

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

Unaudited Condensed Interim Financial Statements
30 September 2018

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

**UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2018**

<u>Group</u>	Note	As at 30 September 2018 RM'000	As at 31 December 2017 RM'000
ASSETS			
Cash and bank balances	A12	1,681,521	1,347,517
Financial assets at fair value through profit or loss ("FVTPL")	A13	328,515	557,568
Financial instruments at fair value through other comprehensive income ("FVOCI")	A14 (i)	1,470,024	-
Financial instruments at amortised cost	A14 (ii)	121,270	-
Financial investments available-for-sale	A15 (i)	-	1,010,167
Financial investments held-to-maturity	A15 (ii)	-	38,001
Derivative financial assets	B11	71,328	67,393
Loans, advances and financing	A16	2,072,997	2,195,501
Balances due from clients and brokers	A17	408,006	494,883
Other assets	A18	158,901	118,417
Statutory deposit with Bank Negara Malaysia	A19	118,384	116,186
Tax recoverable		19,246	7,028
Investment in associates		59,657	60,438
Investment in a joint venture company		16,705	13,220
Property, plant and equipment		187,766	189,842
Intangible assets		266,266	266,414
Deferred tax assets		6,298	10,006
TOTAL ASSETS		6,986,884	6,492,581
LIABILITIES			
Deposits from customers	A20	4,607,811	4,233,914
Deposits and placements of banks and other financial institutions	A21	300,059	210,762
Balances due to clients and brokers		578,081	624,612
Derivative financial liabilities	B11	12,830	36,174
Other liabilities	A22	368,210	329,150
Obligations on securities sold under repurchase agreements		84,359	74,993
Borrowings	A23	142,100	90,000
Provision for taxation and zakat		11,373	1,510
TOTAL LIABILITIES		6,104,823	5,601,115
EQUITY			
Share capital		246,249	246,137
Treasury shares		(14,935)	-
Reserves		650,747	645,329
TOTAL EQUITY		882,061	891,466
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		6,986,884	6,492,581
Commitments and contingencies		2,967,200	3,293,234
Net assets per share attributable to equity holders of the Bank (RM)		1.22	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 30 SEPTEMBER 2018

<u>Bank</u>	Note	As at 30 September 2018 RM'000	As at 31 December 2017 RM'000
ASSETS			
Cash and bank balances	A12	1,437,023	1,092,544
Financial assets at FVTPL	A13	322,229	549,735
Financial instruments at fair value through other comprehensive income ("FVOCI")	A14 (i)	1,470,024	-
Financial instruments at amortised cost	A14 (ii)	121,270	-
Financial investments available-for-sale	A15 (i)	-	1,010,167
Financial investments held-to-maturity	A15 (ii)	-	38,001
Derivative financial assets	B11	71,328	67,393
Loans, advances and financing	A16	2,013,441	2,180,080
Balances due from clients and brokers	A17	408,006	494,883
Other assets	A18	98,961	66,582
Statutory deposit with Bank Negara Malaysia	A19	118,384	116,186
Tax recoverable		12,025	-
Investment in subsidiaries		72,564	72,564
Investment in an associate		56,235	56,235
Investment in a joint venture company		30,000	20,000
Property, plant and equipment		184,791	186,978
Intangible assets		305,409	305,409
Deferred tax assets		4,156	7,798
TOTAL ASSETS		6,725,846	6,264,555
LIABILITIES			
Deposits from customers	A20	4,656,973	4,278,148
Deposits and placements of banks and other financial institutions	A21	300,059	210,762
Balances due to clients and brokers		318,046	416,960
Derivative financial liabilities	B11	12,830	36,174
Other liabilities	A22	327,937	243,234
Obligations on securities sold under repurchase agreements		84,359	74,993
Borrowings	A23	80,600	69,000
Provision for taxation and zakat		11,014	1,121
TOTAL LIABILITIES		5,791,818	5,330,392
EQUITY			
Share capital		246,249	246,137
Treasury shares		(14,935)	-
Reserves		702,714	688,026
TOTAL EQUITY		934,028	934,163
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		6,725,846	6,264,555
Commitments and contingencies		3,102,037	3,411,302
Net assets per share (RM)		1.29	1.29

The condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 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 PERIOD ENDED 30 SEPTEMBER 2018**

	Note	Individual Quarter		Cumulative Quarters	
		3 months ended 30 September 2018 RM'000	3 months ended 30 September 2017 RM'000	9 months ended 30 September 2018 RM'000	9 months ended 30 September 2017 RM'000
Group					
Interest income	A24	83,985	84,174	231,136	227,421
Interest expense	A25	(61,890)	(61,832)	(165,736)	(162,754)
Net interest income		22,095	22,342	65,400	64,667
Net income from Islamic banking business	A35	4,776	2,806	10,493	7,416
Other operating income	A26	82,300	79,554	258,107	266,208
Net income		109,171	104,702	334,000	338,291
Other operating expenses	A27	(98,028)	(94,480)	(303,925)	(306,655)
Operating profit		11,143	10,222	30,075	31,636
Credit loss reversal/(expenses)	A28	642	(11)	394	(1,389)
Bad debts recovered	A29	53	110	13,726	224
		11,838	10,321	44,195	30,471
Share of results of associates and joint venture		(2,501)	(1,564)	(5,926)	(6,630)
Profit before taxation and zakat		9,337	8,757	38,269	23,841
Taxation and zakat		(3,545)	(3,337)	(13,921)	(12,190)
Profit for the period		5,792	5,420	24,348	11,651
Other comprehensive income/(loss)					
Items that will not be reclassified subsequently to profit or loss:					
Share of associate's gain on equity instruments at FVOCI		339	-	833	-
Items that will be reclassified subsequently to profit or loss:					
Foreign exchange differences on consolidation		1,679	(1,276)	1,166	(4,245)
Share of other comprehensive loss in associates		(2,959)	(1,828)	(3,366)	(2,540)
Net gain on fair value changes of debt instrument at FVOCI		6,782	2,673	3,454	7,141
Income tax relating to the components of other comprehensive income		(1,628)	(642)	(829)	(1,714)
Other comprehensive income/(loss) for the period, net of tax		4,213	(1,073)	1,258	(1,358)
Total comprehensive income for the period, net of tax		10,005	4,347	25,606	10,293

**KENANGA INVESTMENT BANK BERHAD
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CONDENSED INTERIM FINANCIAL STATEMENTS

**UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2018**

	Individual Quarter		Cumulative Quarters	
	3 months ended 30 September 2018	3 months ended 30 September 2017	9 months ended 30 September 2018	9 months ended 30 September 2017
Note	RM'000	RM'000	RM'000	RM'000
Profit for the period				
Attributable to:				
Equity holders of the Bank	5,792	5,420	24,348	11,673
Non-controlling interests	-	-	-	(22)
	5,792	5,420	24,348	11,651
Earnings per share				
Basic (sen)	B9 0.82	0.75	3.39	1.62
Fully diluted (sen)	B9 0.81	0.75	3.34	1.62

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 PERIOD ENDED 30 SEPTEMBER 2018

	Note	Individual Quarter		Cumulative Quarters	
		3 months ended 30 September 2018 RM'000	3 months ended 30 September 2017 RM'000	9 months ended 30 September 2018 RM'000	9 months ended 30 September 2017 RM'000
Bank					
Interest income	A24	81,477	82,430	224,717	221,191
Interest expense	A25	(62,740)	(62,189)	(167,137)	(163,692)
Net interest income		18,737	20,241	57,580	57,499
Net income from Islamic banking business	A35	4,776	2,806	10,493	7,416
Other operating income	A26	62,605	62,417	201,467	217,872
Net income		86,118	85,464	269,540	282,787
Other operating expenses	A27	(75,656)	(74,681)	(237,423)	(247,291)
Operating profit		10,462	10,783	32,117	35,496
Credit loss reversal	A28	622	315	508	277
Bad debts recovered	A29	53	110	13,726	224
Profit before taxation and zakat		11,137	11,208	46,351	35,997
Taxation and zakat		(3,592)	(2,666)	(13,841)	(11,922)
Profit for the period		7,545	8,542	32,510	24,075
Other comprehensive income					
Items that will be reclassified subsequently to profit or loss:					
Net gain on fair value changes of debt instruments at FVOCI		6,782	5,130	3,454	7,141
Income tax relating to the components of other comprehensive income		(1,628)	(589)	(829)	(1,714)
Other comprehensive income for the period, net of tax		5,154	4,541	2,625	5,427
Total comprehensive income for the period, net of tax		12,699	13,083	35,135	29,502

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 CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2018

Group	Non- Distributable					Distributable			Total Equity RM'000
	Ordinary Shares RM'000	ESOS 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)
Restated opening balance under MFRS 9	246,137	-	(5,655)	25,277	17,398	88,938	-	519,053	891,148
Net profit for the financial period	-	-	-	-	-	-	-	24,348	24,348
Share of other comprehensive (loss)/income of associates	-	-	(3,366)	-	-	-	-	833	(2,533)
Other comprehensive income	-	-	2,625	-	1,166	-	-	-	3,791
Total comprehensive (loss)/income	-	-	(741)	-	1,166	-	-	25,181	25,606
Share based payment under Employees' Share Options Scheme ("ESOS")	-	1,783	-	-	-	-	-	-	1,783
Issue of shares pursuant to exercise of ESOS	112	(17)	-	-	-	-	-	17	112
Buy-back of shares	-	-	-	-	-	-	(14,935)	-	(14,935)
Transfer to regulatory reserve	-	-	-	(212)	-	-	-	212	-
Dividend paid	-	-	-	-	-	-	-	(21,653)	(21,653)
At 30 September 2018	246,249	1,766	(6,396)	25,065	18,564	88,938	(14,935)	522,810	882,061

* 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.

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UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2017

Group	Non- Distributable						Distributable		Non- Controlling Interests	Total Equity
	Ordinary Shares RM'000	Share Premium RM'000	Statutory Reserve RM'000	Available-For- Sale Deficit RM'000	Regulatory Reserve RM'000	Exchange Reserve RM'000	Capital Reserve RM'000	Retained Profits 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 period	-	-	-	-	-	-	-	11,673	(22)	11,651
Share of other comprehensive loss of associates	-	-	-	(2,540)	-	-	-	-	-	(2,540)
Other comprehensive income/(loss)	-	-	-	5,427	-	(4,245)	-	-	-	1,182
Total comprehensive income/(loss)	-	-	-	2,887	-	(4,245)	-	11,673	(22)	10,293
Transfer pursuant to Companies Act 2016	65,500	(65,500)	-	-	-	-	-	-	-	-
Transfer to regulatory reserve	-	-	-	-	1,213	-	-	(1,213)	-	-
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 30 September 2017	246,137	-	-	(8,147)	25,142	20,143	88,938	507,965	-	880,178

* 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.

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**UNAUDITED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2018**

	Non- Distributable					Distributable		Total Equity RM'000
	Ordinary Shares RM'000	Regulatory Reserve RM'000	ESOS Reserve RM'000	* Fair value Deficit RM'000	Capital Reserve RM'000	Treasury Shares RM'000	Retained Profits RM'000	
Bank								
At 1 January 2018	246,137	25,277	-	(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 period	-	-	-	-	-	-	32,510	32,510
Other comprehensive income	-	-	-	2,625	-	-	-	2,625
Total comprehensive income	-	-	-	2,625	-	-	32,510	35,135
Share based payment under Employees' Share Options Scheme ("ESOS")	-	-	1,783	-	-	-	-	1,783
Issue of shares pursuant to exercise of ESOS	112	-	(17)	-	-	-	17	112
Buy-back of shares	-	-	-	-	-	(14,935)	-	(14,935)
Transfer to regulatory reserve	-	(212)	-	-	-	-	212	-
Dividend paid	-	-	-	-	-	-	(21,653)	(21,653)
At 30 September 2018	246,249	25,065	1,766	(1,241)	153,863	(14,935)	523,261	934,028

* 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.

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**UNAUDITED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2017**

	Non- Distributable					Distributable		Total Equity RM'000
	Ordinary Shares RM'000	Share Premium RM'000	Regulatory Reserve RM'000	Statutory Reserve RM'000	Available-For- 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 period	-	-	-	-	-	-	24,075	24,075
Other comprehensive income	-	-	-	-	5,427	-	-	5,427
Total comprehensive income	-	-	-	-	5,427	-	24,075	29,502
Transfer pursuant to Companies Act 2016	65,500	(65,500)	-	-	-	-	-	-
Transfer to regulatory reserve	-	-	1,213	-	-	-	(1,213)	-
Transfer from statutory reserve*	-	-	-	(465,741)	-	-	465,741	-
Dividend paid	-	-	-	-	-	-	(16,257)	(16,257)
At 30 September 2017	246,137	-	25,142	-	(1,946)	153,863	492,555	915,751

* 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 PERIOD ENDED 30 SEPTEMBER 2018**

	Group		Bank	
	30 September 2018 RM'000	30 September 2017 RM'000	30 September 2018 RM'000	30 September 2017 RM'000
Cash flows from operating activities				
Profit before taxation	38,269	23,841	46,351	35,997
Adjustments for:				
Depreciation of property, plant and equipment	10,037	9,702	9,671	9,456
Amortisation of intangible assets	169	583	-	-
ESOS expenses	1,557	-	1,557	-
Credit loss (reversal)/expense on financial assets	(394)	1,389	(508)	(277)
Property, plant and equipment written off	2	307	2	314
Non-cash items	11,371	11,981	10,722	9,493
Net gain from sale of financial assets at FVTPL and derivatives	(20,020)	(26,224)	(20,020)	(26,224)
Net gain from sale of financial investments available-for-sale	-	(6)	-	(6)
Net gain from sale of financial investments other than those measured at FVTPL	(1,995)	-	(1,995)	-
Gross dividend income from investments	(1,184)	(1,497)	(1,031)	(1,322)
Gain on revaluation of financial assets at FVTPL and derivatives	(3,887)	(7,546)	(3,887)	(7,546)
Loss on disposal of property, plant and equipment	-	44	-	46
Share of results of associates and joint venture	5,926	6,630	-	-
Non-operating items - investing	(21,160)	(28,599)	(26,933)	(35,052)
Adjustments for non-operating and non-cash items	(9,789)	(16,618)	(16,211)	(25,559)
Operating profit before working capital changes	28,480	7,223	30,140	10,438
Changes in working capital:				
Net changes in operating assets	78,965	(82,279)	216,213	(135,023)
Net changes in operating liabilities	465,393	617,202	463,664	720,484
Cash generated from operations	572,838	542,146	710,017	595,899
Taxation and zakat paid	(13,374)	(9,924)	(13,140)	(9,032)
Net operating cash flow	559,464	532,222	696,877	586,867
Cash flows from investing activities				
Acquisition of additional shares in an existing subsidiary	-	-	-	(10,050)
Dividends received from other investments	1,184	1,497	1,031	1,322
Purchase of property, plant and equipment and intangible assets	(7,986)	(11,539)	(7,485)	(10,592)
Proceeds from disposal of property, plant and equipment and intangible assets	-	114	-	114
Capital injection in a joint venture	(10,000)	(7,500)	(10,000)	(7,500)
Net purchase of securities	(311,575)	(312,832)	(313,122)	(302,475)
Net investing cash flow	(328,377)	(330,260)	(329,576)	(329,181)
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	52,100	(73,900)	11,600	(43,400)
Buy-back of shares	(14,935)	-	(14,935)	-
Net financing cash flow	15,624	(90,157)	(24,876)	(59,657)

**KENANGA INVESTMENT BANK BERHAD
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**UNAUDITED CONDENSED STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2018**

	Group		Bank	
	30 September 2018 RM'000	30 September 2017 RM'000	30 September 2018 RM'000	30 September 2017 RM'000
Net change in cash and cash equivalents during the financial period	246,711	111,805	342,425	198,029
Effect of exchange rate differences	2	-	-	-
Cash and cash equivalents brought forward	<u>1,143,077</u>	<u>1,044,011</u>	<u>1,032,060</u>	<u>893,741</u>
Cash and cash equivalents carried forward	<u>1,389,790</u>	<u>1,155,816</u>	<u>1,374,485</u>	<u>1,091,770</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 30 September 2018 RM'000	As at 30 September 2017 RM'000	As at 30 September 2018 RM'000	As at 30 September 2017 RM'000
Cash and short-term funds	1,600,959	1,333,274	1,437,023	1,151,619
Deposits and placements with banks and other financial institutions	80,562	50,000	-	-
Less: Segregated funds from customers	(229,193)	(167,609)	-	-
Less: Cash and bank balances and deposits held in trust	<u>(62,538)</u>	<u>(59,849)</u>	<u>(62,538)</u>	<u>(59,849)</u>
	<u>1,389,790</u>	<u>1,155,816</u>	<u>1,374,485</u>	<u>1,091,770</u>

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

**NOTES TO INTERIM FINANCIAL REPORT
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2018**

A1. Basis Of Preparation

The interim financial statements, for the financial period ended 30 September 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 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
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2018**

A4. The nature and impact of MFRS 9 Financial Instruments

MFRS 9 Financial Instruments replaces MFRS 139 Financial Instruments: Recognition and Measurement for annual periods 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

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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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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
Financial assets			RM'000	RM'000	RM'000	RM'000	RM'000	
Cash and Bank balances		L&R ¹	1,347,517	-	-	-	1,347,517	AC2
Financial assets at fair value through profit or loss		FVTPL	557,568	-	-	-	557,568	FVTPL
Debt instruments at fair value through other comprehensive income	A		N/A	1,009,677	(17)	17	1,009,677	FVOCI
Equity instruments at fair value through other comprehensive income	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		ECL	Other	Amount	Category
		RM'000		RM'000	RM'000	RM'000	RM'000	
Financial assets								
Cash and Bank balances		L&R ¹	1,092,544	-	-	-	1,092,544	AC ²
Financial assets at fair value through profit or loss		FVTPL	549,735	-	-	-	549,735	FVTPL
Debt instruments at fair value through other comprehensive income	A		N/A	1,009,677	(17)	17	1,009,677	FVOCI
Equity instruments at fair value through other comprehensive income	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	-	(1,011)	-	2,179,069	AC
Balances due from clients and brokers		L&R	494,883	-	1,506	-	496,389	AC
Other assets		L&R	66,582	-	372	-	66,954	AC
Statutory deposit with Bank Negara Malaysia		L&R	116,186	-	-	-	116,186	AC
			5,615,571	-	(166)	1,281	5,616,686	
Non-financial assets								
Deferred tax assets			7,798	-	489	(307)	7,980	
Total assets			5,623,369	-	323	974	5,624,666	

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	Bank
	RM'000	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	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 Provision 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 instruments at FVOCI under MFRS 9	-	17	17
Financial investments held- to-maturity per MFRS 139/ financial instruments 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 instruments at FVOCI under MFRS 9	-	17	17
Financial investments held- to-maturity per MFRS 139/ financial instruments 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 B10.

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.

A8. Issuance, cancellation, repurchases, resale and repayments of debt and equity securities

There were no issuance, cancellation, repurchases, resale and repayments of equity securities during the financial period ended 30 September 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 30 September 2018, the Bank has outstanding RM25 million Subordinated Notes under the above-mentioned Programme.

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A8. Issuance, cancellation, repurchases, resale and repayments 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 period to date, the Company repurchased 20,907,300 ordinary shares of its issued share capital from the open market at an average cost of RM0.7113 per share. The total consideration paid for the share buy-back, including transaction costs was RM14.93 million, and was financed by internally generated fund.

As at 30 September 2018, the number of treasury shares held was 20,907,300 shares.

- (iii) The share capital of the Bank increased from RM246,136,750 as at 31 December 2017 to RM246,248,530 as at 30 September 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 ("ESOS").

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 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 period ended 30 September 2018.

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	Group		Bank	
	As at 30 September 2018 RM'000	As at 31 December 2017 RM'000	As at 30 September 2018 RM'000	As at 31 December 2017 RM'000
A12. Cash and bank balances				
Cash and balances with banks and other financial institutions	217,640	279,972	114,839	126,640
Money at call and deposit placements	1,463,881	1,067,545	1,322,184	965,904
- within one month	1,383,319	826,986	1,322,184	765,904
- after one month	80,562	240,559	-	200,000
	<u>1,681,521</u>	<u>1,347,517</u>	<u>1,437,023</u>	<u>1,092,544</u>
Included in cash and bank balances are:				
Cash and cash equivalents	1,389,790	1,143,077	1,374,485	1,032,060
Monies held in trust on behalf of dealer's representatives and segregated funds for customers	291,731	204,440	62,538	60,484
	<u>1,681,521</u>	<u>1,347,517</u>	<u>1,437,023</u>	<u>1,092,544</u>
A13. Financial Assets At Fair Value Through Profit or Loss ("FVTPL")				
At fair value				
Money Market Instruments:				
Malaysian Government Securities	39,337	20,254	39,337	20,254
Malaysian Government Investment Certificates	70,845	50,171	70,845	50,171
	<u>110,182</u>	<u>70,425</u>	<u>110,182</u>	<u>70,425</u>
Quoted Securities:				
Shares in Malaysia	45,006	216,060	45,006	216,060
Shares outside Malaysia	151	3,368	151	3,368
	<u>45,157</u>	<u>219,428</u>	<u>45,157</u>	<u>219,428</u>
Unquoted Securities:				
Shares and funds in Malaysia	118,432	18,041	112,146	10,208
Unquoted Debt Securities in Malaysia:				
Corporate Bills	34,846	89,733	34,846	89,733
Islamic Corporate Bills	19,898	159,941	19,898	159,941
	<u>54,744</u>	<u>249,674</u>	<u>54,744</u>	<u>249,674</u>
Total Financial Assets At Fair Value Through Profit or Loss	<u>328,515</u>	<u>557,568</u>	<u>322,229</u>	<u>549,735</u>

	Group		Bank	
	As at 30 September 2018 RM'000	As at 31 December 2017 RM'000	As at 30 September 2018 RM'000	As at 31 December 2017 RM'000

A14. Financial investments other than those measured at FVTPL

(i) Financial instrument at Fair Value Through
Other Comprehensive Income ("FVOCI"):

Money market instruments:

Malaysian Government Securities	80,285	-	80,285	-
Malaysian Government Investment Certificates	195,775	-	195,775	-
Sukuk Perumahan Kerajaan	10,077	-	10,077	-
Negotiable Instruments of Deposits	329,835	-	329,835	-
Islamic Negotiable Instruments of Deposits	199,532	-	199,532	-
	815,504	-	815,504	-

Equity instruments in Malaysia:

Unquoted Shares	1,754	-	1,754	-
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Debt instruments in Malaysia:

Islamic Corporate Sukuk	487,307	-	487,307	-
Corporate Bonds	165,459	-	165,459	-
	652,766	-	652,766	-

Total Financial instruments at FVOCI:	1,470,024	-	1,470,024	-
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Included in financial investments at FVOCI are financial assets sold under repurchase agreements as follows:

Malaysian Government Investment Certificates	19,321	-	19,321	-
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(ii) Financial investment at amortised cost:

Money market instruments:

Malaysian Government Investment Certificates	9,872	-	9,872	-
	9,872	-	9,872	-

Debt instruments in Malaysia:

Islamic Corporate Sukuk				
At cost	112,241	-	112,241	-
Less: Allowance for ECL	(843)	-	(843)	-
	111,398	-	111,398	-

Total financial investment at amortised cost:	121,270	-	121,270	-
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(iii) Impairment losses on financial instruments subject to impairment assessment

(a) Debt instrument measured at Fair Value Through Other Comprehensive Income ("FVOCI"):

	2018			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Movement in ECLs				
As at 1 January 2018 and 30 September 2018	17	-	-	17

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A14. Financial investments other than those measured at FVTPL (cont'd)

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

(b) 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	Stage 3 RM'000	Total RM'000
Movement in ECLs				
As at 1 January 2018	64	952	-	1,016
Impact of net re-measurement of ECL	(64)	(109)	-	(173)
As at 30 September 2018	-	843	-	843

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

Group		Bank	
As at 30 September 2018 RM'000	As at 31 December 2017 RM'000	As at 30 September 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	-	50,000
Malaysian Government Securities	-	49,534	-	49,534
Malaysian Government Investment Certificates	-	155,357	-	155,357
Sukuk Perumahan Kerajaan	-	10,076	-	10,076
	-	264,967	-	264,967

Unquoted Securities in Malaysia:

Shares	-	490	-	490
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Unquoted Debt Securities in Malaysia:

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

Total Financial Investments Available-for-Sale

	-	1,010,167	-	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	-	37,861
Malaysian Government Securities	-	37,132	-	37,132
	-	74,993	-	74,993

(ii) Financial Investments Held-To-Maturity

Unquoted Debt Securities in Malaysia:

Islamic Corporate Sukuk	-	38,001	-	38,001
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	Group		Bank	
	As at 30 September 2018 RM'000	As at 31 December 2017 RM'000	As at 30 September 2018 RM'000	As at 31 December 2017 RM'000
A16. Loans, Advances and Financing				
At Amortised Cost				
Share margin financing	1,440,571	1,557,649	1,440,571	1,557,649
Term loans	564,001	588,800	564,001	614,478
Subordinated term loan	-	-	10,120	10,261
Others	70,164	51,985	71	-
Gross loans, advances and financing	2,074,736	2,198,434	2,014,763	2,182,388
Less: Allowance for ECL/impairment losses				
- Stage 1- 12-month ECL	(923)	-	(1,322)	-
- Stage 2- Lifetime ECL not credit impaired	(21)	-	-	-
- Stage 3- Lifetime ECL credit impaired	(795)	-	-	-
- Collective impairment	-	(669)	-	(867)
- Individual impairment	-	(2,264)	-	(1,441)
Net Loans, Advances and Financing	2,072,997	2,195,501	2,013,441	2,180,080
(i) By Type of Customer				
Domestic business enterprise	843,309	904,376	787,033	889,531
Individuals	1,172,729	1,230,307	1,169,032	1,229,106
Foreign enterprises	58,698	63,751	58,698	63,751
Gross Loans, Advances and Financing	2,074,736	2,198,434	2,014,763	2,182,388
(ii) By Geographical Distribution				
In Malaysia	1,990,893	2,124,179	1,930,920	2,108,133
Outside Malaysia	83,843	74,255	83,843	74,255
Gross Loans, Advances and Financing	2,074,736	2,198,434	2,014,763	2,182,388
(iii) By Interest Rate/ Profit Rate Sensitivity				
Fixed rate				
- Other fixed rate loans	1,523,688	1,609,617	1,440,571	1,557,633
Variable rate				
- Other variable rates	532,555	565,481	555,699	601,419
- Base lending rate plus	18,423	23,336	18,423	23,336
Zero rate	70	-	70	-
Gross Loans, Advances and Financing	2,074,736	2,198,434	2,014,763	2,182,388
(iv) By Purpose				
- Purchase of securities	1,722,120	1,836,502	1,710,167	1,819,194
- Working capital	182,696	193,274	152,054	203,635
- Others	169,920	168,658	152,542	159,559
Gross Loans, Advances and Financing	2,074,736	2,198,434	2,014,763	2,182,388
(v) By Residual Contractual Maturity				
- Within one year	1,654,066	1,778,176	1,609,856	1,751,870
- More than one year	420,670	420,258	404,907	430,518
Gross Loans, Advances and Financing	2,074,736	2,198,434	2,014,763	2,182,388

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	Group		Bank	
	As at 30 September 2018 RM'000	As at 31 December 2017 RM'000	As at 30 September 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 period/year	2,737	2,608	1,910	1,735
Impaired during the financial period/year	46,246	176	46,246	176
Amount written off against allowance for ECL	(1,441)	-	(1,441)	-
Amount recovered	(28)	(47)	-	(1)
At end of the financial period/year	47,514	2,737	46,715	1,910
Less: Allowance for ECL/impairment losses	(795)	(2,264)	-	(1,441)
Net impaired loans	46,719	473	46,715	469
Net impaired loans as a % of gross loans, advances and financing less allowance	2.25%	0.02%	2.32%	0.02%

(vii) Impaired loans by Geographical Distribution

Malaysia	47,514	2,737	46,715	1,910
Gross impaired loans	47,514	2,737	46,715	1,910

(viii) Impaired loans by Purpose

Working capital	799	827	-	-
Purchase of securities	46,715	1,910	46,715	1,910
Gross impaired loans	47,514	2,737	46,715	1,910

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

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	186	-	-	186
Assets derecognised or repaid (excluding write-offs)	(625)	-	-	(625)
As at 30 September 2018	863	-	-	863

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	186	-	-	186
Assets derecognised or repaid (excluding write-offs)	(785)	-	-	(785)
As at 30 September 2018	1,121	-	-	1,121

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
Amounts written off	-	-	(1,441)	(1,441)
As at 30 September 2018	-	-	-	-

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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			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Movement in ECLs				
As at 1 January 2018	-	21	823	844
Assets derecognised or repaid (excluding write-offs)	-	-	(28)	(28)
As at 30 September 2018	-	21	795	816

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 30 September 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 30 September 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 30 September 2018 RM'000	As at 31 December 2017 RM'000
Balances due from clients and brokers	422,456	516,250
Less:		
Allowance for impairment	(14,450)	(21,367)
	408,006	494,883

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

Group and Bank

	2018			
<u>Movement in ECLs</u>	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
As at 1 January 2018	-	1,516	12,904	14,420
Charge during the period	-	75	120	195
Written back during the period	-	(75)	(90)	(165)
As at 30 September 2018	-	1,516	12,934	14,450

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:

Movements of impairment allowance for:

	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 30 September 2018 RM'000	As at 31 December 2017 RM'000	As at 30 September 2018 RM'000	As at 31 December 2017 RM'000
Assets segregated for customers	37,591	32,431	-	-
Interest/income receivable	18,327	11,989	17,946	11,547
Prepayments and deposits	18,426	18,699	17,035	17,435
Other debtors	38,853	40,019	16,413	20,817
Treasury trade receivables	50,584	19,986	50,584	19,986
Amount due from subsidiaries	-	-	493	116
Amount due from related parties	29	33	29	33
	163,810	123,157	102,500	69,934
Allowance for impairment	(4,909)	(4,740)	(3,539)	(3,352)
	158,901	118,417	98,961	66,582

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	-	473	4,267	4,740
Charge during the period	-	43	222	265
Written back during the period	-	(64)	(28)	(92)
Written off during the period	-	-	(4)	(4)
As at 30 September 2018	-	452	4,457	4,909

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	-	473	2,879	3,352
Charge during the period	-	44	222	266
Written back during the period	-	(64)	(11)	(75)
Written off during the period	-	-	(4)	(4)
As at 30 September 2018	-	453	3,086	3,539

A19. Statutory deposit with Bank Negara Malaysia

	Group		Bank	
	As at 30 September 2018 RM'000	As at 31 December 2017 RM'000	As at 30 September 2018 RM'000	As at 31 December 2017 RM'000
Statutory Deposit	118,384	116,186	118,384	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 30 September 2018 RM'000	As at 31 December 2017 RM'000	As at 30 September 2018 RM'000	As at 31 December 2017 RM'000
(i) By type of deposit				
Fixed term deposits	3,383,548	2,856,250	3,397,570	2,866,250
Short term money deposits	1,082,255	1,293,200	1,117,027	1,327,071
Call money deposits	94,539	41,650	94,539	41,650
Negotiable instruments of deposit	47,469	42,814	47,837	43,177
	4,607,811	4,233,914	4,656,973	4,278,148
(ii) By type of customer				
Government and other statutory bodies	766,160	163,338	766,160	163,338
Individuals	119,512	131,371	119,512	131,371
Business enterprises	1,445,353	1,537,791	1,445,353	1,537,791
Non-bank financial institutions	2,276,786	2,401,414	2,276,786	2,401,414
Related companies	-	-	49,162	44,234
	4,607,811	4,233,914	4,656,973	4,278,148
(iii) By maturity structure				
Due within six months	3,279,106	3,737,649	3,328,268	3,781,883
More than six months to one year	1,328,705	496,265	1,328,705	496,265
	4,607,811	4,233,914	4,656,973	4,278,148

A21. Deposits and placements of banks and financial institutions

Licenced banks	50,000	70,000	50,000	70,000
Others financial institutions	250,059	140,762	250,059	140,762
	300,059	210,762	300,059	210,762

A22. Other liabilities

Interest/Income payable	32,784	23,000	31,597	22,465
Accruals and provision	65,342	74,571	39,831	37,353
Retention for contra losses	487	487	487	487
Structured products	35,683	46,961	35,683	46,961
Treasury trade payables	90,044	-	90,044	-
Deposits and other creditors	75,357	101,688	67,756	74,328
Amounts held in trust on behalf of				
Dealer's Representatives	62,538	60,484	62,538	60,484
Amount due to trustee	5,975	21,959	-	-
Amount due to subsidiaries	-	-	1	1,156
	368,210	329,150	327,937	243,234

A23. Borrowings

Secured:				
Revolving bank loan	55,600	64,000	55,600	64,000
Unsecured:				
Revolving bank loans	61,500	21,000	-	-
Subordinated notes	25,000	5,000	25,000	5,000
	142,100	90,000	80,600	69,000

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	Individual Quarter		Cumulative Quarters	
	3 months ended	3 months ended	9 months ended	9 months ended
	30 September 2018	30 September 2017	30 September 2018	30 September 2017
	RM'000	RM'000	RM'000	RM'000

A24. Interest Income

Group

Loans, advances and financing	37,318	37,808	114,266	111,267
Money at call and deposit placements with financial institutions	12,162	8,825	40,331	28,755
Financial assets at fair value through profit or loss	3,411	1,632	4,588	5,997
Financial instrument at FVOCI	9,665	-	26,427	-
Financial instrument at amortised cost	1,184	-	2,838	-
Financial investments available-for-sale	-	9,135	-	24,919
Financial investments held to maturity	-	478	-	1,440
Others	20,245	26,296	42,686	55,043
	83,985	84,174	231,136	227,421

Bank

Loans, advances and financing	35,363	36,417	109,726	106,684
Money at call and deposit placements with financial institutions	11,616	8,472	38,458	27,108
Financial assets at fair value through profit or loss	3,410	1,632	4,588	5,997
Financial instrument at FVOCI	9,665	-	26,427	-
Financial instrument at amortised cost	1,184	-	2,838	-
Financial investments available-for-sale	-	9,135	-	24,919
Financial investments held to maturity	-	478	-	1,440
Others	20,239	26,296	42,680	55,043
	81,477	82,430	224,717	221,191

A25. Interest Expense

Group

Deposits from customers	43,477	36,209	128,184	107,975
Deposits and placement from banks and other financial institutions	460	940	1,358	3,111
Borrowings	2,189	938	4,675	3,358
Others	15,764	23,745	31,519	48,310
	61,890	61,832	165,736	162,754

Bank

Deposits from customers	43,886	36,723	129,374	109,556
Deposits and placement from banks and other financial institutions	461	940	1,359	3,111
Borrowings	1,325	781	2,654	2,715
Others	17,068	23,745	33,750	48,310
	62,740	62,189	167,137	163,692

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	Individual Quarter		Cumulative Quarters	
	3 months ended 30 September 2018 RM'000	3 months ended 30 September 2017 RM'000	9 months ended 30 September 2018 RM'000	9 months ended 30 September 2017 RM'000
A26. Other Operating Income				
Group				
(a) Fee income:				
Brokerage fees	40,232	40,134	136,139	142,825
Corporate advisory fees	1,975	1,790	7,453	8,640
Processing fees on loans, advances and financing	1,143	896	4,739	3,793
Commissions	1,540	1,918	5,119	6,482
Management fee income	16,950	13,239	45,486	35,860
Placement fees	2,957	4,754	9,227	9,275
Underwriting commission	604	146	919	206
Other fee income	3,423	4,416	12,285	14,612
	<u>68,824</u>	<u>67,293</u>	<u>221,367</u>	<u>221,693</u>
(b) Net gain/(loss) arising from sale/ redemption of:				
Financial assets at fair value through profit or loss and derivatives	11,130	(2,178)	20,302	26,620
Financial investments measured at FVOCI	1,007	-	1,357	-
Financial investments available- for-sale	-	4	-	5
	<u>12,137</u>	<u>(2,174)</u>	<u>21,659</u>	<u>26,625</u>
(c) Gross dividend income from:				
Financial assets at fair value through profit or loss	104	779	944	964
Financial investments measured at FVOCI	211	-	240	-
Financial investments available-for-sale	-	227	-	533
	<u>315</u>	<u>1,006</u>	<u>1,184</u>	<u>1,497</u>
(d) Unrealised (loss)/gain on revaluation of financial assets at fair value through profit or loss and derivatives	<u>(2,337)</u>	<u>10,360</u>	<u>3,779</u>	<u>7,436</u>
(e) Other income:				
Net foreign exchange income	1,599	1,404	4,413	4,230
Loss on disposal of property, plant and equipment	-	(46)	-	(44)
Other operating income	561	343	984	1,048
Other non-operating income				
- Rental income	682	921	2,002	2,590
- Others	519	447	2,719	1,133
	<u>3,361</u>	<u>3,069</u>	<u>10,118</u>	<u>8,957</u>
Total other operating income	<u>82,300</u>	<u>79,554</u>	<u>258,107</u>	<u>266,208</u>

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	Individual Quarter		Cumulative Quarters	
	3 months ended 30 September 2018 RM'000	3 months ended 30 September 2017 RM'000	9 months ended 30 September 2018 RM'000	9 months ended 30 September 2017 RM'000
A26. Other Operating Income (Cont'd)				
Bank				
(a) Fee income:				
Brokerage fees	40,232	40,134	136,139	142,825
Corporate advisory fees	1,989	1,798	7,485	8,667
Processing fees on loans, advances and financing	821	534	3,813	2,726
Management fee income	76	115	309	551
Placement fees	2,637	4,754	8,007	9,275
Underwriting commission	604	146	919	206
Other fee income	2,230	2,454	7,065	7,683
	<u>48,589</u>	<u>49,935</u>	<u>163,737</u>	<u>171,933</u>
(b) Net gain/(loss) arising from sale/ redemption of:				
Financial assets at fair value through profit or loss and derivatives	11,130	(2,178)	20,302	26,620
Financial investments measured at FVOCI	1,007	-	1,357	-
Financial investments available- for-sale	-	4	-	5
	<u>12,137</u>	<u>(2,174)</u>	<u>21,659</u>	<u>26,625</u>
(c) Gross dividend from:				
Financial assets at fair value through profit or loss	51	604	791	789
Financial investments measured at FVOCI	211	-	240	-
Financial investments available-for-sale	-	227	-	533
	<u>262</u>	<u>831</u>	<u>1,031</u>	<u>1,322</u>
(d) Unrealised (loss)/gain on revaluation of financial assets fair value through profit or loss and derivatives	<u>(2,337)</u>	<u>10,360</u>	<u>3,779</u>	<u>7,436</u>
(e) Other income:				
Net foreign exchange income	1,584	1,412	4,394	4,250
Loss on disposal of property, plant and equipment	-	(48)	-	(46)
Other operating income	622	366	1,220	1,212
Other non-operating income				
- Rental income	1,109	1,287	3,277	3,864
- Others	639	448	2,370	1,276
	<u>3,954</u>	<u>3,465</u>	<u>11,261</u>	<u>10,556</u>
Total other operating income	<u>62,605</u>	<u>62,417</u>	<u>201,467</u>	<u>217,872</u>

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	Individual Quarter		Cumulative Quarters	
	3 months ended	3 months ended	9 months ended	9 months ended
	30 September 2018	30 September 2017	30 September 2018	30 September 2017
	RM'000	RM'000	RM'000	RM'000

A27. Other operating expenses

Group

Personnel costs	41,660	38,883	121,516	116,245
- Salaries, allowances and bonuses	31,619	30,104	92,818	91,006
- EPF	4,334	3,982	12,765	11,730
- Others	5,707	4,797	15,933	13,509
Establishment costs	11,029	10,472	33,427	38,396
- Depreciation of property, plant and equipment	3,407	3,268	10,037	9,702
- Amortisation of intangible assets - software	45	203	169	583
- Rental of premises	2,367	2,550	7,082	10,831
- Rental of equipment	167	158	482	503
- Repairs and maintenance	913	1,012	2,989	3,337
- Information technology expenses	2,644	2,699	7,725	8,097
- Others	1,486	582	4,943	5,343
Marketing expenses	3,992	2,716	11,153	11,145
- Promotion and advertisements	2,652	937	6,308	5,426
- Travel and entertainment	940	1,126	3,406	3,066
- Others	400	653	1,439	2,653
Administration and general expenses	41,347	42,409	137,829	140,869
- Communication expenses	1,271	1,122	3,672	3,698
- Professional fees and legal fees	663	693	3,431	2,254
- Regulatory charges	4,816	5,165	16,204	16,265
- Fees and brokerage	30,040	30,567	99,734	102,948
- Administrative expenses	4,156	4,401	13,609	14,388
- Printing and stationery	401	461	1,179	1,316
	98,028	94,480	303,925	306,655

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3 months ended 30 September 2018 RM'000	3 months ended 30 September 2017 RM'000	9 months ended 30 September 2018 RM'000	9 months ended 30 September 2017 RM'000

A27. Other operating expenses (Cont'd)

Bank

Personnel costs	31,449	29,546	92,082	88,994
- Salaries, allowances and bonuses	24,705	23,930	73,085	73,468
- EPF	3,368	3,191	9,980	9,385
- Others	3,376	2,425	9,017	6,141
Establishment costs	9,747	8,991	29,103	33,996
- Depreciation of property, plant and equipment	3,277	3,177	9,671	9,456
- Rental of premises	2,153	2,341	6,508	10,339
- Rental of equipment	73	73	213	246
- Repair and maintenance	743	811	2,410	2,685
- Information technology expenses	2,625	2,678	7,664	8,029
- Others	876	(89)	2,637	3,241
Marketing expenses	2,442	2,797	6,826	8,512
- Promotion and advertisement	1,414	1,337	3,211	3,715
- Travel and entertainment	650	834	2,214	2,434
- Others	378	626	1,401	2,363
Administration and general expenses	32,018	33,347	109,412	115,789
- Communication expenses	1,076	949	3,132	3,222
- Professional fees and legal fees	625	558	3,265	1,993
- Regulatory charges	4,297	4,720	14,875	14,759
- Fees and brokerages	21,943	23,032	75,123	82,435
- Administrative expenses	3,809	3,755	12,235	12,360
- Printing and stationery	268	333	782	1,020
	75,656	74,681	237,423	247,291

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A28. Credit loss reversal/(expense)

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

Group

Individual Quarter

	2018			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Movement in ECLs				
Debts instruments measured at amortised cost	64	14	-	78
Loans, advances and financing	436	11	10	457
Loan commitments	3	-	-	3
Balance due from clients and brokers	-	4	15	19
Other debtors	-	83	2	85
Credit loss reversal	503	112	27	642

Cumulative Quarters

	2018			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Movement in ECLs				
Debts instruments measured at amortised cost	64	109	-	173
Loans, advances and financing	439	-	28	467
Loan commitments	(47)	-	-	(47)
Balance due from clients and brokers	-	-	(30)	(30)
Other debtors	-	21	(190)	(169)
Credit loss reversal/(expense)	456	130	(192)	394

Bank

Individual Quarter

	2018			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Movement in ECLs				
Debts instruments measured at amortised cost	64	14	-	78
Loans, advances and financing	438	-	-	438
Loan commitments	3	-	-	3
Balance due from clients and brokers	-	4	15	19
Other debtors	-	82	2	84
Credit loss reversal	505	100	17	622

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

Bank

Cumulative Quarters

<u>Movement in ECLs</u>	2018			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Debts instruments measured at amortised cost	64	109	-	173
Loans, advances and financing	599	-	-	599
Loan commitments	(47)	-	-	(47)
Balance due from clients and brokers	-	-	(30)	(30)
Other debtors	-	20	(207)	(187)
Credit loss reversal/(expense)	616	129	(237)	508

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 3 months ended 30 September 2017 RM'000	Cumulative Quarters 9 months ended 30 September 2017 RM'000
<u>Group</u>		
Impairment:		
- collective allowance (net)	28	(71)
- individual allowance (net)	(44)	(108)
	(16)	(179)
<u>Bank</u>		
Impairment:		
- collective allowance (net)	28	170
- individual allowance (net)	(44)	(129)
	(16)	41

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

Group and Bank

Impairment allowance		
- made during the financial period	(1,301)	(5,246)
- written back during the financial period	1,932	5,461
	631	215

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

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

	<u>Individual Quarter</u>	<u>Cumulative Quarters</u>
	3 months ended 30 September 2017 RM'000	9 months ended 30 September 2017 RM'000
<u>Group</u>		
Impairment allowance		
- made during the financial period	1,086	(1,446)
- written back during the financial period	(1,712)	21
	<u>(626)</u>	<u>(1,425)</u>
<u>Bank</u>		
Impairment allowance		
- made during the financial period	1,412	-
- written back during the financial period	(1,712)	21
	<u>(300)</u>	<u>21</u>

A29. Bad debts recovered

	<u>Individual Quarter</u>		<u>Cumulative Quarters</u>	
	3 months ended 30 September 2018 RM'000	3 months ended 30 September 2017 RM'000	9 months ended 30 September 2018 RM'000	9 months ended 30 September 2017 RM'000
<u>Group</u>				
Loans, advances and financing	1	108	13,528	117
Amount due from client and brokers	77	-	227	-
Other receivables	(25)	2	(29)	107
	<u>53</u>	<u>110</u>	<u>13,726</u>	<u>224</u>
<u>Bank</u>				
Loans, advances and financing	1	108	13,528	117
Amount due from client and brokers	77	-	227	-
Other receivables	(25)	2	(29)	107
	<u>53</u>	<u>110</u>	<u>13,726</u>	<u>224</u>

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

Group

30 September 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 fair value through profit or loss				
- Debt securities	-	164,926	-	164,926
- Equity securities	45,157	106,286	12,146	163,589
Financial investments at FVOCI				
- Debt securities	-	938,903	-	938,903
- Equity securities	-	-	1,754	1,754
- Negotiable Instruments of Deposit	-	329,835	-	329,835
- Islamic Negotiable Instruments of Deposit	-	199,532	-	199,532
Derivative financial assets	-	71,328	-	71,328
Financial assets at amortised cost for which fair values are disclosed				
Financial investments at amortised cost	-	125,041	-	125,041
Loans, advances and financing	-	-	2,072,014	2,072,014
	45,157	1,935,851	2,085,914	4,066,922

Financial liabilities measured at fair value

Derivative financial liabilities	5,536	7,294	-	12,830
Borrowings	-	137,569	-	137,569
	5,536	229,222	-	234,758

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 fair value through profit or loss				
- 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

30 September 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 fair value through profit or loss				
- Debt securities	-	164,926	-	164,926
- Equity securities	45,157	100,000	12,146	157,303
Financial investments at FVOCI				
- Debt securities	-	938,903	-	938,903
- Equity securities	-	-	1,754	1,754
- Negotiable Instruments of Deposit	-	329,835	-	329,835
- Islamic Negotiable Instruments of Deposit	-	199,532	-	199,532
Derivative financial assets	-	71,328	-	71,328
Financial assets at amortised cost for which fair values are disclosed				
Financial investments at amortised cost	-	125,041	-	125,041
Loans, advances and financing	-	-	2,013,359	2,013,359
	45,157	1,929,565	2,027,259	4,001,981
Financial liabilities measured at fair value				
Derivative financial liabilities	5,536	7,294	-	12,830
Borrowings	-	76,069	-	76,069
	5,536	167,722	-	173,258

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 fair value through profit or loss				
- 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 current period ended 30 September 2018 (31 December 2017: None)

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	As at 30 September 2018	As at 31 December 2017
	Principal Amount RM'000	Principal Amount RM'000
A31. <u>Commitments and Contingencies</u>		
Group		
Commitments to extend credit with maturity of less than 1 year :-		
- share margin financing	1,773,600	1,662,114
- corporate loan	25,551	6,485
- foreign exchange related contract	38,533	50,111
- equity exchange related contract	111,694	157,823
Commitments to extend credit with maturity of more than 1 year :-		
- corporate loan	76,174	26,000
- equity related contract	1,225	1,460
Client trust in respect of the stockbroking business	736,080	728,134
Derivative financial assets		
- dual currency investment - options	6,127	18,114
- equity related contracts - options	92,840	111,305
- equity related contracts - swaps	13,552	75,772
Derivative financial liabilities		
- dual currency investment - options	6,127	18,114
- equity related contracts - options	84,181	433,635
Capital commitment:		
- Authorised and contracted for	1,516	4,167
	2,967,200	3,293,234

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	As at 30 September 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	1,773,600	1,662,114
- corporate loan	112,551	80,985
- foreign exchange related contract	38,533	50,111
- equity exchange related contract	111,694	157,823
Commitments to extend credit with maturity of more than 1 year :-		
- corporate loan	106,174	56,000
- equity exchange related contract	1,225	1,460
Client trust in respect of the stockbroking business	736,080	728,134
Derivative financial assets		
- dual currency investment - options	6,127	18,114
- equity related contracts - options	92,840	111,305
- equity related contracts - swaps	13,552	75,772
Derivative financial liabilities		
- dual currency investment - options	6,127	18,114
- equity related contracts - options	84,181	433,635
Capital commitment:		
- Authorised and contracted for	1,499	3,943
Investment in equity fund	17,854	13,792
	3,102,037	3,411,302

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FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2018

	Group		Bank	
	30 September 2018 RM'000	31 December 2017 RM'000	30 September 2018 RM'000	31 December 2017 RM'000
A32. Operating lease arrangements				
Future minimum rental payable:				
Within one year	7,736	8,291	7,232	7,769
Between one and five years	4,281	6,660	4,014	6,423
	<u>12,017</u>	<u>14,951</u>	<u>11,246</u>	<u>14,192</u>
Future minimum sublease receipts:				
Subsidiaries	-	-	2,952	3,116
External parties	4,464	5,106	4,464	5,106
	<u>4,464</u>	<u>5,106</u>	<u>7,416</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	
	30 September 2018 RM'000	31 December 2017 RM'000	30 September 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	497,629	520,345	490,751	513,726
Other reserves	127,937	124,984	179,453	174,300
Less: Regulatory adjustments:				
Deferred tax assets	(6,298)	(10,006)	(4,156)	(7,798)
Goodwill	(208,754)	(208,754)	(252,909)	(252,909)
Other intangibles	(57,512)	(57,660)	(52,500)	(52,500)
Regulatory reserve	(25,065)	(25,277)	(25,065)	(25,277)
Treasury shares	(14,935)	-	(14,935)	-
Deduction in excess of Tier 2*	(76,362)	(58,927)	(158,599)	(130,118)
Total CET 1/Tier 1 capital	<u>482,889</u>	<u>530,842</u>	<u>408,289</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	18,160	13,353	17,592	13,081
Less: Regulatory adjustments applied to Tier 2 capital	-	(14,732)	-	(18,081)
Total Tier 2 capital	<u>43,160</u>	<u>3,621</u>	<u>42,592</u>	<u>-</u>
Total capital	<u>526,049</u>	<u>534,463</u>	<u>450,881</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	
	30 September 2018	31 December 2017	30 September 2018	31 December 2017
CET 1 capital ratio	22.148%	29.898%	20.289%	28.390%
Tier 1 capital ratio	22.148%	29.898%	20.289%	28.390%
Total capital ratio	24.127%	30.102%	22.406%	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 30 September 2018		Group 31 December 2017	
	Notional amount RM'000	Risk-weighted amount RM'000	Notional amount RM'000	Risk-weighted amount RM'000
Credit Risk	5,497,197	1,452,775	4,501,487	1,068,244
Market Risk	-	146,119	-	152,115
Operational Risk	-	580,431	-	548,768
Large exposure risk	-	989	-	6,400
Total Risk Weighted Assets	5,497,197	2,180,314	4,501,487	1,775,527

	Bank 30 September 2018		Bank 31 December 2017	
	Notional amount RM'000	Risk-weighted amount RM'000	Notional amount RM'000	Risk-weighted amount RM'000
Credit Risk	5,197,350	1,407,382	4,300,880	1,046,479
Market Risk	-	128,830	-	130,574
Operational Risk	-	475,132	-	456,444
Large exposure risk	-	989	-	6,400
Total Risk Weighted Assets	5,197,350	2,012,333	4,300,880	1,639,897

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

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A34. 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 period's presentation due to allocation of cost which was previously reported under corporate and others segments.

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A34. 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	213,892	221,183	7,846	5,990	68,048	9,793	-	526,752
- Interest income	191,335	48,278	2,726	4,684	15,044	9,147	-	271,214
- Fee income	19,827	144,119	5,120	1,306	52,674	265	-	223,311
- Trading and investment income	198	26,310	-	-	154	424	-	27,086
- Other operating income	2,532	2,476	-	-	176	(43)	-	5,141
Inter-segment sales	1,336	236	816	-	2,062	-	(4,450)	-
Total revenue	215,228	221,419	8,662	5,990	70,110	9,793	(4,450)	526,752
Result								
Net income	46,576	210,386	8,237	3,806	55,719	11,056	(1,780)	334,000
Other operating expenses	(36,569)	(189,104)	(10,523)	(3,354)	(57,004)	(8,671)	1,300	(303,925)
Credit loss reversal/(expenses)	360	(88)	-	28	7	246	(159)	394
Bad debt recovery	-	224	-	-	-	13,502	-	13,726
Share of results of associates and joint venture company	-	-	-	-	-	(5,926)	-	(5,926)
Profit/(loss) before taxation and zakat	10,367	21,418	(2,286)	480	(1,278)	10,207	(639)	38,269
Taxation and zakat								(13,921)
Net profit for the financial period								<u>24,348</u>

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A34. 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	59,104	3,095	2,069	647	6,572	2,231	-	73,718
Depreciation and amortisation	4,236	74	26	471	5,399	-	-	10,206
Non cash expenses								
- Unrealised gains on revaluation of financial assets at fair value through profit or loss and derivatives	3,887	-	-	-	-	-	-	3,887
Assets								
Investments in associate companies	-	-	-	-	42,951	-		42,951
Investment in a joint venture company					16,706			16,706
Addition to non-current assets	7,485	71	67	363	-	-	A	7,986
Segment assets	6,725,845	296,885	91,886	63,833	17,420	(208,985)	B	6,986,884
Liabilities								
Segment liabilities	5,791,818	272,418	79,645	31,018	5,445	(75,521)	C	6,104,823

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A34. 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	198,447	232,599	10,176	6,192	58,817	9,184	-	515,415
- Interest income	173,396	47,821	3,658	4,858	15,256	8,716	-	253,705
- Fee income	20,534	150,059	6,518	1,334	43,319	347	-	222,111
- Trading and investment income	2,249	32,727	-	-	176	124	-	35,276
- Other operating income	2,268	1,992	-	-	66	(3)	-	4,323
Inter-segment sales	2,548	200	1,139	-	1,608	-	(5,495)	-
Total revenue	200,995	232,799	11,315	6,192	60,425	9,184	(5,495)	515,415
Result								
Net income	47,211	220,567	10,826	3,745	46,333	12,349	(2,740)	338,291
Other operating expenses	(36,485)	(195,657)	(11,195)	(3,465)	(51,152)	(11,441)	2,740	(306,655)
(Allowance for)/Write back of impairment on loans, advances and financing	(58)	(13)	-	21	-	230	(242)	(62)
(Allowance for)/Write back of impairment on balances due from clients and brokers and other receivables	(147)	96	-	-	3	(1,055)	-	(1,103)
Share of results of associates and a joint venture company	-	-	-	-	-	(6,630)	-	(6,630)
Profit/(loss) before taxation and zakat	10,521	24,993	(369)	301	(4,816)	(6,547)	(242)	23,841
Taxation and zakat								(12,190)
Net profit for the financial period								<u>11,651</u>

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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	21,391	35,907	4,304	2,379	357	6,320	636	71,294
Depreciation and amortisation	497	3,743	461	12	353	5,219	-	10,285
Non cash expenses								
- Unrealised gains on revaluation of financial assets at fair value through profit or loss and derivatives	207	7,339	-	-	-	-	-	7,546
Assets								
Investments in associate companies	-	-	-	-	62,937	-		62,937
Investment in a joint venture company	-	-	-	-	10,780	-		10,780
Addition to non-current assets	10,592	196	83	668	-	-	A	11,539
Segment assets	6,330,389	314,363	64,148	64,228	16,677	(221,191)	B	6,568,614
Liabilities								
Segment liabilities	5,414,639	276,833	52,889	34,439	4,820	(95,184)	C	5,688,436

Notes

A Additions to non-current assets consist of:

	2018 RM'000	2017 RM'000
Property, plant and equipment		
- Additions during the financial period	7,965	11,394
Intangible assets		
- Additions during the financial period	21	145
	<u>7,986</u>	<u>11,539</u>

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A34. Segmental reporting (cont'd.)

B The following items are (deducted from)/added 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	(81,755)	(67,550)
Investment in associates and joint venture	(10,832)	1,295
Intangible assets	(40,095)	(40,095)
Inter-segment assets	(76,303)	(114,841)
	<u>(208,985)</u>	<u>(221,191)</u>

C The following items are added to 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	(49,162)	(58,893)
Inter-segment liabilities	(26,359)	(36,291)
	<u>(75,521)</u>	<u>(95,184)</u>

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A35. Operations of Islamic Banking

**(a) Unaudited Statement of Financial Position
As at 30 September 2018**

		Group and Bank	
	Note	As at 30 September 2018 RM '000	As at 31 December 2017 RM '000
ASSETS			
Cash and bank balances	(e)	450,437	532,663
Financial assets at fair value through profit or loss	(f)	160,310	122,501
Financial investment measured at FVOCI	(g)(i)	429,731	-
Financial investment at amortised cost	(g)(ii)	30,105	-
Financial investments available-for-sale	(g)(iii)	-	199,576
Financial investments held-for-maturity	(g)(iv)	-	5,001
Financing and advances	(h)	179,856	172,052
Balances due from clients and brokers		636	7,497
Other assets		56,767	22,788
Property, plant and equipment		90	104
TOTAL ASSETS		1,307,932	1,062,182
LIABILITIES			
Deposits from customers	(i)	959,810	819,296
Balances due to clients and brokers		3,908	1,378
Other liabilities	(j)	193,936	97,802
Deferred tax liabilities		149	15
Provision for taxation and zakat		2,170	2,177
TOTAL LIABILITIES		1,159,973	920,668
ISLAMIC BANKING CAPITAL FUNDS			
Islamic banking funds		120,000	120,000
Reserves		27,959	21,514
TOTAL ISLAMIC BANKING CAPITAL FUNDS		147,959	141,514
TOTAL LIABILITIES AND ISLAMIC BANKING CAPITAL FUNDS		1,307,932	1,062,182

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A35. Operations of Islamic Banking (Cont'd)

**(b) Unaudited Statement Of Profit Or Loss And Other Comprehensive Income
For the financial period ended 30 September 2018**

		Group and Bank			
		Individual Quarter		Cumulative Quarter	
		3 months ended 30 September 2018 RM'000	3 months ended 30 September 2017 RM'000	9 months ended 30 September 2018 RM'000	9 months ended 30 September 2017 RM'000
Income derived from investment of depositors' funds	(k)	13,692	9,348	39,088	22,856
Income derived from investment of shareholders' funds	(l)	2,324	1,783	6,323	4,898
Credit loss reversal		230	-	351	59
Allowance for impairment on other assets		-	(1)	-	(61)
Total attributable income		16,246	11,130	45,762	27,752
Profit distributed to depositors	(m)	(10,467)	(7,540)	(32,625)	(18,272)
Net income		5,779	3,590	13,137	9,480
Finance cost		(773)	(785)	(2,293)	(2,066)
Personnel expenses	(n)	(169)	(153)	(505)	(430)
Other overhead expenses	(o)	(614)	(672)	(1,889)	(1,721)
Profit before taxation and zakat		4,223	1,980	8,450	5,263
Taxation and zakat		(1,070)	(514)	(2,170)	(1,418)
Profit for the financial period		3,153	1,466	6,280	3,845

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		13,692	9,348	39,088	22,856
Income derived from investment of shareholders' funds		2,324	1,783	6,323	4,898
Total income before impairment allowances and overhead expenses		16,016	11,131	45,411	27,754
Profit distributed to depositors		(10,467)	(7,540)	(32,625)	(18,272)
Finance cost		(773)	(785)	(2,293)	(2,066)
Income from Islamic Banking Window operations reported in the statement of profit or loss of the Group and the Bank		4,776	2,806	10,493	7,416

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A35. Operations Of Islamic Banking (Cont'd)

**(c) Statement Of Changes In Islamic Banking Funds
For the financial period ended 30 September 2018**

Group and Bank

	Non-distributable					Distributable	Total RM'000
	Islamic Banking Fund RM'000	Fair value (Deficit)/ Reserve RM'000	Regulatory Reserve RM'000	ESOS 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 period	-	-	-	-	-	6,280	6,280
Other comprehensive income for the financial period	-	425	-	-	-	-	425
Issue of shares pursuant to ESOS	-	-	-	6	-	-	6
Transfer to regulatory reserve	-	-	1,222	-	-	(1,222)	-
At 30 September 2018	120,000	473	3,150	6	5,248	19,082	147,959
At 1 January 2017	120,000	(649)	1,663	-	5,248	8,568	134,830
Profit for the financial period	-	-	-	-	-	3,845	3,845
Other comprehensive income for the financial period	-	910	-	-	-	-	910
Transfer to regulatory reserve	-	-	604	-	-	(604)	-
At 30 September 2017	120,000	261	2,267	-	5,248	11,809	139,585

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

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A35. Operations of Islamic Banking (Cont'd)

**(d) Unaudited Condensed Statements Of Cash Flows
For the financial period ended 30 September 2018**

	Group and Bank	
	30 September 2018 RM '000	30 September 2017 RM '000
Cash flows from operating activities		
Profit before tax expense and zakat	8,450	5,263
Adjustments for:		
Depreciation of plant and equipment	34	32
(Reversal of)/Allowance for credit loss expense	(351)	2
Realised loss from sale of financial assets of fair value through profit or loss	282	395
Realised loss/(gain) from sale of financial investments measured at FVOCI/ available-for-sale	18	(1)
Unrealised gain on revaluation of financial assets at fair value through profit or loss	(108)	(110)
Operating profit before working capital changes	<u>8,325</u>	<u>5,581</u>
Changes in operating assets:		
Financing and advances	(7,456)	(34,100)
Balances due from clients and brokers	6,861	-
Other assets	(33,976)	(2,255)
Changes in operating liabilities:		
Deposits from customers	140,514	328,320
Balances due to clients and brokers	2,530	1,073
Other liabilities	94,382	88,762
Cash generated from operating activities	<u>211,180</u>	<u>387,381</u>
Taxation and zakat paid	(210)	(3,568)
Net cash generated from operating activities	<u>210,970</u>	<u>383,813</u>
Cash flows from investing activities		
Purchase of property, plant and equipment	(20)	(6)
Net purchase of securities	(293,176)	(122,237)
Net investing cash flow	<u>(293,196)</u>	<u>(122,243)</u>
Net change in cash and cash equivalents	(82,226)	261,570
Cash and cash equivalents at beginning of the financial period	<u>532,663</u>	<u>160,638</u>
Cash and cash equivalents at end of the financial period	<u>450,437</u>	<u>422,208</u>

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**NOTES TO INTERIM FINANCIAL REPORT
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A35. Operations Of Islamic Banking (Cont'd)

	Group and Bank	
	As at 30 September 2018 RM'000	As at 31 December 2017 RM'000
(e) Cash and short-term funds		
Current account with Bank Negara Malaysia and banks	53,987	3,763
Money at call and deposit placements with:		
Licensed banks	196,450	388,900
Bank Negara Malaysia	-	140,000
Domestic non-bank financial institutions	200,000	-
	<u>450,437</u>	<u>532,663</u>
(f) Financial Assets at fair value through profit or loss		
At Fair Value		
Money Market Instruments:		
Malaysian Government Investment Certificates	40,412	30,065
Structured Placement	100,000	-
Unquoted Debt Securities in Malaysia:		
Corporate Bills	19,898	92,436
	<u>160,310</u>	<u>122,501</u>
(g) Financial investment other than those measured at FVTPL		
(i) Financial instrument measured at Fair Value Through Other Comprehensive Income ("FVOCI"):		
(a) Money market instruments:		
Malaysian Government Investment Certificates	102,206	-
Negotiable Instruments of Deposits	199,532	-
Sukuk Perumahan Kerajaan	10,077	-
	<u>311,815</u>	<u>-</u>
(b) Debt instruments:		
Corporate Sukuk	117,916	-
Total Financial instrument measured at Fair Value Through Other Comprehensive Income ("FVOCI"):	<u>429,731</u>	<u>-</u>
(ii) Financial instrument at amortised cost:		
Debt instruments:		
Corporate Sukuk	30,105	-
Total financial instrument at amortised cost:	<u>30,105</u>	<u>-</u>
Total Financial investment other than those measured at FVTPL	<u>459,836</u>	<u>-</u>

NOTES TO INTERIM FINANCIAL REPORT
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A35. Operations Of Islamic Banking (Cont'd)

	Group and Bank	
	As at 30 September 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 30 September 2018	-	-	-

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**NOTES TO INTERIM FINANCIAL REPORT
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A35. Operations Of Islamic Banking (Cont'd)

	Group and Bank	
	As at 30 September 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	76	130
Commodity Murabahah revolving credit		
- Shariah contract - others	-	12,653
Commodity Murabahah term financing		
- Shariah contract - others	179,780	159,400
	<u>179,856</u>	<u>172,183</u>
Less: Allowance for ECL	-	-
Less: Collective allowance	-	(131)
Net financing and advances	<u>179,856</u>	<u>172,052</u>
(i) Gross financing and advances analysed by type of customer are as follows:		
Domestic business enterprise - others	149,693	136,947
Individuals	30,163	35,236
	<u>179,856</u>	<u>172,183</u>
(ii) Gross financing and advances analysed by geographical distribution are as follows:		
In Malaysia	<u>179,856</u>	<u>172,183</u>
(iii) Gross financing and advances analysed by profit rate sensitivity are as follows:		
Fixed rate		
- Other fixed rate loans	76	-
Variable rate:		
- Cost plus	179,780	172,183
	<u>179,856</u>	<u>172,183</u>
(v) Gross financing and advances analysed by economic purpose are as follows:		
- Working capital	76	12,750
- Purchase of securities	104,566	94,169
- Others	75,214	65,264
	<u>179,856</u>	<u>172,183</u>
(vi) Gross financing and advances analysed by residual contractual maturity are as follows:		
- Within one year	15,474	12,750
- More than one year	164,382	159,433
	<u>179,856</u>	<u>172,183</u>

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**NOTES TO INTERIM FINANCIAL REPORT
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A35. Operations Of Islamic Banking (Cont'd)

	Group and Bank	
	9 months ended 30 September 2018 RM'000	9 months ended 30 September 2017 RM'000
(k) Income derived from investment of depositors' funds (Cont'd)		
Other operating income		
Net loss on sale of financial assets at fair value through profit or loss	(174)	(286)
Net gain on sale of financial investments other than measured at FVTPL	639	-
Net gain on sale of financial investments available-for-sale	-	1
Fees on financing and advances	707	659
Brokerage fee	1,009	881
Rollover fee	1	-
Advisory fee	197	308
Placement fee	27	35
Direct trading fees	(237)	(179)
Other operating income	1	-
Other non-operating income	5	6
	<u>2,175</u>	<u>1,425</u>
	<u>39,088</u>	<u>22,856</u>
(l) Income derived from investment of shareholders' funds		
Finance income and hibah		
Financing and advances	5,690	4,370
Financial investment other than those measured at FVTPL	693	585
Accretion of discount	(60)	(57)
	<u>6,323</u>	<u>4,898</u>
(m) Profit distributed to depositors		
Deposits from customers and financial institutions		
- Murabahah Fund	29,411	15,108
Others	3,214	3,164
	<u>32,625</u>	<u>18,272</u>
(n) Personnel costs		
- Salaries, wages, allowances and bonus	389	339
- EPF	59	52
- Other staff related expenses	57	39
	<u>505</u>	<u>430</u>

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**NOTES TO INTERIM FINANCIAL REPORT
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A35. Operations Of Islamic Banking (Cont'd)

	Group and Bank	
	9 months ended 30 September 2018 RM'000	9 months ended 30 September 2017 RM'000
(o) Other overhead expenses:		
Establishment costs		
- Depreciation	34	32
- Office rental	42	42
- Repairs and maintenance	-	1
- Others	5	5
	81	80
Marketing and travelling expenses		
- Advertisement and promotions	22	17
- Travelling and entertainment expenses	2	12
	24	29
Administration and general expenses		
- Fees and brokerage	296	332
- Support service charges	1,151	1,096
- Shariah committee expenses	149	148
- Others	188	36
	1,784	1,612
	1,889	1,721

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A35. Operations Of Islamic Banking (Cont'd)

	Group and Bank	
	As at 30 September 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	12,802	14,290
Other reserves	8,877	7,224
Less:		
Regulatory reserves	(3,150)	(1,928)
Total CET 1 / Tier 1 capital	<u>138,529</u>	<u>139,586</u>
Tier 2 Capital		
Impairment provision and regulatory reserves	<u>3,184</u>	<u>1,862</u>
Total Tier 2 capital	<u>3,184</u>	<u>1,862</u>
Total capital	<u>141,713</u>	<u>141,448</u>
CET 1 capital ratio	46.420%	74.382%
Tier 1 capital ratio	46.420%	74.382%
Total capital ratio	<u>47.487%</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 30 September 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	1,067,801	252,997	809,866	148,960
Market risk	-	24,922	-	19,125
Operational risk	-	20,508	-	19,577
Total Risk Weighted Assets	<u>1,067,801</u>	<u>298,427</u>	<u>809,866</u>	<u>187,662</u>

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

B1. Performance Review

Group:

(RM'000)	Individual period		Cumulative period	
	3 months ended	3 months ended	9 months ended	9 months ended
	30 September 2018	30 September 2017	30 September 2018	30 September 2017
Revenue	177,296	171,942	526,752	515,415
Net income	109,171	104,369	334,000	338,291
Profit before tax	9,337	8,757	38,269	23,841
Profit after tax	5,792	5,420	24,348	11,651

The Group reported a pre-tax profit ("PBT") of RM38.3 million for the period ended 30 September 2018 (9M18) as compared to RM23.8 million for the period ended 30 September 2017 (9M17). The increase in PBT was mainly due to bad debt recovery from a court case settlement, higher net interest income and management fees income generated coupled with lower overhead expenses and share of losses from associates. These were partially negated by lower trading and investment income and lower net brokerage fees and higher share of loss from joint venture.

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

Stockbroking:

(RM'000)	Individual period		Cumulative period	
	3 months ended	3 months ended	9 months ended	9 months ended
	30 September 2018	30 September 2017	30 September 2018	30 September 2017
Revenue	67,717	68,439	221,419	232,799
Net income	64,038	63,850	210,386	220,567
Profit before tax	5,418	6,091	21,418	24,993

The PBT recorded in stockbroking segment in current quarter ("3Q18") was lower by 11% mainly as a result of higher personnel and establishment cost compared to corresponding quarter in the previous year ("3Q17"). In addition, the bad debt recovery and reversal of provision of credit impairment has reduced in 3Q18 compared to 3Q17.

On period to date basis, the segment registered lower PBT of RM21.4 million in 9M18 (9M17: PBT of RM25.0 million) mainly due to lower brokerage income and trading and investment income as a consequence of lower brokerage yield and poor stock market conditions.

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

Investment Banking:

	Individual period		Cumulative period	
	3 months ended	3 months ended	9 months ended	9 months ended
	30 September 2018	30 September 2017	30 September 2018	30 September 2017
(RM'000)				
Revenue	76,642	71,838	215,228	200,995
Net income	17,929	15,379	46,576	47,211
Profit before tax	5,701	3,617	10,367	10,521

Investment Banking ("IB") registered higher PBT in 3Q18 compared to 3Q17 as a result of increase in net trading and investment income contributed by gain on disposal of bonds and higher foreign exchange gain, loan and processing fees and advisory fees income partially negated by lower placement fees income.

On period to date basis, IB recorded slightly lower PBT of RM10.4 million in 9M18 (9M17: PBT of RM10.5 million) mainly due to lower trading and investment gain from fixed income portfolio but mitigated by higher interest income and reversal of provision for credit impairment.

Investment and Wealth Management:

	Individual period		Cumulative period	
	3 months ended	3 months ended	9 months ended	9 months ended
	30 September 2018	30 September 2017	30 September 2018	30 September 2017
(RM'000)				
Revenue	25,671	25,070	70,110	60,425
Net income	19,298	15,910	55,719	46,333
Profit/(Loss) before tax	588	(678)	(1,278)	(4,816)

This segment has achieved PBT of RM0.6 million in 3Q18 instead of the loss before tax ("LBT") of RM0.7 million in 3Q17 mainly due to higher revenue derived from increase of retail sales.

Lower LBT of RM1.3 million was registered in 3Q18 (3Q17: LBT of RM4.8 million) mainly due to higher management fee income attributable from steady sales from retail channel.

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B1. Performance Review (cont'd)

Futures broking:

	Individual period		Cumulative period	
	3 months ended	3 months ended	9 months ended	9 months ended
	30 September 2018	30 September 2017	30 September 2018	30 September 2017
(RM'000)				
Revenue	2,834	3,422	8,662	11,315
Net income	2,696	3,288	8,237	10,826
Loss before tax	(749)	(323)	(2,286)	(369)

Futures business recorded LBT of RM0.8 million in 3Q18 compared to LBT of RM0.4 million in 3Q17 mainly due lower interest income and margin compression in commission income.

Higher LBT of RM2.3 million recorded in 9M18 compared to LBT of RM0.4 million in 9M17 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	9 months ended	9 months ended
	30 September 2018	30 September 2017	30 September 2018	30 September 2017
(RM'000)				
Revenue	2,261	1,680	5,990	6,192
Net income	1,134	1,098	3,806	3,745
Profit/(Loss) before tax	171	(105)	480	301

The result of this segment was positive for current quarter compared to loss before tax recorded in 3Q17 due to lower commitment fee expenses incurred on loan facilities in 3Q18.

Higher PBT of RM0.5 million was recorded in 9M18 compared to PBT of RM0.3 million in 9M17 mainly due to higher other incidental income in current year.

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

Corporate and others:

	Individual period		Cumulative period	
	3 months ended	3 months ended	9 months ended	9 months ended
	30 September 2018	30 September 2017	30 September 2018	30 September 2017
(RM'000)				
Revenue	3,205	3,173	9,793	9,184
Net income	3,665	3,459	11,056	12,349
(Loss)/Profit before tax	(2,111)	156	10,207	(6,547)

LBT was recorded in 3Q18 compared to favourable result of PBT in 3Q17 mainly due to higher share of loss in joint venture and associates compared to the result shared in 3Q17.

This segment has recorded PBT of RM10.2 mil for 9M18 due to the bad debt recovered from the net settlement of a court case which amounted to RM13.5 mil.

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

Current quarter versus previous quarter

Group:

	Current quarter	Previous quarter
	3 months ended 30 September 2018	3 months ended 30 June 2018
(RM'000)		
Revenue	177,296	167,124
Net income	109,171	103,350
Profit before tax	9,337	5,350
Profit after tax	5,792	3,120

For 3Q18, the Group's PBT increased by 75% compared to previous quarter for the period from 1 April 2018 to 30 June 2018 mainly due to higher trading and investment income and management fees income negated by lower net brokerage income and investment banking fee income.

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B3. Prospects for 2018

After a strong economic performance in 2017 and some spill over into the 1H2018, the Malaysian economy remains resilient despite the slowdown in the global tech-demand-cycle and the growing external risks. This is also partly because the global economy led by the United States is still growing at a relatively healthy rate. But it also signalled that the global growth trends are now beginning to desynchronise, with more subdued growth being seen across emerging markets lagging behind the growth trends in advanced economies led by the United States.

The prospects for the Malaysian economy in 2018 and in the coming years is increasingly challenging as rising protectionist sentiment and a slowdown in world trade growth could negatively impact Asian exports and cause global trade to shrink, with major knock-on effects on inflation, business activity levels, investment as well as consumer and market sentiment. The reduction of GST to zero in June and re-introduction of Sales and Service Tax (SST) in September is expected to lift private consumption, partially mitigating the expected lower public spending due to cost cutting measures and the suspension or review of key infrastructure projects. We expect weaker external demand followed by slowing domestic spending growth to weigh on GDP growth in 4Q18. Overall, the GDP growth is projected to slow to 4.8% in 2H18 from 4.9% in 1H18.

The domestic capital market continues to experience large fund outflows since the General Election in early May. Trade tensions, high oil prices and Fed rate hikes heighten investors' risk concerns, adding to the market volatility and to capital outflows. We expect increasingly negative market sentiment to limit capital inflows in the coming months.

Despite the negative sentiments in both external and domestic markets, the Group expects its financial performance for 2018 to be satisfactory and to still outperform last year's results.

B4. Variance From Profit Forecast And Profit Guarantee

This is not applicable as the Company did not issue any profit forecast or profit guarantee during the financial period.

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

B5. Taxation and zakat

	Individual Quarter 3 months ended 30 September 2018 RM'000	Cumulative Quarters 9 months ended 30 September 2018 RM'000
Current period - income tax and zakat	(4,096)	(10,941)
Deferred taxation	551	(2,980)
Total	<u>(3,545)</u>	<u>(13,921)</u>

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

B6. Borrowings

	Group		Bank	
	As at 30 September 2018 RM '000	As at 31 December 2017 RM '000	As at 30 September 2018 RM '000	As at 31 December 2017 RM '000
Secured				
Revolving bank loan denominated in RM				
- More than one year	55,600	64,000	55,600	64,000
Unsecured				
Revolving bank loans denominated in RM				
- Within one year	61,500	21,000	-	-
Subordinated notes denominated in RM				
- More than one year	25,000	5,000	25,000	5,000
	<u>142,100</u>	<u>90,000</u>	<u>80,600</u>	<u>69,000</u>

B7. Dividend

No dividend has been proposed for the current financial quarter.

B8. Status of Corporate Proposal

On 21 May 2018, the Bank announced that Bank Negara Malaysia had, vide its letter dated 16 May 2018, stated that it has no objection for the Bank to commence negotiations with Interpac Securities to acquire the stockbroking business-related assets, liabilities and contractual arrangements of Interpac Securities Sdn Bhd ("Interpac Securities"), subject to, amongst others, all parties concluding the negotiations within 6 months from the date of said letter.

On 31 October 2018, the Bank announced that both parties had mutually agreed to terminate the Proposed Acquisition.

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

B9. Earnings per share

	Individual Quarter		Cumulative Quarter	
	3 months ended 30 September 2018 RM'000	3 months ended 30 September 2017 RM'000	9 months ended 30 September 2018 RM'000	9 months ended 30 September 2017 RM'000
Profit for the period attributable to equity holders of the Bank	5,792	5,420	24,348	11,673
Weighted average number of ordinary shares in issue ('000)	708,862	722,547	717,574	722,547
Effects of dilution	3,506	-	11,897	-
Adjusted weighted average number of ordinary shares in issue ('000)	712,368	-	729,471	-
Earnings per share (sen)				
- basic	0.82	0.75	3.39	1.62
- fully diluted	0.81	0.75	3.34	1.62

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

B10. 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 Bulkers Sdn Bhd and others (collectively referred to as the "Respondents"), had dismissed the Respondents' claims and judgment was granted in favour of KIBB. On 19 January 2018, the Respondents had filed an application for leave to appeal to the Federal Court against the Court of Appeal's judgment.

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

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

The agreement is for the discharge of only the Applicants and KIBB shall continue to execute the judgment granted by the Court of Appeal against the remaining six (6) Respondents.

**KENANGA INVESTMENT BANK BERHAD
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**NOTES TO INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2018**

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

B11. Derivative financial instruments

Derivative financial instruments are as follows:

Group and Bank

Items	As at 30 September 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	92,840	69,741	111,305	64,820
Equity related contract- swaps	13,552	1,579	75,772	2,455
Dual currency investment- options	6,127	8	18,114	118
	112,519	71,328	205,191	67,393
<u>Derivative financial liabilities</u>				
Equity related contract- options	84,181	12,820	433,635	36,056
Dual currency investment- options	6,127	8	18,114	118
Equity related contract- swaps	151	2	-	-
	90,459	12,830	451,749	36,174

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 set date during a set period, a specific amount of an underlying assets at a pre-determined price.

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

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

**NOTES TO INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2018**

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

B11. Derivative financial instruments

Purposes of engaging in derivative financial instruments

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

Gain arising from fair value change of derivative financial instruments

The unrealised gain arising from fair value changes of derivative financial instruments for the current quarter amounted to RM1,670,265 (2Q18 loss: RM39,448,531). 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.