4,506)	-	-	-	-	-	(4,506)
Other comprehensive income	-	-	6,041	-	1,385	-	-	-	7,426
Total comprehensive income	-	-	1,535	-	1,385	-	-	11,911	14,831
Share based payment under Employees' Share Options Scheme ("ESS")	-	2,605	-	-	-	-	-	-	2,605
Issue of shares pursuant to exercise of ESS	112	-	-	-	-	-	-	-	112
Buy-back of shares	-	-	-	-	-	-	(16,808)	-	(16,808)
Transfer to regulatory reserve	-	-	-	211	-	-	-	(211)	-
Transfer to retained profits	-	(17)	-	-	-	-	-	17	-
Dividend paid	-	-	-	-	-	-	-	(21,653)	(21,653)
At 31 December 2018	246,249	2,588	(4,120)	25,488	18,783	88,938	(16,808)	509,888	871,006

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

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

KENANGA INVESTMENT BANK BERHAD
(15678-H)

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

Group	Non- Distributable						Distributable		Non-Controlling Interests	Total Equity
	Ordinary Shares	Share Premium	Statutory Reserve	Available-For-Sale Deficit	Regulatory Reserve	Exchange Reserve	Capital Reserve	Retained Profits		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2017	180,637	65,500	465,741	(11,034)	23,929	24,388	88,938	47,857	10,236	896,192
Net profit/(loss) for the financial year	-	-	-	-	-	-	-	24,188	(22)	24,166
Share of other comprehensive income of associates	-	-	-	1,872	-	-	-	-	-	1,872
Other comprehensive income/(loss)	-	-	-	2,533	-	(6,990)	-	-	-	(4,457)
Total comprehensive income/(loss)	-	-	-	4,405	-	(6,990)	-	24,188	(22)	21,581
Transfer pursuant to Companies Act 2016	65,500	(65,500)	-	-	-	-	-	-	-	-
Transfer to regulatory reserve	-	-	-	-	1,348	-	-	(1,348)	-	-
Transfer from statutory reserve*	-	-	(465,741)	-	-	-	-	465,741	-	-
Acquisition of interest from non-controlling interest	-	-	-	-	-	-	-	164	(10,214)	(10,050)
Dividend paid	-	-	-	-	-	-	-	(16,257)	-	(16,257)
At 31 December 2017	246,137	-	-	(6,629)	25,277	17,398	88,938	520,345	-	891,466

* The Bank has transferred the existing reserve funds to distributable retained profits as the reserve fund requirement has been removed by Bank Negara Malaysia effective from 3 May 2017.

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

KENANGA INVESTMENT BANK BERHAD
(15678-H)

UNAUDITED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

Bank	Non- Distributable					Distributable		Total Equity RM'000
	Ordinary Shares RM'000	Regulatory Reserve RM'000	ESS Reserve RM'000	* Fair value (Deficit)/Reserve RM'000	Capital Reserve RM'000	Treasury Shares RM'000	Retained Profits RM'000	
At 1 January 2018	246,137	25,277	-	(4,840)	153,863	-	513,726	934,163
Impact of adopting MFRS 9 (Note A4)	-	-	-	974	-	-	(1,551)	(577)
Restated opening balance under MFRS 9	246,137	25,277	-	(3,866)	153,863	-	512,175	933,586
Net profit for the financial year	-	-	-	-	-	-	23,347	23,347
Other comprehensive income	-	-	-	6,041	-	-	-	6,041
Total comprehensive income	-	-	-	6,041	-	-	23,347	29,388
Share based payment under Employees' Share Options Scheme ("ESS")	-	-	2,605	-	-	-	-	2,605
Issue of shares pursuant to exercise of ESS	112	-	-	-	-	-	-	112
Buy-back of shares	-	-	-	-	-	(16,808)	-	(16,808)
Transfer to regulatory reserve	-	211	-	-	-	-	(211)	-
Transfer to retained profits	-	-	(17)	-	-	-	17	-
Dividend paid	-	-	-	-	-	-	(21,653)	(21,653)
At 31 December 2018	246,249	25,488	2,588	2,175	153,863	(16,808)	513,675	927,230

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

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

KENANGA INVESTMENT BANK BERHAD
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UNAUDITED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	<u>Non- Distributable</u>					<u>Distributable</u>		Total Equity RM'000
	Ordinary Shares RM'000	Share Premium RM'000	Regulatory Reserve RM'000	Statutory Reserve RM'000	Available-For-Sale Sale Deficit RM'000	Capital Reserve RM'000	Retained Profits RM'000	
Bank								
At 1 January 2017	180,637	65,500	23,929	465,741	(7,373)	153,863	20,209	902,506
Net profit for the financial year	-	-	-	-	-	-	45,381	45,381
Other comprehensive income	-	-	-	-	2,533	-	-	2,533
Total comprehensive income	-	-	-	-	2,533	-	45,381	47,914
Transfer pursuant to Companies Act 2016	65,500	(65,500)	-	-	-	-	-	-
Transfer to regulatory reserve	-	-	1,348	-	-	-	(1,348)	-
Transfer from statutory reserve*	-	-	-	(465,741)	-	-	465,741	-
Dividend paid	-	-	-	-	-	-	(16,257)	(16,257)
At 31 December 2017	246,137	-	25,277	-	(4,840)	153,863	513,726	934,163

* The Bank has transferred the existing reserve funds to distributable retained profits as the reserve fund requirement has been removed by Bank Negara Malaysia effective from 3 May 2017.

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

KENANGA INVESTMENT BANK BERHAD
(15678-H)

UNAUDITED CONDENSED STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Group		Bank	
	31 December 2018 RM'000	31 December 2017 RM'000	31 December 2018 RM'000	31 December 2017 RM'000
Cash flows from operating activities				
Profit before taxation	28,851	40,619	38,563	61,608
Adjustments for:				
Depreciation of property, plant and equipment	13,843	13,154	13,342	12,679
Amortisation of intangible assets	213	666	-	-
ESS expenses	2,319	-	2,319	-
Credit loss expense	29,823	1,600	29,848	17
Impairment allowance on investment in subsidiaries	-	-	2,136	500
Property, plant and equipment written off	6	364	6	329
Bad debts written off - other debtors	55	-	55	-
Write off of other assets	32	-	32	-
Non-cash items	46,291	15,784	47,738	13,525
Net gain from sale of financial assets at FVTPL and derivatives	(35,300)	(57,370)	(35,300)	(57,370)
Net gain from sale of financial investments available-for-sale	-	(2,868)	-	(2,868)
Net gain from sale of financial investments other than those measured at FVOCI	(2,816)	-	(2,816)	-
Gross dividend income from investments	(1,302)	(1,897)	(1,098)	(7,121)
(Gain)/Loss on revaluation of financial assets at FVTPL and derivatives	(14,950)	-	(15,640)	-
(Gain)/Loss on revaluation of financial investments available-for-sale and derivatives	-	7,632	-	7,632
(Gain)/Loss on disposal of property, plant and equipment	(93)	21	(93)	21
Share of results of associates and joint venture	6,548	13,356	-	-
Non-operating items - investing	(47,913)	(41,126)	(54,947)	(59,706)
Adjustments for non-operating and non-cash items	(1,622)	(25,342)	(7,209)	(46,181)
Operating profit before working capital changes	27,229	15,277	31,354	15,427
Changes in working capital:				
Net changes in operating assets	250,320	(63,597)	350,693	(174,902)
Net changes in operating liabilities	57,774	519,105	47,384	627,235
Cash generated from operations	335,323	470,785	429,431	467,760
Taxation and zakat paid	(20,733)	(16,002)	(20,275)	(15,272)
Net operating cash flow	314,590	454,783	409,156	452,488
Cash flows from investing activities				
Acquisition of additional shares in an existing subsidiary	-	(10,050)	-	(10,050)
Dividends received from subsidiaries	-	-	-	4,536
Net acquisition of additional shares in an existing subsidiary	-	(10,050)	-	(5,514)
Dividends received from other investments	1,302	1,897	1,098	7,121
Purchase of property, plant and equipment and intangible assets	(10,351)	(17,652)	(9,500)	(15,101)
Proceeds from disposal of property, plant and equipment and intangible assets	93	131	93	89
Capital injection in a joint venture	(10,000)	(12,500)	(10,000)	(12,500)
Net purchase of securities	(333,290)	(223,259)	(339,785)	(223,480)
Net investing cash flow	(352,246)	(261,433)	(358,094)	(249,385)
Cash flows from financing activities				
Dividend paid	(21,653)	(16,257)	(21,653)	(16,257)
Issuance of shares	112	-	112	-
Net drawdown/(repayment) of borrowings	29,300	(75,700)	8,800	(46,200)
Buy-back of shares	(16,808)	-	(16,808)	-
Net financing cash flow	(9,049)	(91,957)	(29,549)	(62,457)

**KENANGA INVESTMENT BANK BERHAD
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**UNAUDITED CONDENSED STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018**

	Group		Bank	
	31 December 2018 RM'000	31 December 2017 RM'000	31 December 2018 RM'000	31 December 2017 RM'000
Net change in cash and cash equivalents during the financial year	(46,705)	101,393	21,513	140,646
Effect of exchange rate differences	1	-	-	-
Cash and cash equivalents brought forward	<u>1,143,077</u>	<u>1,041,684</u>	<u>1,032,060</u>	<u>891,414</u>
Cash and cash equivalents carried forward	<u>1,096,373</u>	<u>1,143,077</u>	<u>1,053,573</u>	<u>1,032,060</u>

Cash and Cash Equivalents

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

	Group		Bank	
	As at 31 December 2018 RM'000	As at 31 December 2017 RM'000	As at 31 December 2018 RM'000	As at 31 December 2017 RM'000
Cash and short-term funds	1,260,864	1,106,958	1,116,117	892,544
Deposits and placements with banks and other financial institutions	90,396	240,559	-	200,000
Less: Segregated funds from customers	(192,343)	(143,956)	-	-
Less: Cash and bank balances and deposits held in trust	<u>(62,544)</u>	<u>(60,484)</u>	<u>(62,544)</u>	<u>(60,484)</u>
	<u>1,096,373</u>	<u>1,143,077</u>	<u>1,053,573</u>	<u>1,032,060</u>

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

**NOTES TO INTERIM FINANCIAL REPORT
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018**

A1. Basis Of Preparation

The interim financial statements, for the financial year ended 31 December 2018, have been prepared in accordance with Malaysian Financial Reporting Standard ("MFRS") 134 Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad.

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

The significant accounting policies adopted in preparing these interim financial statements are consistent with those of the audited financial statements for the financial year ended 31 December 2017, except for the adoption of new standards, MFRS 15 Revenue from Contracts with Customers and MFRS 9 Financial Instruments which are effective as of 1 January 2018. The Group has not early adopted any other standard, interpretation or amendment that has been issued but not effective yet.

There was no material financial impact from the adoption of MFRS 15 as the existing policies applied by the Group and the Bank in respect of the recognition of revenue are already in compliance with the principles of MFRS 15.

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

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

A2. Condensed financial statements

The interim financial statements have been prepared on a condensed basis and as such should be read in conjunction with the audited financial statements for the financial year ended 31 December 2017. The explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to the understanding of the changes in the financial position and performance of the Group since the financial year ended 31 December 2017.

A3. Preceding financial year audit report

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

**NOTES TO INTERIM FINANCIAL REPORT
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A4. The nature and impact of MFRS 9 Financial Instruments

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

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

(i) Changes to classification and measurement

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

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

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

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

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

¹ FVTPL: Fair Value Through Profit Or Loss

² AFS: Available-for-Sale

³ FVOCI: Fair Value Through Other Comprehensive Income

⁴ HTM: Held-to-Maturity

**NOTES TO INTERIM FINANCIAL REPORT
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A4. The nature and impact of MFRS 9 Financial Instruments (cont'd.)

(ii) Changes to the impairment calculation

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

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

The general mechanics of the ECL method are summarised below:

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

Measurement of ECL:

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

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

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**NOTES TO INTERIM FINANCIAL REPORT
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A4. The nature and impact of MFRS 9 Financial Instruments (cont'd.)

(iv) Transition disclosures

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

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

Group	Note	MFRS 139		Re- classification	Remeasurement		MFRS 9	
		Category	Amount		ECL	Other	Amount	Category
			RM'000	RM'000	RM'000	RM'000	RM'000	
Financial assets								
Cash and Bank balances		L&R ¹	1,347,517	-	-	-	1,347,517	AC2
Financial assets at FVTPL		FVTPL	557,568	-	-	-	557,568	FVTPL
Debt instruments at FVOCI	A		N/A	1,009,677	(17)	17	1,009,677	FVOCI
Equity instruments at FVOCI	B		N/A	490	-	1,264	1,754	FVOCI
Debt instruments at amortised cost	C		N/A	38,001	(1,016)	-	36,985	AC
Financial investments available-for-sale	A&B	AFS	1,010,167	(1,010,167)	-	-	-	
Financial investments held-to-maturity	C	HTM	38,001	(38,001)	-	-	-	
Derivative financial assets		FVTPL	67,393	-	-	-	67,393	FVTPL
Loans, advances and financing		L&R	2,195,501	-	(667)	-	2,194,834	AC
Balances due from clients and brokers		L&R	494,883	-	-	-	494,883	AC
Other assets		L&R	118,417	-	-	-	118,417	AC
Statutory deposit with Bank Negara Malaysia		L&R	116,186	-	-	-	116,186	AC
			5,945,633	-	(1,700)	1,281	5,945,214	
Non-financial assets								
Deferred tax assets			10,006	-	408	(307)	10,107	
Total assets			5,955,639	-	(1,292)	974	5,955,321	

¹L&R: Loans and receivables

²AC: Amortised cost

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

(iv) Transition disclosures (Cont'd)

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

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

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

(iv) Transition disclosures (Cont'd)

Note:

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

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

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

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

(iv) Transition disclosures (cont'd.)

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

Group	Impairment allowance under MFRS 139/ MFRS 137 as at 31 December 2017	Re- measurement	ECLs under MFRS 9 as at 1 January 2018
	RM'000	RM'000	RM'000
Impairment allowance for:			
Financial investments available- for-sale per MFRS 139/ financial investments at FVOCI under MFRS 9	-	17	17
Financial investments held- to-maturity per MFRS 139/ financial investments at amortised cost under MFRS 9	-	1,016	1,016
Loans, advances and financing	2,933	654	3,587
	<u>2,933</u>	<u>1,687</u>	<u>4,620</u>
Undrawn loan commitment	-	13	13
	<u>2,933</u>	<u>1,700</u>	<u>4,633</u>
 Bank			
Impairment allowance for:			
Financial investments available- for-sale per MFRS 139/ financial investments at FVOCI under MFRS 9	-	17	17
Financial investments held- to-maturity per MFRS 139/ financial investments at amortised cost under MFRS 9	-	1,016	1,016
Loans, advances and financing	2,308	853	3,161
	<u>2,308</u>	<u>1,886</u>	<u>4,194</u>
Undrawn loan commitment	-	154	154
	<u>2,308</u>	<u>2,040</u>	<u>4,348</u>

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A5. Seasonal or Cyclical Factors

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

A6. Nature and amounts in relation to assets, liabilities, equity, net income or cash flows that are unusual because of their nature, size or incidence

There were no exceptional items which have affected the assets, liabilities, equity, net income or cash flows other than the bad debt recovered of RM13,500,000 from a final settlement with certain respondents of a legal case where judgement was granted by the Court of Appeal in favour of the Bank.

Further details of the legal case is described in note B9.

A7. Changes in the nature and amount of estimated figures reported in prior interim periods and or financial years

There were no changes made to the estimated figures reported in prior interim period and or financial years.

A8. Issuance, cancellation, repurchase, resale or repayment of debt and equity securities

There were no issuance, cancellation, repurchase, resale or repayment of debt and equity securities during the financial year ended 31 December 2018, other than the following:

- (i) On 29 January 2018, the Bank issued the second tranche of RM10 million Subordinated Notes under the RM250 million in nominal value Tier 2 Subordinated Note Programme which was established on 27 March 2017.

On 18 September 2018, the Bank issued the third tranche of RM10 million Subordinated Notes under the above-mentioned Programme.

As at 31 December 2018, the Bank has outstanding RM25 million Subordinated Notes under the above-mentioned Programme.

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**A8. Issuance, cancellation, repurchase, resale or repayment of debt and equity securities
(cont'd.)**

- (ii) On 23 May 2018, the shareholders of the Bank renewed their approval for the Bank to buy-back its own shares. The Bank initiated its share buy-back programme on 15 May 2015. During the course of this programme, total shares amounting to a maximum of 10% of the issued and paid-up share capital of the Company can be repurchased and held as Treasury Shares in accordance with Section 127 (16) of the Companies Act, 2016.

During the financial year, the Company repurchased 23,743,900 ordinary shares of its issued share capital from the open market at an average cost of RM0.7046 per share. The total consideration paid for the share buy-back, including transaction costs was RM16.81 million, and was financed by internally generated fund.

As at 31 December 2018, the number of treasury shares held was 23,743,900 shares.

- (iii) The share capital of the Bank increased from RM246,136,750 as at 31 December 2017 to RM246,248,530 as at 31 December 2018 via issuance of 194,400 new ordinary shares amounting to RM111,780 to eligible employees who exercised their options under the current Employees' Share Options Scheme ("ESS").

A9. Dividends paid per share

A final dividend of 3.0 sen per share in respect of the financial year ended 31 December 2017, which amounted to RM21,652,848 was paid on 31 May 2018.

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

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

A11. Changes in composition of the Group

There were no changes in the composition of the Group during the current quarter and financial year ended 31 December 2018.

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	Group		Bank	
	As at 31 December 2018 RM'000	As at 31 December 2017 RM'000	As at 31 December 2018 RM'000	As at 31 December 2017 RM'000
A12. Cash and bank balances				
Cash and balances with banks and other financial institutions	257,762	279,972	144,307	126,640
Money at call and deposit placements	1,093,498	1,067,545	971,810	965,904
	<u>1,351,260</u>	<u>1,347,517</u>	<u>1,116,117</u>	<u>1,092,544</u>
Included in cash and bank balances are:				
Cash and cash equivalents	1,096,373	1,143,077	1,053,573	1,032,060
Monies held in trust on behalf of dealer's representatives and segregated funds for customers	254,887	204,440	62,544	60,484
	<u>1,351,260</u>	<u>1,347,517</u>	<u>1,116,117</u>	<u>1,092,544</u>
A13. Financial Assets At FVTPL				
At fair value				
Money Market Instruments:				
Malaysian Government Securities	-	20,254	-	20,254
Malaysian Government Investment Certificates	-	50,171	-	50,171
	<u>-</u>	<u>70,425</u>	<u>-</u>	<u>70,425</u>
Quoted Securities:				
Shares in Malaysia	37,491	216,060	37,491	216,060
Shares outside Malaysia	147	3,368	147	3,368
	<u>37,638</u>	<u>219,428</u>	<u>37,638</u>	<u>219,428</u>
Unquoted Securities:				
Shares and funds in Malaysia	131,725	18,041	131,077	10,208
Unquoted Debt Securities in Malaysia:				
Corporate Bills	-	89,733	-	89,733
Islamic Corporate Bills	19,861	159,941	19,861	159,941
	<u>19,861</u>	<u>249,674</u>	<u>19,861</u>	<u>249,674</u>
Total Financial Assets At FVTPL	<u>189,224</u>	<u>557,568</u>	<u>188,576</u>	<u>549,735</u>

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

A14. Financial investments other than those measured at FVTPL

(i) Financial investments at FVOCI

Money market instruments:

Malaysian Government Securities	40,182	-
Malaysian Government Investment Certificates	195,055	-
Negotiable Instruments of Deposits	50,000	-
Islamic Negotiable Instruments of Deposits	629,165	-
	914,402	-

Equity instruments in Malaysia:

Unquoted Shares	1,754	-
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Debt instruments in Malaysia:

Islamic Corporate Sukuk	584,853	-
Corporate Bonds	160,667	-
	745,520	-

Total Financial investments at FVOCI:

1,661,676	-
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Included in financial investments at FVOCI are financial assets sold under repurchase agreements as follows:

Corporate Bonds	83,067	-
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Impairment losses on debt instrument measured at FVOCI:

Group and Bank

	2018			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Movement in ECLs				
As at 1 January 2018	17	-	-	17
New assets originated or purchased	208	-	-	208
As at 31 Dec 2018	225	-	-	225

(ii) Financial investment at amortised cost:

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

Money market instruments:

Malaysian Government Investment Certificates	9,876	-
	9,876	-

Debt instruments in Malaysia:

At cost		
Islamic Corporate Sukuk	92,202	-
Corporate Bonds	20,038	-
Less: Allowance for ECL	(860)	-
	111,380	-

Total financial investment at amortised cost:

121,256	-
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A14. Financial investments other than those measured at FVTPL (cont'd.)

(ii) Financial investment at amortised cost (cont'd.):

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

Group and Bank

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

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

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

A15. (i) Financial Investments Available-for-Sale

At Fair Value, or amortised cost

Money Market Instruments:

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

Unquoted Securities in Malaysia:

Shares	-	490
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Unquoted Debt Securities in Malaysia:

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

Total Financial Investments Available-for-Sale

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

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

(ii) Financial Investments Held-To-Maturity

Unquoted Debt Securities in Malaysia:

Islamic Corporate Sukuk	-	38,001
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	Group		Bank	
	As at 31 December 2018 RM'000	As at 31 December 2017 RM'000	As at 31 December 2018 RM'000	As at 31 December 2017 RM'000
A16. Loans, Advances and Financing				
At Amortised Cost				
Share margin financing	1,419,617	1,557,649	1,419,617	1,557,649
Term loans	554,282	588,800	577,312	614,478
Subordinated term loan	-	-	10,278	10,261
Others	62,735	51,985	-	-
Advances to group employees	60	-	60	-
Gross loans, advances and financing	2,036,694	2,198,434	2,007,267	2,182,388
Less: Allowance for ECL/impairment losses				
- Stage 1- 12-month ECL	(875)	-	(1,402)	-
- Stage 2- Lifetime ECL not credit impaired	(8,870)	-	(8,847)	-
- Stage 3- Lifetime ECL credit impaired	(22,034)	-	(21,253)	-
- Collective impairment	-	(669)	-	(867)
- Individual impairment	-	(2,264)	-	(1,441)
Net Loans, Advances and Financing	2,004,915	2,195,501	1,975,765	2,180,080
(i) By Type of Customer				
Domestic business enterprise				
- Small medium enterprise	233,392	349,376	213,770	298,593
- Others	587,463	555,000	587,463	590,938
Individuals	1,149,370	1,230,307	1,139,564	1,229,106
Foreign enterprises	66,469	63,751	66,469	63,751
Gross Loans, Advances and Financing	2,036,694	2,198,434	2,007,266	2,182,388
(ii) By Geographical Distribution				
In Malaysia	1,944,628	2,124,179	1,915,202	2,108,133
Outside Malaysia	92,065	74,255	92,065	74,255
Gross Loans, Advances and Financing	2,036,693	2,198,434	2,007,267	2,182,388
(iii) By Interest Rate/ Profit Rate Sensitivity				
Fixed rate				
- Other fixed rate loans	1,482,352	1,609,617	1,419,617	1,557,633
Variable rate				
- Other variable rates	535,855	565,481	569,163	601,419
- Base lending rate plus	18,427	23,336	18,427	23,336
Interest free	60	-	60	-
Gross Loans, Advances and Financing	2,036,694	2,198,434	2,007,267	2,182,388
(iv) By Purpose				
- Purchase of securities	1,715,237	1,836,502	1,704,785	1,819,194
- Working capital	154,549	193,274	159,238	203,635
- Others	166,908	168,658	143,244	159,559
Gross Loans, Advances and Financing	2,036,694	2,198,434	2,007,267	2,182,388
(v) By Residual Contractual Maturity				
- Within one year	1,656,272	1,778,176	1,640,660	1,751,870
- More than one year	380,422	420,258	366,607	430,518
Gross Loans, Advances and Financing	2,036,694	2,198,434	2,007,267	2,182,388

	Group		Bank	
	As at 31 December 2018 RM'000	As at 31 December 2017 RM'000	As at 31 December 2018 RM'000	As at 31 December 2017 RM'000
A16. Loans, Advances and Financing (cont'd.)				
(vi) Movements in impaired loans, advances and financing ("Impaired loans")				
At beginning of the financial year	2,737	2,608	1,910	1,735
Impaired during the financial year	57,814	176	57,814	176
Amount written off against allowance for ECL	(1,441)	-	(1,441)	-
Amount recovered	(42)	(47)	-	(1)
At end of the financial year	59,068	2,737	58,283	1,910
Less: Allowance for ECL	(22,034)	(2,264)	(21,253)	(1,441)
Net impaired loans	37,034	473	37,030	469

Net impaired loans as a % of gross loans, advances and financing less allowance

	1.85%	0.02%	1.87%	0.02%
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(vii) Impaired loans by Geographical Distribution

In Malaysia	11,863	2,737	11,078	1,910
Outside Malaysia	47,205	-	47,205	-
Gross impaired loans	59,068	2,737	58,283	1,910

(viii) Impaired loans by Purpose

Working capital	785	827	-	-
Purchase of securities	58,283	1,910	58,283	1,910
Gross impaired loans	59,068	2,737	58,283	1,910

(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

	2018			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Movement in ECLs				
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 is, as follows:

Term loan and subordinated term loan:

Group

	2018			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Movement in ECLs				
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

Bank

	2018			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Movement in ECLs				
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

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A16. Loans, Advances and Financing (cont'd.)

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

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

Others

Group

	2018		
	Non-Credit Impaired RM'000	Credit-Impaired RM'000	Total RM'000
Movement in ECLs			
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

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

Undrawn commitment:

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

Group

	2018			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Movement in ECLs				
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

	2018			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Movement in ECLs				
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

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

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

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A17. Balances due from clients and brokers

	Group and Bank	
	As at	As at
	31 December	31 December
	2018	2017
	RM'000	RM'000
Balances due from clients and brokers	310,778	516,250
Less:		
Allowance for impairment	(14,455)	(21,367)
	296,323	494,883

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

Group and Bank

	2018		
	Non-Credit	Credit-	Total
	Impaired	Impaired	Total
	RM'000	RM'000	RM'000
Movement in ECLs			
As at 31 December 2017	1,516	19,851	21,367
Less: Interest in suspense *	-	(6,947)	(6,947)
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

* Interest in suspenses was made as of 31 December 2017. Upon adoption of MFRS 9, the Bank has put the interest in suspense at the gross carrying amount.

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

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

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

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A18. Other Assets

	Group		Bank	
	As at 31 December 2018 RM'000	As at 31 December 2017 RM'000	As at 31 December 2018 RM'000	As at 31 December 2017 RM'000
Assets segregated for customers	78,127	32,431	-	-
Interest/income receivable	12,847	11,989	12,456	11,547
Prepayments and deposits	18,666	18,699	17,439	17,435
Other debtors	31,528	40,019	19,153	20,817
Treasury trade receivables	39,530	19,986	39,530	19,986
Amount due from subsidiaries	-	-	289	116
Amount due from related parties	31	33	31	33
	180,729	123,157	88,898	69,934
Allowance for impairment	(4,856)	(4,740)	(3,485)	(3,352)
	175,873	118,417	85,413	66,582

Group

	2018		
	Non-Credit Impaired RM'000	Credit Impaired RM'000	Total RM'000
As at 1 January 2018	473	4,267	4,740
Charge during the year	96	407	503
Written back during the year	(310)	(77)	(387)
As at 31 December 2018	259	4,597	4,856

Bank

	2018		
	Non-Credit Impaired RM'000	Credit Impaired RM'000	Total RM'000
As at 1 January 2018	473	2,879	3,352
Charge during the year	96	407	503
Written back during the year	(310)	(60)	(370)
As at 31 December 2018	259	3,226	3,485

An analysis of the allowance for impairment losses under MFRS139 for other assets, for the financial year ended 31 December 2017 is, as follows:

Movements of impairment allowance for:

	Group 2017 RM'000	Bank 2017 RM'000
At beginning of the financial year	3,605	3,605
Allowance made during the financial year	3,950	2,562
Allowance for impairment written back	(2,815)	(2,815)
At end of the financial year	4,740	3,352

A19. Statutory deposit with Bank Negara Malaysia

	Group		Bank	
	As at 31 December 2018 RM'000	As at 31 December 2017 RM'000	As at 31 December 2018 RM'000	As at 31 December 2017 RM'000
Statutory Deposit	116,619	116,186	116,619	116,186

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.

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A20. Deposits from customers

	Group		Bank	
	As at 31 December 2018 RM'000	As at 31 December 2017 RM'000	As at 31 December 2018 RM'000	As at 31 December 2017 RM'000
(i) By type of deposit				
Fixed term deposits	3,645,634	2,856,250	3,683,800	2,866,250
Short term money deposits	782,435	1,293,200	795,578	1,327,071
Call money deposits	88,246	41,650	88,246	41,650
Negotiable instruments of deposit	45,789	42,814	46,164	43,177
	4,562,104	4,233,914	4,613,788	4,278,148
(ii) By type of customer				
Government and other statutory bodies	972,649	163,338	972,649	163,338
Individuals	125,692	131,371	125,692	131,371
Business enterprises	1,076,432	1,496,141	1,076,432	1,496,141
Non-bank financial institutions	2,315,172	2,401,414	2,315,172	2,401,414
Subsidiaries and related companies	72,159	41,650	123,843	85,884
	4,562,104	4,233,914	4,613,788	4,278,148
(iii) By maturity structure				
Due within six months	3,332,226	3,737,649	3,383,910	3,781,883
More than six months to one year	1,014,878	486,835	1,014,878	486,835
More than one year	215,000	9,430	215,000	9,430
	4,562,104	4,233,914	4,613,788	4,278,148

A21. Deposits and placements of banks and financial institutions

Licenced banks	-	70,000	-	70,000
Licenced investment banks	50,000	-	50,000	-
Others financial institutions	45,016	140,762	45,016	140,762
	95,016	210,762	95,016	210,762

A22. Other liabilities

Interest/Income payable	35,902	23,000	35,563	22,465
Accruals and provision	64,374	74,571	37,871	37,353
Retention for contra losses	487	487	487	487
Structured products	37,222	46,961	37,222	46,961
Treasury trade payables	19,458	-	19,458	-
Deposits and other creditors	67,929	101,688	64,476	74,328
Amounts held in trust on behalf of				
Dealer's Representatives	62,544	60,484	62,544	60,484
Amount due to trustee	20,806	21,959	-	-
Amount due to subsidiaries	-	-	459	1,156
	308,722	329,150	258,080	243,234

A23. Borrowings

Secured:				
Revolving bank loan	52,800	64,000	52,800	64,000
Unsecured:				
Revolving bank loans	41,500	21,000	-	-
Subordinated notes	25,000	5,000	25,000	5,000
	119,300	90,000	77,800	69,000

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	<u>Individual Quarter</u>		<u>Cumulative Quarters</u>	
	<u>3 months ended</u> <u>31 December</u> <u>2018</u> <u>RM'000</u>	<u>3 months ended</u> <u>31 December</u> <u>2017</u> <u>RM'000</u> <u>(Restated)</u>	<u>12 months ended</u> <u>31 December</u> <u>2018</u> <u>RM'000</u>	<u>12 months ended</u> <u>31 December</u> <u>2017</u> <u>RM'000</u> <u>(Restated)</u>
A24. Interest Income				
<u>Group</u>				
Loans, advances and financing	36,242	37,853	150,508	149,120
Money at call and deposit placements with financial institutions	12,286	10,418	52,617	39,173
Financial assets at FVTPL	798	1,839	5,386	7,836
Financial investments at FVOCI	10,872	-	37,299	-
Financial investments at amortised cost	1,182	-	4,020	-
Financial investments available-for-sale	-	9,366	-	34,285
Financial investments held to maturity	-	487	-	1,927
Others	2,473	3,648	16,407	13,604
	63,853	63,611	266,237	245,945
<u>Bank</u>				
Loans, advances and financing	34,616	37,087	144,342	143,771
Money at call and deposit placements with financial institutions	11,407	9,709	49,865	36,817
Financial assets at FVTPL	798	1,839	5,386	7,836
Financial investments at FVOCI	10,872	-	37,299	-
Financial investments at amortised cost	1,182	-	4,020	-
Financial investments available-for-sale	-	9,366	-	34,285
Financial investments held to maturity	-	487	-	1,927
Others	2,467	3,648	16,395	13,604
	61,342	62,136	257,307	238,240
A25. Interest Expense				
<u>Group</u>				
Deposits from customers	36,959	38,754	165,143	146,093
Deposits and placement from banks and other financial institutions	869	941	2,227	4,052
Borrowings	1,874	1,510	6,549	4,345
Others	1,165	244	3,932	4,626
	40,867	41,449	177,851	159,116
<u>Bank</u>				
Deposits from customers	37,393	39,247	166,767	148,167
Deposits and placement from banks and other financial institutions	868	941	2,227	4,052
Borrowings	1,023	1,276	3,677	3,468
Others	1,056	244	3,932	4,626
	40,340	41,708	176,603	160,313

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	Individual Quarter		Cumulative Quarters	
	3 months ended 31 December 2018 RM'000	3 months ended 31 December 2017 RM'000	12 months ended 31 December 2018 RM'000	12 months ended 31 December 2017 RM'000
A26. Other Operating Income				
Group				
(a) Fee income:				
Brokerage fees	36,114	45,840	172,253	188,665
Corporate advisory fees	2,065	4,542	9,518	13,182
Processing fees on loans, advances and financing	1,546	1,946	6,285	5,739
Commissions	1,879	1,858	6,998	8,340
Management fee income	7,487	15,236	55,991	51,096
Placement fees	4,555	2,802	13,782	12,077
Underwriting commission	572	164	1,491	370
Other fee income	5,693	7,163	14,996	20,351
	<u>59,911</u>	<u>79,551</u>	<u>281,314</u>	<u>299,820</u>
(b) Net gain arising from sale/ redemption of:				
Financial assets at FVTPL and derivatives	15,295	31,050	35,597	57,670
Financial investments at FVOCI	371	-	1,728	-
Financial investments available-for-sale	-	2,862	-	2,867
	<u>15,666</u>	<u>33,912</u>	<u>37,325</u>	<u>60,537</u>
(c) Gross dividend income from:				
Financial assets at FVTPL	68	245	1,012	1,209
Financial investments at FVOCI	50	-	290	-
Financial investments available-for-sale	-	155	-	688
	<u>118</u>	<u>400</u>	<u>1,302</u>	<u>1,897</u>
(d) Unrealised gain/(loss) on revaluation of financial assets at FVTPL and derivatives	<u>10,925</u>	<u>(15,113)</u>	<u>14,704</u>	<u>(7,677)</u>
(e) Other income:				
Net foreign exchange income	1,189	1,629	5,602	5,859
Gain/(Loss) on disposal of property, plant and equipment	93	23	93	(21)
Other operating income	157	1,105	1,253	2,153
Other non-operating income				
- Rental income	687	869	2,689	3,459
- Others	899	987	3,618	2,120
	<u>3,025</u>	<u>4,613</u>	<u>13,255</u>	<u>13,570</u>
Total other operating income	<u>89,645</u>	<u>103,363</u>	<u>347,900</u>	<u>368,147</u>

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	Individual Quarter		Cumulative Quarters	
	3 months ended 31 December 2018 RM'000	3 months ended 31 December 2017 RM'000	12 months ended 31 December 2018 RM'000	12 months ended 31 December 2017 RM'000
A26. Other Operating Income (cont'd.)				
Bank				
(a) Fee income:				
Brokerage fees	36,114	45,840	172,253	188,665
Corporate advisory fees	2,073	4,551	9,558	13,218
Processing fees on loans, advances and financing	1,261	1,643	5,074	4,369
Management fee income	180	154	525	705
Placement fees	4,054	2,802	12,183	12,077
Underwriting commission	572	164	1,491	370
Other fee income	2,314	2,123	9,379	8,382
	46,568	57,277	210,463	227,786
(b) Net gain arising from sale/ redemption of:				
Financial assets at FVTPL and derivatives	15,295	31,050	35,597	57,670
Financial investments at FVOCI	371	-	1,728	-
Financial investments available- for-sale	-	2,862	-	2,867
	15,666	33,912	37,325	60,537
(c) Gross dividend from:				
Financial assets at FVTPL	17	180	808	969
Financial investments at FVOCI	50	-	290	-
Financial investments available-for-sale	-	155	-	688
Subsidiaries	-	5,464	-	5,464
	67	5,799	1,098	7,121
(d) Unrealised gain/(loss) on revaluation of financial assets at FVTPL and derivatives	11,615	(15,113)	15,394	(7,677)
(e) Other income:				
Net foreign exchange income	1,224	1,657	5,618	5,907
Gain/(Loss) on disposal of property, plant and equipment	93	25	93	(21)
Other operating income	215	1,248	1,547	2,460
Other non-operating income				
- Rental income	1,115	1,292	4,392	5,156
- Others	1,001	768	3,371	2,044
	3,648	4,990	15,021	15,546
Total other operating income	77,564	86,865	279,301	303,313

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	Individual Quarter		Cumulative Quarters	
	3 months ended 31 December 2018 RM'000	3 months ended 31 December 2017 RM'000	12 months ended 31 December 2018 RM'000	12 months ended 31 December 2017 RM'000
A27. Other operating expenses				
Group				
Personnel costs	45,263	48,311	166,779	164,556
- Salaries, allowances and bonuses	35,454	36,957	127,467	127,963
- EPF	4,382	4,107	17,147	15,837
- Others	5,427	7,247	22,165	20,756
Establishment costs	11,604	9,431	45,031	47,827
- Depreciation of property, plant and equipment	3,806	3,452	13,843	13,154
- Amortisation of intangible assets	44	83	213	666
- Rental of premises	2,359	2,109	9,441	12,940
- Rental of equipment	163	162	645	665
- Repairs and maintenance	968	1,145	3,957	4,482
- Information technology expenses	2,542	752	10,267	8,849
- Others	1,722	1,728	6,665	7,071
Marketing expenses	4,525	5,255	14,935	14,976
- Promotion and advertisements	1,319	3,454	7,627	8,880
- Travel and entertainment	2,739	1,067	6,145	4,133
- Others	467	734	1,163	1,963
Administration and general expenses	35,219	42,962	173,939	183,831
- Communication expenses	964	1,291	4,636	4,989
- Professional fees and legal fees	747	1,209	4,178	3,463
- Regulatory charges	5,180	5,034	21,384	21,299
- Fees and brokerage	27,136	33,785	127,761	136,733
- Administrative expenses	811	1,198	14,420	15,586
- Printing and stationery	381	445	1,560	1,761
	96,611	105,959	400,684	411,190

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	Individual Quarter		Cumulative Quarters	
	3 months ended 31 December 2018 RM'000	3 months ended 31 December 2017 RM'000	12 months ended 31 December 2018 RM'000	12 months ended 31 December 2017 RM'000
A27. Other operating expenses (cont'd.)				
Bank				
Personnel costs	34,588	39,305	126,670	128,299
- Salaries, allowances and bonuses	26,014	30,834	99,099	104,302
- EPF	3,394	3,209	13,374	12,594
- Others	5,180	5,262	14,197	11,403
Establishment costs	10,300	7,965	39,403	41,961
- Depreciation of property, plant and equipment	3,671	3,223	13,342	12,679
- Rental of premises	2,134	1,934	8,642	12,273
- Rental of equipment	69	72	282	318
- Repair and maintenance	669	897	3,079	3,582
- Information technology expenses	2,520	744	10,184	8,773
- Others	1,237	1,095	3,874	4,336
Marketing expenses	3,453	4,078	9,536	11,166
- Promotion and advertisement	2,008	2,751	5,219	6,466
- Travel and entertainment	1,012	637	3,226	3,071
- Others	433	690	1,091	1,629
Administration and general expenses	30,922	33,689	143,469	149,478
- Communication expenses	883	1,075	4,015	4,297
- Professional fees and legal fees	439	1,144	3,704	3,137
- Regulatory charges	4,688	4,562	19,563	19,321
- Fees and brokerages	24,128	25,426	102,386	107,861
- Administrative expenses	544	1,202	12,779	13,562
- Printing and stationery	240	280	1,022	1,300
	79,263	85,037	319,078	330,904

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A28. Credit loss reversal/(expense)

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

Group

Individual Quarter

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

	2018			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Debt instruments at FVOCI	(208)	-	-	(208)
Debt instruments at amortised cost	-	(17)	-	(17)
Loans, advances and financing	48	(8,849)	(21,239)	(30,040)
Loan commitments	-	-	-	-
Credit loss expense	(160)	(8,866)	(21,239)	(30,265)

(ii) Movement in ECLs on other financial assets

	2018		
	Non-Credit Impaired RM'000	Credit- Impaired RM'000	Total RM'000
Balance due from clients and brokers	(1)	(4)	(5)
Other debtors	193	(140)	53
Credit loss reversal/(expense)	192	(144)	48

Cumulative Quarters

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

	2018			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Debt instruments at FVOCI	(208)	-	-	(208)
Debt instruments at amortised cost	64	92	-	156
Loans, advances and financing	487	(8,849)	(21,211)	(29,573)
Loan commitments	(47)	-	-	(47)
Credit loss reversal/(expense)	296	(8,757)	(21,211)	(29,672)

(iv) Movement in ECLs on other financial assets

	2018		
	Non-Credit Impaired RM'000	Credit- Impaired RM'000	Total RM'000
Balance due from clients and brokers	(1)	(34)	(35)
Other debtors	214	(330)	(116)
Credit loss reversal/(expense)	213	(364)	(151)

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A28. Credit loss reversal/(expense) (cont'd.)

Bank

Individual Quarter

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

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

(vi) Movement in ECLs on other financial assets

	2018		
	Non-Credit Impaired RM'000	Credit- Impaired RM'000	Total RM'000
Balance due from clients and brokers	(1)	(4)	(5)
Other debtors	194	(140)	54
Credit loss reversal/(expense)	193	(144)	49

Cumulative Quarters

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

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

(viii) Movement in ECLs on other financial assets

	2018		
	Non-Credit Impaired RM'000	Credit- Impaired RM'000	Total RM'000
Balance due from clients and brokers	(1)	(34)	(35)
Other debtors	214	(347)	(133)
Credit loss reversal/(expense)	213	(381)	(168)

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A28. Credit loss reversal/(expense) (cont'd.)

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

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

	Individual Quarter	Cumulative Quarters
	3 months ended 31 December 2017 RM'000	12 months ended 31 December 2017 RM'000
Group		
Impairment:		
- collective allowance (net)	(166)	(237)
- individual allowance (net)	(21)	(129)
	(187)	(366)
Bank		
Impairment:		
- collective allowance (net)	(166)	4
- individual allowance (net)	(46)	(175)
	(212)	(171)

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

Group and Bank		
Impairment allowance		
- made during the financial period/year	(1,016)	(6,262)
- written back during the financial period/year	702	6,163
	(314)	(99)

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

	Individual Quarter	Cumulative Quarters
	3 months ended 31 December 2017 RM'000	12 months ended 31 December 2017 RM'000
Group		
Impairment allowance		
- made during the financial period/year	(547)	(3,950)
- written back during the financial period/year	837	2,815
	290	(1,135)
Bank		
Impairment allowance		
- made during the financial period/year	(605)	(2,562)
- written back during the financial period/year	837	2,815
	232	253

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A29. Bad debts recovered

	<u>Individual Quarter</u>		<u>Cumulative Quarters</u>	
	3 months ended 31 December 2018 RM'000	3 months ended 31 December 2017 RM'000	12 months ended 31 December 2018 RM'000	12 months ended 31 December 2017 RM'000
<u>Group</u>				
Loans, advances and financing	202	(43)	13,730	74
Amount due from clients and brokers	(42)	-	185	-
Other receivables	(26)	526	(55)	633
	134	483	13,860	707
<u>Bank</u>				
Loans, advances and financing	202	(43)	13,730	74
Amount due from clients and brokers	(42)	-	185	-
Other receivables	(26)	526	(55)	633
	134	483	13,860	707

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A30. Fair value of financial instruments

Fair value measurements

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

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

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

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

Valuation techniques and sensitivity analysis

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

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

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

A30. Fair value of financial instruments (cont'd.)

Group

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

31 December 2017

	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	-	320,099	-	320,099
- Equity securities	219,428	7,833	10,208	237,469
Financial investments available-for-sale #				
- Debt securities	-	959,677	-	959,677
- Negotiable Instruments of Deposit	-	50,000	-	50,000
Derivative financial assets	-	67,393	-	67,393
Financial assets for which fair values are disclosed				
Financial investments held-to-maturity	-	38,214	-	38,214
Loans, advances and financing	-	-	2,194,417	2,194,417
	219,428	1,443,216	2,204,625	3,867,269
Financial liabilities measured at fair value				
Derivative financial liabilities	32,356	3,818	-	36,174
Obligations on securities sold under repurchase agreements	-	74,993	-	74,993
Borrowings	-	90,379	-	90,379
	32,356	169,190	-	201,546

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A30. Fair value of financial instruments (cont'd.)

Bank

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
Borrowings	-	72,908	-	72,908
	1,854	166,814	-	168,668

31 December 2017

	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	-	320,099	-	320,099
- Equity securities	219,428	-	10,208	229,636
Financial investments available-for-sale #				
- Debt securities	-	959,677	-	959,677
- Negotiable Instruments of Deposit	-	50,000	-	50,000
Derivative financial assets	-	67,393	-	67,393
Financial assets for which fair values are disclosed				
Financial investments held-to-maturity	-	38,214	-	38,214
Loans, advances and financing	-	-	2,179,330	2,179,330
	219,428	1,435,383	2,189,538	3,844,349
Financial liabilities measured at fair value				
Derivative financial liabilities	32,356	3,818	-	36,174
Obligations on securities sold under repurchase agreements	-	74,993	-	74,993
Borrowings	-	69,380	-	69,380
	32,356	148,191	-	180,547

Excluded unquoted securities stated at cost of RM490,000.

There has been no transfer between level 1 & level 2 during the financial year ended 31 December 2018 and 31 December 2017.

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	As at 31 December 2018	As at 31 December 2017
	Principal Amount RM'000	Principal Amount RM'000

A31. Commitments and Contingencies

Group

Commitments to extend credit with maturity of less than

1 year :-

- share margin financing	1,871,277	1,662,114
- corporate loan	25,551	6,485
- foreign exchange related contract	58,155	50,111
- equity exchange related contract	105,036	157,823

Commitments to extend credit with maturity of more than

1 year :-

- corporate loan	97,854	26,000
- equity related contract	2,113	1,460

Client trust in respect of the stockbroking business

	689,222	728,134
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Derivative financial assets

- dual currency investment - options	13,636	18,114
- equity related contracts - options	100,319	111,305
- equity related contracts - swaps	14,771	75,772

Derivative financial liabilities

- dual currency investment - options	13,636	18,114
- equity related contracts - options	122,122	433,635
- equity related contracts - swaps	5,900	-

Capital commitment:

- Authorised and contracted for	1,112	4,167
	<u>3,120,704</u>	<u>3,293,234</u>

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	As at 31 December 2018	As at 31 December 2017
	Principal Amount RM'000	Principal Amount RM'000
A31. <u>Commitments and Contingencies</u>		
Bank		
Commitments to extend credit with maturity of less than 1 year :-		
- share margin financing	1,871,277	1,662,114
- corporate loan	102,551	80,985
- foreign exchange related contract	58,155	50,111
- equity exchange related contract	105,036	157,823
Commitments to extend credit with maturity of more than 1 year :-		
- corporate loan	127,854	56,000
- equity exchange related contract	2,113	1,460
Client trust in respect of the stockbroking business	689,222	728,134
Derivative financial assets		
- dual currency investment - options	13,636	18,114
- equity related contracts - options	100,319	111,305
- equity related contracts - swaps	14,771	75,772
Derivative financial liabilities		
- dual currency investment - options	13,636	18,114
- equity related contracts - options	122,122	433,635
- equity related contracts - swaps	5,900	-
Capital commitment:		
- Authorised and contracted for	1,095	3,943
Investment in equity fund	17,854	13,792
	3,245,541	3,411,302

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	Group		Bank	
	31 December 2018 RM'000	31 December 2017 RM'000	31 December 2018 RM'000	31 December 2017 RM'000
A32. Operating lease arrangements				
Future minimum rental payable:				
Within one year	8,114	8,291	7,706	7,769
Between one and five years	6,372	6,660	6,171	6,423
	<u>14,486</u>	<u>14,951</u>	<u>13,877</u>	<u>14,192</u>
Future minimum sublease receipts:				
Subsidiaries	-	-	2,945	3,116
External parties	4,458	5,106	4,458	5,106
	<u>4,458</u>	<u>5,106</u>	<u>7,403</u>	<u>8,222</u>

A33. Capital Adequacy

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

	Group		Bank	
	31 December 2018 RM'000	31 December 2017 RM'000	31 December 2018 RM'000	31 December 2017 RM'000
<u>CET 1 / Tier 1 capital</u>				
Paid-up share capital	246,249	246,137	246,249	246,137
Retained profits	509,888	520,345	513,675	513,726
Other reserves	131,677	124,984	184,114	174,300
Less: Regulatory adjustments:				
Deferred tax assets	(6,532)	(10,006)	(3,666)	(7,798)
55% of cumulative gains on financial investments at FVOCI	-	-	(1,196)	-
Goodwill	(208,754)	(208,754)	(252,909)	(252,909)
Other intangibles	(57,468)	(57,660)	(52,500)	(52,500)
Regulatory reserve	(25,488)	(25,277)	(25,488)	(25,277)
Treasury shares	(16,808)	-	(16,808)	-
Deduction in excess of Tier 2*	<u>(72,885)</u>	<u>(58,927)</u>	<u>(156,462)</u>	<u>(130,118)</u>
Total CET 1/Tier 1 capital	<u>499,879</u>	<u>530,842</u>	<u>435,009</u>	<u>465,561</u>
<u>Tier 2 capital</u>				
Subordinated obligations capital	25,000	5,000	25,000	5,000
Impairment provision and regulatory reserves	18,447	13,353	18,180	13,081
Less: Regulatory adjustments applied to Tier 2 capital	-	(14,732)	-	(18,081)
Total Tier 2 capital	<u>43,447</u>	<u>3,621</u>	<u>43,180</u>	<u>-</u>
Total capital	<u>543,326</u>	<u>534,463</u>	<u>478,189</u>	<u>465,561</u>

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A33. Capital Adequacy (cont'd.)

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

	Group		Bank	
	31 December 2018	31 December 2017	31 December 2018	31 December 2017
CET 1 capital ratio	23.237%	29.898%	21.714%	28.390%
Tier 1 capital ratio	23.237%	29.898%	21.714%	28.390%
Total capital ratio	25.257%	30.102%	23.869%	28.390%

* The portion of regulatory adjustments not deducted from Tier 2 (as the Bank does not have enough Tier 2 to satisfy the deduction) is deducted from the next higher level of capital; as per paragraph 31.1 of the Bank Negara Malaysia's Capital Adequacy Framework (Capital Components).

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

	Group		Group	
	31 December 2018		31 December 2017	
	Notional amount RM'000	Risk-weighted amount RM'000	Notional amount RM'000	Risk-weighted amount RM'000
Credit Risk	5,267,199	1,475,789	4,501,487	1,068,244
Market Risk	-	59,609	-	152,115
Operational Risk	-	586,419	-	548,768
Large exposure risk	-	29,385	-	6,400
Total Risk Weighted Assets	5,267,199	2,151,202	4,501,487	1,775,527

	Bank		Bank	
	31 December 2018		31 December 2017	
	Notional amount RM'000	Risk-weighted amount RM'000	Notional amount RM'000	Risk-weighted amount RM'000
Credit Risk	4,980,663	1,454,395	4,300,880	1,046,479
Market Risk	-	42,180	-	130,574
Operational Risk	-	477,424	-	456,444
Large exposure risk	-	29,385	-	6,400
Total Risk Weighted Assets	4,980,663	2,003,384	4,300,880	1,639,897

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A33. 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").

A34. Credit Exposures Arising From Credit Transactions With Connected Parties

	31 December 2018	31 December 2017
Outstanding credit exposures with connected parties (RM'000)	<u>164,104</u>	<u>284,320</u>
Percentage of outstanding credit exposures to connected parties:-		
- as a proportion of total credit exposures	<u>4.97%</u>	<u>7.10%</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.

A35. 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.

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

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A35. Segmental reporting (cont'd.)

	Investment banking RM'000	Stock broking RM'000	Futures broking RM'000	Money lending and financing RM'000	Investment and wealth management RM'000	Corporate and Others RM'000	Elimination/ consolidation adjustments RM'000	Total RM'000
2018								
Revenue								
External sales	275,726	272,596	10,795	8,214	70,232	31,805	-	669,368
- Interest income	234,018	63,728	3,796	6,475	4,298	12,073	-	324,388
- Fee income	28,779	182,408	6,999	1,739	63,072	359	-	283,356
- Trading and investment income	9,787	23,531	-	-	2,385	19,355	-	55,058
- Other operating income	3,142	2,929	-	-	477	18	-	6,566
Inter-segment sales	1,800	295	1,085	-	14,849	-	(18,029)	-
Total revenue	277,526	272,891	11,880	8,214	85,081	31,805	(18,029)	669,368
Result								
Net income	74,586	258,620	11,311	5,064	85,548	33,631	(16,714)	452,046
Other operating expenses	(52,216)	(242,317)	(14,067)	(4,566)	(85,522)	(13,019)	11,023	(400,684)
Credit loss reversal/(expenses)	131	(30,187)	-	41	7	218	(33)	(29,823)
Bad debt (written-off)/recovery	(50)	408	-	-	-	13,502	-	13,860
Impairment of investment in an associate and subsidiaries	-	-	-	-	-	(2,352)	2,352	-
Share of results of associates and a joint venture company	-	-	-	-	-	(6,548)	-	(6,548)
Profit/(loss) before taxation and zakat	22,451	(13,476)	(2,756)	539	33	25,432	(3,372)	28,851
Taxation and zakat								(16,940)
Net profit for the financial year								11,911

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A35. 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
2018 (cont'd.)								
Other information								
Net interest and finance income	79,389	4,276	2,799	4,781	8,521	-	-	99,766
Depreciation and amortisation	5,972	101	34	626	7,323	-	-	14,056
Non cash expenses								
- Unrealised gains on revaluation of financial assets at FVTPL and derivatives	(3,290)	-	-	-	18,930	(690)	-	14,950
Assets								
Investments in associate companies	-	-	-	-	58,809	-		58,809
Investment in a joint venture company					14,077			14,077
Addition to non-current assets	9,500	72	67	715			A	10,354
Segment assets	6,300,720	297,326	80,604	83,221	16,753	(232,096)	B	6,546,528
Liabilities								
Segment liabilities	5,373,491	273,280	68,871	47,394	4,909	(92,423)	C	5,675,522

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A35. 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
2017								
Revenue								
External sales	235,283	312,987	13,048	7,760	66,491	12,666	-	648,235
- Interest income	194,790	64,244	4,708	5,788	1,796	11,748	-	283,074
- Fee income	29,532	197,898	8,340	1,972	64,362	429	-	302,533
- Trading and investment income	5,473	48,309	-	-	241	478	-	54,501
- Other operating income	5,488	2,536	-	-	92	11	-	8,127
Inter-segment sales	3,157	307	1,488	-	2,184	5,464	(12,600)	-
Total revenue	238,440	313,294	14,536	7,760	68,675	18,130	(12,600)	648,235
Result								
Net income	70,728	298,848	13,879	4,979	67,606	20,239	(10,221)	466,058
Other operating expenses	(50,891)	(261,144)	(14,936)	(4,577)	(69,542)	(14,857)	4,757	(411,190)
(Allowance for)/Write back of impairment on loans, advances and financing	(13)	(101)	-	46	-	18	(242)	(292)
(Allowance for)/Write back of impairment on balances due from clients and brokers and other receivables	(123)	13	-	-	3	(494)	-	(601)
Allowance for impairment on investment in an associate and subsidiaries	-	-	-	-	-	(727)	727	-
Share of results of associates and a joint venture company	-	-	-	-	-	(13,356)	-	(13,356)
Profit/(loss) before taxation and zakat	19,701	37,616	(1,057)	448	(1,933)	(9,177)	(4,979)	40,619
Taxation and zakat								(16,453)
Net profit for the financial year								24,166

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A34. 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
2017 (cont'd.)								
Other information								
Net interest and finance income	77,944	5,557	730	2,700	8,449	-	-	95,380
Depreciation and amortisation	5,673	518	600	18	7,010	-	-	13,819
Non cash expenses								
- Unrealised gain on financial assets at FVTPL and derivatives	(7,632)	-	-	-	-	-	-	(7,632)
Assets								
Investments in associate companies	-	-	-	-	60,438	-		60,438
Investment in a joint venture company	-	-	-	-	13,220	-		13,220
Addition to non-current assets	15,101	575	1,867	109	-	-	A	17,652
Segment assets	6,264,554	246,689	90,350	74,392	23,571	(206,975)	B	6,492,581
Liabilities								
Segment liabilities	5,330,391	219,975	57,458	62,638	11,825	(81,172)	C	5,601,115

Notes

A Additions to non-current assets consist of:

	2018 RM'000	2017 RM'000
Property, plant and equipment		
- Additions during the financial year	10,333	17,452
Intangible assets		
- Additions during the financial year	21	200
	10,354	17,652

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A34. 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.

	2018	2017
	RM'000	RM'000
Investment in subsidiaries	(70,428)	(81,755)
Investment in associates and joint venture	(14,093)	(3,536)
Intangible assets	(40,095)	(40,095)
Inter-segment assets	(107,480)	(81,589)
	<u>(232,096)</u>	<u>(206,975)</u>

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

	2018	2017
	RM'000	RM'000
Deposits accepted from subsidiaries	(51,684)	(44,234)
Inter-segment liabilities	(40,739)	(36,938)
	<u>(92,423)</u>	<u>(81,172)</u>

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

**NOTES TO INTERIM FINANCIAL REPORT
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018**

A36. Operations of Islamic Banking

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

	Note	Group and Bank	
		As at 31 December 2018 RM '000	As at 31 December 2017 RM '000
ASSETS			
Cash and bank balances	(e)	420,144	532,663
Financial assets at FVTPL	(f)	119,861	122,501
Financial investment at FVOCI	(g)(i)	774,466	-
Financial investment at amortised cost	(g)(ii)	30,102	-
Financial investments available-for-sale	(g)(iii)	-	199,576
Financial investments held-for-maturity	(g)(iv)	-	5,001
Financing and advances	(h)	173,911	172,052
Balances due from clients and brokers		929	7,497
Other assets		26,489	22,788
Property, plant and equipment		89	104
TOTAL ASSETS		1,545,991	1,062,182
LIABILITIES			
Deposits from customers	(i)	1,274,758	819,296
Balances due to clients and brokers		1,712	1,378
Other liabilities	(j)	114,945	97,802
Deferred tax liabilities		92	15
Provision for taxation and zakat		3,432	2,177
TOTAL LIABILITIES		1,394,939	920,668
ISLAMIC BANKING CAPITAL FUNDS			
Islamic banking funds		120,000	120,000
Reserves		31,052	21,514
TOTAL ISLAMIC BANKING CAPITAL FUNDS		151,052	141,514
TOTAL LIABILITIES AND ISLAMIC BANKING CAPITAL FUNDS		1,545,991	1,062,182

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

**NOTES TO INTERIM FINANCIAL REPORT
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018**

A36. Operations of Islamic Banking (cont'd.)

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

		Group and Bank			
		Individual Quarter		Cumulative Quarter	
		3 months ended	3 months ended	12 months ended	12 months ended
		31 December 2018	31 December 2017	31 December 2018	31 December 2017
		RM'000	RM'000	RM'000	RM'000
Income derived from investment of depositors' funds	(k)	14,313	9,061	53,401	31,917
Income derived from investment of shareholders' funds	(l)	2,876	2,905	9,199	7,803
Credit loss reversal/(expense)		35	(44)	386	15
Total attributable income		17,224	11,922	62,986	39,735
Profit distributed to depositors	(m)	(11,109)	(7,514)	(43,734)	(25,786)
Net income		6,115	4,408	19,252	13,949
Finance cost		(813)	(786)	(3,106)	(2,852)
Personnel expenses	(n)	(171)	(161)	(676)	(591)
Other overhead expenses	(o)	(391)	(621)	(2,280)	(2,342)
Profit before taxation and zakat		4,740	2,840	13,190	8,164
Taxation and zakat		(1,262)	(759)	(3,432)	(2,177)
Profit for the financial period/year		3,478	2,081	9,758	5,987

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		14,313	9,061	53,401	31,917
Income derived from investment of shareholders' funds		2,876	2,905	9,199	7,803
Total income before impairment allowances and overhead expenses		17,189	11,966	62,600	39,720
Profit distributed to depositors		(11,109)	(7,514)	(43,734)	(25,786)
Finance cost		(813)	(786)	(3,106)	(2,852)
Income from Islamic Banking Window operations reported in the statement of profit or loss of the Group and the Bank		5,267	3,666	15,760	11,082

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**NOTES TO INTERIM FINANCIAL REPORT
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A36. Operations Of Islamic Banking (cont'd.)

**(c) Statement Of Changes In Islamic Banking Funds
For the financial year ended 31 December 2018**

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 2018	120,000	48	1,928	-	5,248	14,290	141,514
Impact of adopting MFRS 9	-	-	-	-	-	(266)	(266)
Profit for the financial year	-	-	-	-	-	9,758	9,758
Other comprehensive income for the financial year	-	37	-	-	-	-	37
Issue of shares pursuant to ESS	-	-	-	9	-	-	9
Transfer to regulatory reserve	-	-	1,407	-	-	(1,407)	-
At 31 December 2018	120,000	85	3,335	9	5,248	22,375	151,052
At 1 January 2017	120,000	(649)	1,663	-	5,248	8,568	134,830
Profit for the financial year	-	-	-	-	-	5,987	5,987
Other comprehensive income for the financial year	-	697	-	-	-	-	697
Transfer to regulatory reserve	-	-	265	-	-	(265)	-
At 31 December 2017	120,000	48	1,928	-	5,248	14,290	141,514

* 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
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**NOTES TO INTERIM FINANCIAL REPORT
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018**

A36. Operations of Islamic Banking (cont'd.)

**(d) Unaudited Condensed Statements Of Cash Flows
For the financial year ended 31 December 2018**

	Group and Bank	
	31 December 2018 RM '000	31 December 2017 RM '000
Cash flows from operating activities		
Profit before tax expense and zakat	13,190	8,164
Adjustments for:		
Depreciation of plant and equipment	45	43
Credit loss reversal	(386)	(15)
Net loss from sale of financial assets at FVTPL	297	300
Net gain from sale of financial investments available-for-sale	-	(1)
Net gain from sale of financial investments other than those measured at FVTPL	(1,088)	-
Gain on revaluation of financial assets at FVTPL	(246)	(45)
Operating profit before working capital changes	<u>11,812</u>	<u>8,446</u>
Changes in operating assets:		
Financing and advances	(1,728)	(16,819)
Balances due from clients and brokers	6,568	(7,473)
Other assets	(3,664)	(21,511)
Changes in operating liabilities:		
Deposits from customers	455,462	408,483
Balances due to clients and brokers	334	1,322
Other liabilities	17,152	13,823
Cash generated from operating activities	<u>485,936</u>	<u>386,271</u>
Taxation and zakat paid	<u>(2,177)</u>	<u>(3,567)</u>
Net cash generated from operating activities	<u>483,759</u>	<u>382,704</u>
Cash flows from investing activities		
Purchase of property, plant and equipment	(30)	(10)
Net purchase of securities	<u>(596,248)</u>	<u>(10,669)</u>
Net investing cash flow	<u>(596,278)</u>	<u>(10,679)</u>
Net change in cash and cash equivalents	(112,519)	372,025
Cash and cash equivalents at beginning of the financial year	<u>532,663</u>	<u>160,638</u>
Cash and cash equivalents at end of the financial year	<u>420,144</u>	<u>532,663</u>

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

**NOTES TO INTERIM FINANCIAL REPORT
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018**

A36. Operations Of Islamic Banking (cont'd.)

	Group and Bank	
	As at 31 December 2018 RM'000	As at 31 December 2017 RM'000
(e) Cash and short-term funds		
Current account with Bank Negara Malaysia and banks	1,644	3,763
Money at call and deposit placements with:		
Licensed banks	368,500	388,900
Bank Negara Malaysia	-	140,000
Domestic non-bank financial institutions	50,000	-
	<u>420,144</u>	<u>532,663</u>
(f) Financial assets at FVTPL		
At Fair Value		
Money Market Instruments:		
Malaysian Government Investment Certificates	-	30,065
Unquoted Securities in Malaysia:		
Funds	100,000	-
Corporate Bills	19,861	92,436
	<u>119,861</u>	<u>122,501</u>
(g) Financial investments other than those measured at FVTPL		
(i) Financial investments at FVOCI		
(a) Money market instruments:		
Malaysian Government Investment Certificates	81,766	-
Negotiable Instruments of Deposits	549,173	-
	<u>630,939</u>	-
(b) Debt instruments:		
Corporate Sukuk	143,527	-
	<u>774,466</u>	-
Total financial investments at FVOCI	<u>774,466</u>	-
(ii) Financial investments at amortised cost:		
Debt instruments:		
Corporate Sukuk	30,102	-
Total financial investment at amortised cost:	<u>30,102</u>	-
Total financial investments other than those measured at FVTPL	<u>804,568</u>	-

NOTES TO INTERIM FINANCIAL REPORT
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

A36. Operations Of Islamic Banking (cont'd.)

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

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

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

**NOTES TO INTERIM FINANCIAL REPORT
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018**

A36. Operations Of Islamic Banking (cont'd.)

	Group and Bank	
	As at 31 December 2018 RM'000	As at 31 December 2017 RM'000
(h) Financing and advances		
At Amortised Cost		
Commodity Murabahah share margin financing		
- Shariah contract - others	7,793	130
Commodity Murabahah revolving credit		
- Shariah contract - others	15,043	12,653
Commodity Murabahah term financing		
- Shariah contract - others	151,075	159,400
	<u>173,911</u>	<u>172,183</u>
Less: Collective allowance	-	(131)
Net financing and advances	<u>173,911</u>	<u>172,052</u>
(i) Gross financing and advances analysed by type of customer are as follows:		
Domestic business enterprise - others	141,039	136,947
Individuals	32,872	35,236
	<u>173,911</u>	<u>172,183</u>
(ii) Gross financing and advances analysed by geographical distribution are as follows:		
In Malaysia	<u>173,911</u>	<u>172,183</u>
(iii) Gross financing and advances analysed by profit rate sensitivity are as follows:		
Fixed rate		
- Other fixed rate financings	7,793	-
Variable rate:		
- Cost plus	166,118	172,183
	<u>173,911</u>	<u>172,183</u>
(v) Gross financing and advances analysed by economic purpose are as follows:		
- Working capital	-	12,750
- Purchase of securities	107,969	94,169
- Others	65,942	65,264
	<u>173,911</u>	<u>172,183</u>
(vi) Gross financing and advances analysed by residual contractual maturity are as follows:		
- Within one year	32,864	12,750
- More than one year	141,047	159,433
	<u>173,911</u>	<u>172,183</u>

**KENANGA INVESTMENT BANK BERHAD
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**NOTES TO INTERIM FINANCIAL REPORT
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018**

A36. Operations Of Islamic Banking (cont'd.)

	Group and Bank	
	As at 31 December 2018 RM'000	As at 31 December 2017 RM'000
(i) Deposits from customers		
(i) By type of deposit		
Term deposits		
- Tawarruq (Commodity Murabahah deposits)	1,274,758	819,296
	<u>1,274,758</u>	<u>819,296</u>
(ii) By type of customers		
Domestic non-bank institutions	755,520	422,164
Government and other statutory bodies	200,000	-
Business enterprises	318,249	396,176
Individuals	989	956
	<u>1,274,758</u>	<u>819,296</u>
(iii) By maturity		
- Due within six months	1,005,258	776,296
- Due more than six months	269,500	43,000
	<u>1,274,758</u>	<u>819,296</u>
(j) Other liabilities		
Murabahah Specific Investment Account	54,000	55,500
Profit payable	4,423	2,534
Other payable	56,522	39,768
	<u>114,945</u>	<u>97,802</u>
	Group and Bank	
	12 months ended 31 December 2018 RM'000	12 months ended 31 December 2017 RM'000
(k) Income derived from investment of depositors' funds		
Finance income and hibah		
Financing and advances	4,312	4,880
Deposits placements with financial institutions	10,085	11,312
Financial assets at FVTPL	7,096	2,328
Financial investment other than those measured at FVTPL	28,291	-
Financial investments available-for-sale	-	11,265
Financial investments held-to-maturity	-	238
Accretion of discount	(763)	(637)
	<u>49,021</u>	<u>29,386</u>

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

**NOTES TO INTERIM FINANCIAL REPORT
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018**

A36. Operations Of Islamic Banking (cont'd.)

	Group and Bank	
	12 months ended 31 December 2018 RM'000	12 months ended 31 December 2017 RM'000
(k) Income derived from investment of depositors' funds (cont'd.)		
Other operating income		
Net loss on sale of financial assets at FVTPL	(51)	(255)
Net gain on sale of financial investments other than those measured at FVTPL	1,088	-
Net gain on sale of financial investments available-for-sale	-	1
Fees on financing and advances	1,922	1,259
Brokerage fee	1,376	1,225
Profit income	2	-
Advisory fee	313	500
Placement fee	27	35
Direct trading fees	(302)	(240)
Other non-operating income	5	6
	<u>4,380</u>	<u>2,531</u>
	<u>53,401</u>	<u>31,917</u>
(l) Income derived from investment of shareholders' funds		
Finance income and hibah		
Financing and advances	8,835	7,243
Financial investment other than those measured at FVTPL	334	-
Financial investments available-for-sale	-	616
Accretion of discount	30	(56)
	<u>9,199</u>	<u>7,803</u>
(m) Profit distributed to depositors		
Deposits from customers and financial institutions		
- Murabahah Fund	43,627	21,528
Others	107	4,258
	<u>43,734</u>	<u>25,786</u>
(n) Personnel costs		
- Salaries, wages, allowances and bonus	518	465
- EPF	79	71
- Other staff related expenses	79	55
	<u>676</u>	<u>591</u>

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

**NOTES TO INTERIM FINANCIAL REPORT
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018**

A36. Operations Of Islamic Banking (cont'd.)

	Group and Bank	
	12 months ended 31 December 2018 RM'000	12 months ended 31 December 2017 RM'000
(o) Other overhead expenses:		
Establishment costs		
- Depreciation	45	43
- Office rental	57	57
- Repairs and maintenance	2	2
- Others	5	5
	<u>109</u>	<u>107</u>
Marketing and travelling expenses		
- Advertisement and promotions	22	41
- Travelling and entertainment expenses	3	13
	<u>25</u>	<u>54</u>
Administration and general expenses		
- Fees and brokerage	145	284
- Support service charges	1,534	1,462
- Shariah committee expenses	200	199
- Others	267	236
	<u>2,146</u>	<u>2,181</u>
	<u>2,280</u>	<u>2,342</u>

**KENANGA INVESTMENT BANK BERHAD
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**NOTES TO INTERIM FINANCIAL REPORT
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018**

A36. Operations Of Islamic Banking (cont'd.)

	Group and Bank	
	As at 31 December 2018 RM'000	As at 31 December 2017 RM'000
(p) Capital adequacy		
CET 1 / Tier 1 Capital		
Islamic Banking funds	120,000	120,000
Retained profits	22,375	14,290
Other reserves	8,677	7,224
Less:		
Deferred tax assets	-	-
Regulatory reserves	(3,335)	(1,928)
Total CET 1 / Tier 1 capital	<u>147,717</u>	<u>139,586</u>
Tier 2 Capital		
Impairment provision and regulatory reserves	3,333	1,862
Total Tier 2 capital	<u>3,333</u>	<u>1,862</u>
Total capital	<u>151,050</u>	<u>141,448</u>
CET 1 capital ratio	40.155%	74.382%
Tier 1 capital ratio	40.155%	74.382%
Total capital ratio	<u>41.061%</u>	<u>75.374%</u>

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

	Group and Bank			
	As at 31 December 2018		As at 31 December 2017	
	RM'000	RM'000	RM'000	RM'000
	Notional amount	Risk-weighted amount	Notional amount	Risk-weighted amount
Credit risk	1,451,588	344,078	809,866	148,960
Market risk	-	1,119	-	19,125
Operational risk	-	22,673	-	19,577
Total Risk Weighted Assets	<u>1,451,588</u>	<u>367,870</u>	<u>809,866</u>	<u>187,662</u>

NOTES TO INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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	12 months ended	12 months ended
	31 December 2018 (4Q18)	31 December 2017 (4Q17)	31 December 2018 (FYE18)	31 December 2017 (FYE17)
(RM'000)				
Revenue	171,368	177,907	669,368	648,235
Net income	117,898	129,191	452,046	466,058
(Loss)/Profit before tax	(9,418)	16,778	28,851	40,619
(Loss)/Profit after tax	(12,437)	12,515	11,911	24,166

The Group reported a loss before tax ("LBT") of RM9.4 million in current quarter ("4Q18") compared to profits of RM16.8 million in the corresponding quarter last year. The decrease in PBT was mainly due to provision of impairment on margin accounts partially mitigated by higher net trading and investment income achieved in current quarter.

On full year basis, the Group reported a pre-tax profit ("PBT") of RM28.9 million for 2018 ("FYE18") as compared to RM40.6 million for 2017 ("FYE17"). The lower PBT was mainly due to impairment on margin accounts amounting to RM30.1 million and lower brokerage income from our stockbroking division. However, the lower contribution from stockbroking division has been partially mitigated by higher interest income, trading and investment income and debt recovery.

Stockbroking:

	Individual period		Cumulative period	
	3 months ended	3 months ended	12 months ended	12 months ended
	31 December 2018 (4Q18)	31 December 2017 (4Q17)	31 December 2018 (FYE18)	31 December 2017 (FYE17)
(RM'000)				
Revenue	51,472	80,495	272,891	313,294
Net income	48,234	78,281	258,620	298,848
(Loss)/Profit before tax	(34,894)	12,623	(13,476)	37,616

LBT of RM34.5 million was recorded from stockbroking segment for current quarter mainly due to provision of impairment on margin clients, lower net brokerage income and net trading income.

The poorer stock market conditions and the provisions from margin accounts has resulted in stockbroking segment showing loss of RM13.5 million for FYE18 compared to profits of RM37.6 million in FYE17.

KENANGA INVESTMENT BANK BERHAD
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NOTES TO INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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	12 months ended	12 months ended
	31 December 2018 (4Q18)	31 December 2017 (4Q17)	31 December 2018 (FYE18)	31 December 2017 (FYE17)
(RM'000)				
Revenue	78,498	68,568	277,526	238,440
Net income	28,010	23,517	74,586	70,728
Profit before tax	12,084	9,180	22,451	19,701

Investment Banking ("IB") registered higher PBT of RM12.1 million in 4Q18 compared to RM9.2 million for 4Q17 as a result of increase in net trading and investment income gain on disposal of bonds and placement fees income which were partially negated by lower advisory fees income.

IB recorded higher PBT of RM22.5 million for FYE18 (FYE17: PBT of RM19.7 million) mainly due to higher net trading and investment gain from fixed income portfolio, net interest income, placement fees, underwriting fees income and fees on loan and advances.

Investment and Wealth Management:

	Individual period		Cumulative period	
	3 months ended	3 months ended	12 months ended	12 months ended
	31 December 2018 (4Q18)	31 December 2017 (4Q17)	31 December 2018 (FYE18)	31 December 2017 (FYE17)
(RM'000)				
Revenue	27,523	22,214	85,081	68,675
Net income	29,681	23,187	85,548	67,606
Profit/(Loss) before tax	1,311	2,883	33	(1,933)

This segment has achieved PBT of RM1.3 million for 4Q18 compared to RM2.9 million for 4Q17 mainly due to higher personnel cost and administrative expenses incurred.

PBT of RM33 thousand was registered for FYE18 (FYE17: LBT of RM1.9 million) mainly due to contribution from new products, management fees from retail channel and improved performance in private wealth segment.

NOTES TO INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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	12 months ended	12 months ended
	31 December 2018 (4Q18)	31 December 2017 (4Q17)	31 December 2018 (FYE18)	31 December 2017 (FYE17)
(RM'000)				
Revenue	3,218	3,221	11,880	14,536
Net income	3,074	3,053	11,311	13,879
Loss before tax	(470)	(688)	(2,756)	(1,057)

Futures business recorded LBT of RM0.5 million for 4Q18 compared to LBT of RM0.7 million for 4Q17 mainly due lower interest income and margin compression in commission income.

Higher LBT of RM2.8 million recorded for FYE18 compared to LBT of RM1.1 million for FYE17 mainly due to lower commission income from lower levels of client activities amid the sluggish market conditions, as well as lower interest income earned.

Money lending and financing:

	Individual period		Cumulative period	
	3 months ended	3 months ended	12 months ended	12 months ended
	31 December 2018 (4Q18)	31 December 2017 (4Q17)	31 December 2018 (FYE18)	31 December 2017 (FYE17)
(RM'000)				
Revenue	2,224	1,568	8,214	7,760
Net income	1,258	1,234	5,064	4,979
Profit before tax	59	147	539	448

Despite the improved net income, this segment still recorded lower PBT for 4Q18 compared to 4Q17 mainly due to higher administrative expenses.

PBT of RM0.5 million was recorded for FYE18 compared to PBT of RM0.4 million for FYE17 mainly due to higher other incidental income earned during current year.

NOTES TO INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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	12 months ended	12 months ended
	31 December 2018 (4Q18)	31 December 2017 (4Q17)	31 December 2018 (FYE18)	31 December 2017 (FYE17)
(RM'000)				
Revenue	22,012	8,946	31,805	18,130
Net income	22,575	7,890	33,631	20,239
Profit/(Loss) before tax	15,225	(2,630)	25,432	(9,177)

Favourable result was recorded for this segment with PBT of RM15.2 million for 4Q18 compared to LBT for 4Q17 of RM2.6 million mainly due to revaluation gain on investment in private equity fund and share of profit in associate during current quarter.

This segment has recorded PBT of RM25.4 million for FYE18 mainly due to the bad debt recovered of RM13.5 million from the net settlement of a court case and revaluation gain on investment of RM18.9 million.

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

Current quarter versus previous quarter

Group:

	Current quarter	Previous quarter
	3 months ended 31 December 2018 (4Q18)	3 months ended 30 September 2018 (3Q18)
(RM'000)		
Revenue	171,368	162,091
Net income	117,898	109,199
Profit before tax	(9,418)	9,337
Profit after tax	(12,437)	5,792

For 4Q18, the Group's PBT has deteriorated compared to previous quarter ended 30 September 2018 mainly due to higher credit loss expense and lower net brokerage income generated but partially mitigated by higher net trading income and lower overheads recorded during the current quarter.

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B3. Prospects for 2019

The global economy is expected to slow further in 2019 due to worsening set of factors ranging from trade tensions, to financial market instability and currency challenges in the emerging markets as well as decline in commodity prices in particular oil and gas. Consequently, Malaysia's economic growth prospect is expected to be less favourable in 2019, with projected growth of 4.7% in 2019, after an estimated 4.8% growth in 2018 and 5.7% in 2017.

On the monetary policy outlook, the US Fed less hawkish stance and pause signal of its planned rate hikes would provide more room for Bank Negara Malaysia ("BNM") to maintain its accommodative monetary policy stance in 2019. With loan growth expected to ease further to 4.2% in 2019 from 5.6% in 2018, along with subdued inflationary trend (1.0-1.5%) and prospects of moderating global growth, we believe BNM will hold the overnight policy rate ("OPR") steady at 3.25% this year, supporting its tenet of upholding growth and price stability.

With the above in mind, the Bank is of the view that current financial year will be challenging.

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 year.

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B5. Taxation and zakat

	Individual Quarter		Cumulative Quarters	
	3 months ended 31 December 2018	3 months ended 31 December 2017	12 months ended 31 December 2018	12 months ended 31 December 2017
	RM'000	RM'000	RM'000	RM'000
Income tax and zakat	(4,331)	(6,528)	(15,272)	(17,418)
Deferred taxation	1,312	2,265	(1,668)	965
Total	(3,019)	(4,263)	(16,940)	(16,453)

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

B6. Borrowings

	Group		Bank	
	As at 31 December 2018	As at 31 December 2017	As at 31 December 2018	As at 31 December 2017
	RM '000	RM '000	RM '000	RM '000
Secured				
Revolving bank loan denominated in RM				
- More than one year	52,800	64,000	52,800	64,000
Unsecured				
Revolving bank loans denominated in RM				
- Within one year	41,500	21,000	-	-
Subordinated notes denominated in RM				
- More than one year	25,000	5,000	25,000	5,000
	119,300	90,000	77,800	69,000

B7. Dividend

No dividend has been proposed for the current financial quarter.

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B8. (Loss)/Earnings per share

	Individual Quarter		Cumulative Quarter	
	3 months ended 31 December 2018 RM'000	3 months ended 31 December 2017 RM'000	12 months ended 31 December 2018 RM'000	12 months ended 31 December 2017 RM'000
(Loss)/Profit for the period/year attributable to equity holders of the Bank	(12,437)	12,515	11,911	24,188
Weighted average number of ordinary shares in issue ('000)	708,862	722,547	713,185	722,547
Effects of dilution	3,506	-	1,566	-
Adjusted weighted average number of ordinary shares in issue ('000)	712,368	-	714,751	-
(Loss)/Earnings per share (sen)				
- basic	(1.75)	1.73	1.67	3.35
- fully diluted	(1.75)	1.73	1.67	3.35

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

B9. Changes in Material Litigation

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

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

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.

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

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

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.

(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.

B10. Derivative financial instruments

Derivative financial instruments are as follows:

Group and Bank

Items	As at 31 December 2018		As at 31 December 2017	
	Contract/Notional Value RM'000	Fair Value RM'000	Contract/Notional Value RM'000	Fair Value RM'000
<u>Derivative financial assets</u>				
Equity related contract- options	100,319	69,585	111,305	64,820
Equity related contract- swaps	14,771	2,292	75,772	2,455
Dual currency investment- options	13,636	115	18,114	118
	128,726	71,992	205,191	67,393
<u>Derivative financial liabilities</u>				
Equity related contract- options	122,122	12,559	433,635	36,056
Equity related contract- swaps	5,900	23	-	-
Dual currency investment- options	13,636	111	18,114	118
	141,658	12,693	451,749	36,174

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B10. Derivative financial instruments (Cont'd.)

**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 2017 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.

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 RM3,675,390 (3Q18 gain: RM1,670,265). 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.