

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

Unaudited Condensed Interim Financial Statements
30 September 2017

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

**UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2017**

| <u>Group</u> | Note | As at 30 September 2017 RM'000 | As at 31 December 2016 RM'000 |
|---|------|---|--|
| ASSETS | | | |
| Cash and bank balances | | 1,383,274 | 1,229,928 |
| Financial assets at fair value through profit or loss | A11 | 460,760 | 388,248 |
| Financial investments available-for-sale | A12 | 1,151,884 | 937,704 |
| Financial investments held-to-maturity | A13 | 38,001 | 40,000 |
| Derivative financial assets | B11 | 69,248 | 39,117 |
| Loans, advances and financing | A14 | 2,162,006 | 2,105,584 |
| Balances due from clients and brokers | A15 | 506,277 | 445,005 |
| Other assets | A16 | 131,584 | 229,112 |
| Statutory deposit with Bank Negara Malaysia | A17 | 117,654 | 99,504 |
| Tax recoverable | | 6,921 | 7,465 |
| Investment in associates | | 62,937 | 72,671 |
| Investment in a joint venture company | | 10,780 | 6,962 |
| Property, plant and equipment | | 193,977 | 191,717 |
| Intangible assets | | 266,484 | 266,922 |
| Deferred tax assets | | 6,827 | 9,841 |
| TOTAL ASSETS | | 6,568,614 | 6,069,780 |
| LIABILITIES | | | |
| Deposits from customers | A18 | 4,100,770 | 3,286,027 |
| Deposits and placements of banks and other financial institutions | A19 | 424,203 | 550,954 |
| Balances due to clients and brokers | | 679,899 | 857,065 |
| Derivative financial liabilities | B11 | 18,375 | 47,406 |
| Other liabilities | A20 | 325,711 | 238,744 |
| Obligations on securities sold under repurchase agreements | | 46,746 | 27,253 |
| Borrowings | A21 | 91,800 | 165,700 |
| Provision for taxation and zakat | | 932 | 439 |
| TOTAL LIABILITIES | | 5,688,436 | 5,173,588 |
| EQUITY | | | |
| Share capital | | 246,137 | 180,637 |
| Reserves | | 634,041 | 705,319 |
| | | 880,178 | 885,956 |
| Non-controlling Interests | | - | 10,236 |
| TOTAL EQUITY | | 880,178 | 896,192 |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | | 6,568,614 | 6,069,780 |
| Commitments and contingencies | | 3,522,640 | 2,911,993 |
| 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 2016.

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

**UNAUDITED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2017**

| <u>Bank</u> | Note | As at 30 September 2017 RM'000 | As at 31 December 2016 RM'000 |
|--|------|---|--|
| ASSETS | | | |
| Cash and bank balances | | 1,151,619 | 951,748 |
| Financial assets at fair value through profit or loss | A11 | 452,992 | 381,588 |
| Financial investments available-for-sale | A12 | 1,151,884 | 937,704 |
| Financial investments held-to-maturity | A13 | 38,001 | 40,000 |
| Derivative financial assets | B11 | 69,248 | 39,117 |
| Loans, advances and financing | A14 | 2,142,817 | 2,065,887 |
| Balances due from clients and brokers | A15 | 506,277 | 445,005 |
| Other assets | A16 | 48,647 | 72,582 |
| Statutory deposit with Bank Negara Malaysia | A17 | 117,654 | 99,504 |
| Tax recoverable | | - | 894 |
| Investment in subsidiaries | | 77,600 | 67,550 |
| Investment in an associate | | 56,235 | 56,235 |
| Investment in a joint venture company | | 15,000 | 7,500 |
| Property, plant and equipment | | 192,434 | 190,731 |
| Intangible assets | | 305,409 | 305,409 |
| Deferred tax assets | | 4,573 | 7,554 |
| TOTAL ASSETS | | 6,330,390 | 5,669,008 |
| LIABILITIES | | | |
| Deposits from customers | A18 | 4,159,663 | 3,355,577 |
| Deposits and placements of banks and other financial institutions | A19 | 424,203 | 550,954 |
| Balances due to clients and brokers | | 415,249 | 474,231 |
| Derivative financial liabilities | B11 | 18,375 | 47,406 |
| Other liabilities | A20 | 278,071 | 195,833 |
| Obligations on securities sold under repurchase agreements | | 46,746 | 27,253 |
| Borrowings | A21 | 71,800 | 115,200 |
| Provision for taxation and zakat | | 532 | 48 |
| TOTAL LIABILITIES | | 5,414,639 | 4,766,502 |
| EQUITY | | | |
| Share capital | | 246,137 | 180,637 |
| Reserves | | 669,614 | 721,869 |
| TOTAL EQUITY | | 915,751 | 902,506 |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | | 6,330,390 | 5,669,008 |
| Commitments and contingencies | | 3,627,140 | 2,980,493 |
| Net assets per share (RM) | | 1.27 | 1.25 |

The condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2016.

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 2017**

| | Note | Individual Quarter | | Cumulative Quarter | |
|---|------|--|--|--|--|
| | | 3 months ended 30 September 2017 RM'000 | 3 months ended 30 September 2016 RM'000 | 9 months ended 30 September 2017 RM'000 | 9 months ended 30 September 2016 RM'000 |
| | | | (Restated) | | (Restated) (Note A4) |
| Group | | | | | |
| Interest income | A22 | 84,174 | 65,505 | 227,421 | 194,635 |
| Interest expense | A23 | (61,832) | (42,580) | (162,118) | (127,920) |
| Net interest income | | 22,342 | 22,925 | 65,303 | 66,715 |
| Net income from Islamic banking business | A35 | 2,806 | 7,129 | 7,416 | 12,775 |
| Other operating income | A24 | 79,711 | 77,099 | 265,433 | 232,429 |
| Net income | | 104,859 | 107,153 | 338,152 | 311,919 |
| Other operating expenses | A25 | (94,637) | (96,318) | (306,516) | (281,816) |
| Operating profit | | 10,222 | 10,835 | 31,636 | 30,103 |
| Write back of/(Allowance for) impairment on: | | | | | |
| - loans, advances and financing | A26 | 92 | 78 | (62) | (850) |
| - balances due from clients and brokers and other receivables | A27 | 7 | (383) | (1,103) | 807 |
| | | 10,321 | 10,530 | 30,471 | 30,060 |
| Share of results of associates and joint venture | | (1,564) | (195) | (6,630) | (795) |
| Profit before taxation and zakat | | 8,757 | 10,335 | 23,841 | 29,265 |
| Taxation and zakat | | (3,337) | (4,299) | (12,190) | (10,917) |
| Profit for the period | | 5,420 | 6,036 | 11,651 | 18,348 |
| Other comprehensive (loss)/income | | | | | |
| Items that may be reclassified subsequently to profit or loss: | | | | | |
| Foreign exchange differences on consolidation | | (1,276) | 2,106 | (4,245) | (3,122) |
| Share of other comprehensive loss in associates | | (1,828) | (4,283) | (2,540) | (4,992) |
| Net gain on fair value changes of financial investments available-for-sale | | 2,673 | 3,837 | 7,141 | 18,803 |
| Income tax relating to the components of other comprehensive income | | (642) | (921) | (1,714) | (4,513) |
| Other comprehensive (loss)/income for the period, net of tax | | (1,073) | 739 | (1,358) | 6,176 |
| Total comprehensive income for the period, net of tax | | 4,347 | 6,775 | 10,293 | 24,524 |

**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 2017**

| | <u>Individual Quarter</u> | | <u>Cumulative Quarter</u> | |
|------------------------------|---|---|---|---|
| | (Restated) | | (Restated) | |
| | | | (Note A4) | |
| | 3 months ended 30 September 2017 | 3 months ended 30 September 2016 | 9 months ended 30 September 2017 | 9 months ended 30 September 2016 |
| Note | RM'000 | RM'000 | RM'000 | RM'000 |
| Profit for the period | | | | |
| Attributable to: | | | | |
| Equity holders of the Bank | 5,420 | 5,966 | 11,673 | 17,844 |
| Non-controlling interests | - | 70 | (22) | 504 |
| | <u>5,420</u> | <u>6,036</u> | <u>11,651</u> | <u>18,348</u> |
| Earnings per share | | | | |
| Basic (sen) | B7 0.75 | 0.77 | 1.62 | 2.32 |
| Fully diluted (sen) | B7 0.75 | 0.77 | 1.62 | 2.32 |

The condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2016.

KENANGA INVESTMENT BANK BERHAD
(15678-H)

CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2017

| | Note | Individual Quarter | | Cumulative Quarter | |
|--|------|--|--|--|--|
| | | 3 months ended 30 September 2017 RM'000 | 3 months ended 30 September 2016 RM'000 | 9 months ended 30 September 2017 RM'000 | 9 months ended 30 September 2016 RM'000 |
| Bank | | | | | |
| Interest income | A22 | 82,430 | 61,626 | 221,191 | 182,802 |
| Interest expense | A23 | (62,189) | (41,696) | (163,692) | (124,887) |
| Net interest income | | 20,241 | 19,930 | 57,499 | 57,915 |
| Net income from Islamic banking business | A35 | 2,806 | 7,129 | 7,416 | 12,775 |
| Other operating income | A24 | 62,545 | 64,037 | 218,270 | 193,869 |
| Net income | | 85,592 | 91,096 | 283,185 | 264,559 |
| Other operating expenses | A25 | (74,809) | (82,724) | (247,689) | (234,964) |
| Operating profit | | 10,783 | 8,372 | 35,496 | 29,595 |
| Write back of/(Allowance for) impairment on: | | | | | |
| - loans, advances and financing | A26 | 92 | 100 | 158 | (204) |
| - balances due from clients and brokers and other receivables | A27 | 333 | (383) | 343 | 807 |
| Profit before taxation and zakat | | 11,208 | 8,089 | 35,997 | 30,198 |
| Taxation and zakat | | (2,666) | (3,698) | (11,922) | (9,457) |
| Profit for the period | | 8,542 | 4,391 | 24,075 | 20,741 |
| Other comprehensive income | | | | | |
| Items that may be reclassified subsequently to profit or loss: | | | | | |
| Net gain on fair value changes of financial investments available-for-sale | | 5,130 | 3,837 | 7,141 | 18,804 |
| Income tax relating to the components of other comprehensive loss | | (589) | (921) | (1,714) | (4,513) |
| Other comprehensive income for the period, net of tax | | 4,541 | 2,916 | 5,427 | 14,291 |
| Total comprehensive income for the period, net of tax | | 13,083 | 7,307 | 29,502 | 35,032 |

The condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2016.

KENANGA INVESTMENT BANK BERHAD
(15678-H)

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 | Share Premium | Statutory Reserve | Available-For-Sale Deficit | Regulatory Reserve | Exchange Reserve | Capital Reserve | Retained Profits | | |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| At 1 January 2017 | 180,637 | 65,500 | 465,741 | (11,034) | 23,929 | 24,388 | 88,938 | 47,857 | 10,236 | 896,192 |
| Net profit for the 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 from statutory reserve * | - | - | (465,741) | - | - | - | - | 465,741 | - | - |
| Transfer to regulatory reserve | - | - | - | - | 1,213 | - | - | (1,213) | - | - |
| Acquisition of interest from non-controlling interest | - | - | - | - | - | - | - | 164 | (10,214) | - |
| 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 profit as the reserve fund requirement has been removed by Bank Negara Malaysia effective 3 May 2017.

The condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2016.

KENANGA INVESTMENT BANK BERHAD
(15678-H)

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2016

| Group | Non- Distributable | | | | | | | Distributable | | | Total Equity RM'000 |
|--|------------------------------|----------------------------|--------------------------------|--|---------------------------------|-------------------------------|------------------------------|-------------------------------------|-----------------------------------|--|---------------------------|
| | 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 | Reorganisation Reserve RM'000 | (Accumulated losses) RM'000 | Non- Controlling Interests RM'000 | |
| At 1 January 2016 | | | | | | | | | | | |
| As previously reported | 770,000 | 65,500 | 94,623 | (19,553) | 22,111 | 21,773 | - | - | (40,821) | 9,749 | 923,382 |
| Effect of merger accounting | - | - | - | - | - | (120) | 15,548 | (103,666) | 29,587 | - | (58,651) |
| As restated | 770,000 | 65,500 | 94,623 | (19,553) | 22,111 | 21,653 | 15,548 | (103,666) | (11,234) | 9,749 | 864,731 |
| Net profit for the period | - | - | - | - | - | - | - | - | - | - | - |
| Share of other comprehensive loss of associates | - | - | - | (4,992) | - | - | - | - | - | - | (4,992) |
| Other comprehensive income/(loss) | - | - | - | 14,290 | - | (3,122) | - | - | 17,844 | 504 | 29,516 |
| Total comprehensive income/(loss) | - | - | - | 9,298 | - | (3,122) | - | - | 17,844 | 504 | 24,524 |
| Cancellation of treasury shares | (9,212) | - | - | - | - | - | 9,212 | - | - | - | - |
| Transfer to regulatory reserve | - | - | - | - | 689 | - | - | - | (689) | - | - |
| At 30 September 2016 | 770,000 | 65,500 | 94,623 | (10,255) | 22,800 | 18,531 | 15,548 | (103,666) | 5,921 | 10,253 | 889,255 |

The condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2016.

KENANGA INVESTMENT BANK BERHAD
(15678-H)

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

| Bank | 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 | |
| At 1 January 2017 | 180,637 | 65,500 | 23,929 | 465,741 | (7,373) | 153,863 | 20,209 | 902,506 |
| Net profit for the 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 from statutory reserve * | - | - | - | (465,741) | - | - | 465,741 | - |
| Transfer to regulatory reserve | - | - | 1,213 | - | - | - | (1,213) | - |
| 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 profit as the reserve fund requirement has been removed by Bank Negara Malaysia effective 3 May 2017.

The condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2016.

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

**UNAUDITED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2016**

| Bank | Ordinary Shares RM'000 | Non- Distributable | | | | Distributable | Total Equity RM'000 |
|--------------------------------|---------------------------------------|-------------------------------------|--|---|--|--|------------------------------------|
| | | Share premium RM'000 | Regulatory Reserve RM'000 | Statutory Reserve RM'000 | Available-For-Sale Deficit RM'000 | Accumulated losses RM'000 | |
| At 1 January 2016 | 770,000 | 65,500 | 22,111 | 94,623 | (12,786) | (47,895) | 891,553 |
| Net profit for the period | - | - | - | - | - | 20,741 | 20,741 |
| Other comprehensive income | - | - | - | - | 14,291 | - | 14,291 |
| Total comprehensive income | - | - | - | - | 14,291 | 20,741 | 35,032 |
| Transfer to regulatory reserve | - | - | 689 | - | - | (689) | - |
| At 30 September 2016 | 770,000 | 65,500 | 22,800 | 94,623 | 1,505 | (27,843) | 926,585 |

The condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2016.

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

**UNAUDITED CONDENSED STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2017**

| | Group | | Bank | |
|---|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
| | 30 September 2017 RM'000 | 30 September 2016 RM'000 | 30 September 2017 RM'000 | 30 September 2016 RM'000 |
| Cash flows from operating activities | | | | |
| Profit before taxation | 23,841 | 29,265 | 35,997 | 30,198 |
| Adjustments for: | | | | |
| Impairment allowance/(write back) of allowance on loans, advances and financing | 179 | 850 | (41) | 204 |
| Depreciation of property, plant and equipment | 9,702 | 8,673 | 9,456 | 5,719 |
| Amortisation of intangible assets - software | 583 | 735 | - | - |
| Impairment allowance/(write back) of allowance on balances due from clients and brokers and other receivables | 1,210 | (807) | (236) | (807) |
| Property, plant and equipment written off | 307 | 507 | 314 | 7 |
| Non-cash items | 11,981 | 9,958 | 9,493 | 5,123 |
| Net gain from sale of financial assets at fair value through profit or loss and derivatives | (26,224) | (64,115) | (26,224) | (64,115) |
| Net gain from sale of financial investments available-for-sale | (6) | (18,171) | (6) | (18,171) |
| Gross dividend income from investments | (1,497) | (2,177) | (1,322) | (1,543) |
| (Gain)/Loss on revaluation of financial assets at fair value through profit or loss and derivatives | (7,546) | 23,930 | (7,546) | 23,930 |
| Loss on disposal of property, plant and equipment | 44 | - | 46 | - |
| Share of results of associates and joint venture | 6,630 | 507 | - | - |
| Non-operating items - investing | (28,599) | (60,026) | (35,052) | (59,899) |
| Adjustments for non-operating and non-cash items | (16,618) | (50,068) | (25,559) | (54,776) |
| Operating profit/(loss) before working capital changes | 7,223 | (20,803) | 10,438 | (24,578) |
| Changes in working capital: | | | | |
| Net changes in operating assets | (82,279) | 284,109 | (135,023) | 91,576 |
| Net changes in operating liabilities | 617,202 | (368,254) | 720,484 | (207,906) |
| Cash (used in)/generated from operations | 542,146 | (104,948) | 595,899 | (140,908) |
| Taxation and zakat paid | (9,924) | (4,520) | (9,032) | (4,477) |
| Net operating cash flow | 532,222 | (109,468) | 586,867 | (145,385) |
| Cash flows from investing activities | | | | |
| Dividends received | 1,497 | 2,177 | 1,322 | 1,543 |
| Purchase of property, plant and equipment and intangible assets | (11,539) | (165,397) | (10,592) | (164,298) |
| Proceeds from disposal of a subsidiary | - | - | - | 60 |
| Acquisition of additional shares in an existing subsidiary | - | - | (10,050) | - |
| Proceeds from disposal of property, plant and equipment | 114 | - | 114 | - |
| Capital injection in a joint venture | (7,500) | (2,500) | (7,500) | (2,500) |
| Net (purchase)/sales of securities | (312,832) | 410,353 | (302,475) | 410,353 |
| Net investing cash flow | (330,260) | 244,633 | (329,181) | 245,158 |
| Cash flows from financing activities | | | | |
| Dividend paid | (16,257) | - | (16,257) | - |
| Net (repayment)/drawdown of borrowings | (73,900) | 48,000 | (43,400) | 78,000 |
| Net financing cash flow | (90,157) | 48,000 | (59,657) | 78,000 |
| Net change in cash and cash equivalents during the financial period | 111,805 | 183,165 | 198,029 | 177,773 |
| Cash and cash equivalents brought forward | 1,044,011 | 958,803 | 893,741 | 790,157 |
| Cash and cash equivalents carried forward | 1,155,816 | 1,141,968 | 1,091,770 | 967,930 |

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

**UNAUDITED CONDENSED STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2017**

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 2017 RM'000 | As at 30 September 2016 RM'000 | As at 30 September 2017 RM'000 | As at 30 September 2016 RM'000 |
| Cash and short-term funds | 1,333,274 | 1,282,025 | 1,151,619 | 970,567 |
| Deposits and placements with banks and other financial institutions | 50,000 | 61,985 | - | 61,985 |
| Less: Segregated funds from customers | (167,609) | (143,657) | - | - |
| Less: Cash and bank balances and deposits held in trust | (59,849) | (58,385) | (59,849) | (64,622) |
| | <u>1,155,816</u> | <u>1,141,968</u> | <u>1,091,770</u> | <u>967,930</u> |

KENANGA INVESTMENT BANK BERHAD
(15678-H)

A1. Basis Of Preparation

The interim financial statements, for the financial period ended 30 September 2017, have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS") 134 Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad.

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 2016.

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

Companies Act 2016

The Companies Act 2016 ("New Act") was enacted to replace the Companies Act 1965 with the objectives to create a legal and regulatory structure that will facilitate business, and promote accountability as well as protection of corporate directors and shareholders, taking into consideration the interest of other stakeholders. The New Act was passed on 4 April 2016 by the Dewan Rakyat (House of Representative) and gazetted on 15 September 2016. On 26 January 2017, the Minister of Domestic Trade, Co-operatives and Consumerism announced that the date on which the New Act comes into operation, except section 241 and Division 8 of Part III of the New Act, will be 31 January 2017.

Amongst the key changes introduced in the New Act which will affect the financial statements of the Group and of the Bank upon the commencement of the New Act on 31 January 2017 included:

- (a) removal of the authorised share capital;
- (b) share of the Bank will cease to have par or nominal value; and
- (c) the Bank's share premium account will become part of the Bank's share capital.

During the period, the Bank had transferred a total of RM65,500,000 from its share premium account to share capital pursuant to the New Act.

The adoption of the New Act did not have any financial impact on the Group and the Bank for the current financial year as any accounting implications will only be applied prospectively, if applicable, and the effect of adoptions mainly will be on disclosures to the annual report and financial statements for the financial year ending 31 December 2017.

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 2016. 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 2016.

A3. Preceding financial year audit report

The preceding financial year audit report in respect of the financial year ended 31 December 2016 was not qualified by the external auditors.

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A4. Preceding financial period unaudited report

The following comparative figures of the Group and the Bank's financial statements and notes have been restated to conform with the current year presentation due to the adoption of the merger method of accounting to reflect the acquisition of certain subsidiaries, assets and liabilities under the Group Internal Reorganisation which was completed on 1 November 2016.

Statements of profit and loss

For the financial period ended 30 September 2016

| | Group | | |
|--|--|---|-------------------------------|
| | As previously reported RM'000 | Effect of merger accounting RM'000 | As restated RM'000 |
| Interest income | 188,230 | 6,405 | 194,635 |
| Interest expense | (123,176) | (4,744) | (127,920) |
| Net interest income | 65,054 | 1,661 | 66,715 |
| Net income from Islamic banking operations | 12,775 | - | 12,775 |
| Other operating income | 232,899 | (470) | 232,429 |
| Net income | 310,728 | 1,191 | 311,919 |
| Other operating expenses | (282,539) | 723 | (281,816) |
| Operating profit | 28,189 | 1,914 | 30,103 |
| (Allowance for)/Write back of impairment on: | | | |
| - loans, advances and financing | (204) | (646) | (850) |
| - balances due from clients and brokers and other receivables | 807 | - | 807 |
| | 28,792 | 1,268 | 30,060 |
| Share of results of associates | (723) | (72) | (795) |
| Profit before taxation and zakat | 28,069 | 1,196 | 29,265 |
| Taxation and zakat | (10,591) | (326) | (10,917) |
| Profit for the financial period | 17,478 | 870 | 18,348 |
| Other comprehensive income/(loss) | | | |
| Items that may be reclassified subsequently to profit or loss: | | | |
| Foreign exchange differences on consolidation | (3,055) | (67) | (3,122) |
| Share of other comprehensive loss in associates | (4,622) | (370) | (4,992) |
| Net gain/(loss) on fair value changes of financial investments available-for-sale | 18,804 | (1) | 18,803 |
| Income tax relating to the components of other comprehensive income | (4,513) | - | (4,513) |
| Other comprehensive income for the period, net of tax | 6,614 | (438) | 6,176 |
| Total comprehensive income/(loss) for the period, net of tax | 24,092 | 432 | 24,524 |

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A4. Preceding financial year audit report (cont'd)

Statements of cash flows

For the financial period ended 30 September 2016

| | Group | | |
|--|--|---|-------------------------------|
| | As previously reported RM'000 | Effect of merger accounting RM'000 | As restated RM'000 |
| Cash flows from operating activities | | | |
| Profit before taxation | 28,069 | 1,196 | 29,265 |
| Adjustments for non-operating and non-cash items | (53,719) | 3,651 | (50,068) |
| Operating (loss)/profit before working capital changes | (25,650) | 4,847 | (20,803) |
| Changes in working capital: | | | |
| Net changes in operating assets | 313,373 | (29,264) | 284,109 |
| Net changes in operating liabilities | (397,245) | 28,991 | (368,254) |
| Cash used in/(generated from) operations | (109,522) | 4,574 | (104,948) |
| Taxation and zakat paid/(refunded) | (5,923) | 1,403 | (4,520) |
| Net operating cash flow | (115,445) | 5,977 | (109,468) |
| Cash flows from investing activities | | | |
| Dividends received | 1,481 | 696 | 2,177 |
| Purchase of property, plant and equipment and intangible assets | (165,743) | 346 | (165,397) |
| Acquisition of a joint venture | (2,500) | 1,500 | (1,000) |
| Net sales of securities | 357,871 | 52,482 | 410,353 |
| Net investing cash flow | 191,109 | 55,024 | 246,133 |
| Cash flows from financing activities | | | |
| Net repayment of borrowings | 78,000 | (30,000) | 48,000 |
| Net financing cash flow | 78,000 | (30,000) | 48,000 |
| Net change in cash and cash equivalents during the financial period | | | |
| | 153,664 | 31,001 | 184,665 |
| Cash and cash equivalents brought forward | 953,680 | 5,123 | 958,803 |
| Cash and cash equivalents carried forward | 1,107,344 | 36,124 | 1,143,468 |

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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 cycles.

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 affecting assets, liabilities, equity, net income or cash flows.

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, share buy-backs, shares held as treasury shares and resale of treasury shares during the financial period ended 30 September 2017, other than the following:

- (i) On 20 April 2017, the Bank has issued RM5 million of Subordinated Notes under the Tier 2 Subordinated Note Programme of up to RM250 million.
- (ii) During the first quarter, the Bank has redeemed RM40 million of Medium Term Notes.

A9. Dividends paid per share

A final dividend of 2.25 sen per share in respect of the financial year ended 31 December 2016, which amounted to RM16,257,320 was paid on 9 June 2017.

A10. (i) Significant event during the interim period

(a) Acquisition of the remaining 27% equity interests in Kenanga Futures Sdn. Bhd. ("KFSB") (formerly known as Kenanga Deutsche Futures Sdn. Bhd.)

On 27 July 2017, the Bank acquired the remaining 1,350,000 ordinary shares of RM1.00 each in KFSB, representing 27% equity interests in KFSB from its non-controlling interest ("NCI") for a cash consideration of RM10.0 million. As a result of this acquisition, KFSB became a wholly-owned subsidiary of the Bank.

Financial position of KFSB as at the date of acquisition:

| | RM'000 |
|---|--------|
| Carrying value of net assets | 37,830 |
| Carrying value of the additional interests acquired | 10,214 |

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A10. (i) Significant event during the interim period

(a) Acquisition of the remaining 27% equity interests in Kenanga Futures Sdn. Bhd. ("KFSB") (formerly known as Kenanga Deutsche Futures Sdn. Bhd.)

The difference between the consideration and the carrying value of the interest acquired has been recognised within retained profits:

| | RM'000 DR/(CR) |
|--|-------------------|
| Consideration paid for the acquisition of NCI | 10,050 |
| Decrease in equity attributable to NCI | (10,214) |
| Increase in equity attributable to equity holders of the Group | (164) |

(b) Employee Share Scheme ("ESS")

On 21 September 2017, the Bank has established and implemented an Employee Share Scheme ("ESS") of up to 10% of the Bank's total issued share capital (excluding Treasury shares) at any one time during the duration of the ESS scheme for the eligible employees and executive directors of KIBB and its non-dormant subsidiary companies.

The Bank has not granted any employee share option as at to date. However, if and when the options are granted subsequently, any expenses incurred will be recognized in the income statement in the relevant period and any impact to the net asset and equity will be accounted for when the options are exercised.

A10. (ii) Significant event subsequent to the end of the interim period

There was no significant event subsequent to the end of the interim period.

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FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2017

| | Group | | Bank | |
|--|---|--|---|--|
| | As at 30 September 2017 RM'000 | As at 31 December 2016 RM'000 | As at 30 September 2017 RM'000 | As at 31 December 2016 RM'000 |
| A11. Financial Assets At Fair Value Through Profit or Loss | | | | |
| At Fair Value | | | | |
| Money Market Instruments: | | | | |
| Malaysian Government Securities | 20,234 | - | 20,234 | - |
| Malaysian Government Investment Certificates | 100,335 | - | 100,335 | - |
| | <u>120,569</u> | <u>-</u> | <u>120,569</u> | <u>-</u> |
| Quoted Securities: | | | | |
| Shares and Unit Trust Funds in Malaysia | 145,019 | 191,578 | 145,019 | 191,578 |
| Shares outside Malaysia | 6,957 | 19,632 | 6,957 | 19,632 |
| | <u>151,976</u> | <u>211,210</u> | <u>151,976</u> | <u>211,210</u> |
| Unquoted Securities: | | | | |
| Unit trusts funds in Malaysia | 7,768 | 6,660 | - | - |
| Unquoted Private Debt Securities in Malaysia: | | | | |
| Corporate Bonds | - | 45,035 | - | 45,035 |
| Corporate Bills | 69,864 | 84,639 | 69,864 | 84,639 |
| Islamic Corporate Bonds | - | 14,668 | - | 14,668 |
| Islamic Corporate Bills | 109,516 | 24,969 | 109,516 | 24,969 |
| | <u>179,380</u> | <u>169,311</u> | <u>179,380</u> | <u>169,311</u> |
| Unquoted Private Debt Securities outside Malaysia: | | | | |
| Redeemable corporate notes | 1,067 | 1,067 | 1,067 | 1,067 |
| | <u>1,067</u> | <u>1,067</u> | <u>1,067</u> | <u>1,067</u> |
| Total Financial Assets At Fair Value Through Profit or Loss | <u>460,760</u> | <u>388,248</u> | <u>452,992</u> | <u>381,588</u> |
| A12. Financial Investments Available-for-Sale | | | | |
| At Fair Value, or amortised cost | | | | |
| Money Market Instruments: | | | | |
| Negotiable Instruments of Deposits | 150,000 | 50,000 | 150,000 | 50,000 |
| Islamic Negotiable Instruments of Deposits | 99,891 | 149,890 | 99,891 | 149,890 |
| Malaysian Government Securities | 39,375 | 19,566 | 39,375 | 19,566 |
| Malaysian Government Investment Certificates | 106,122 | 58,428 | 106,122 | 58,428 |
| Bank Negara Malaysia Bills and Notes | 49,826 | - | 49,826 | - |
| Sukuk Perumahan Kerajaan | 10,055 | 10,056 | 10,055 | 10,056 |
| | <u>455,269</u> | <u>287,940</u> | <u>455,269</u> | <u>287,940</u> |
| Unquoted Securities: | | | | |
| Shares and fund in Malaysia | 10,698 | 490 | 10,698 | 490 |
| Unquoted Private Debt Securities: | | | | |
| Islamic Corporate Bonds | 535,526 | 524,752 | 535,526 | 524,752 |
| Corporate Bonds | 150,391 | 124,522 | 150,391 | 124,522 |
| | <u>685,917</u> | <u>649,274</u> | <u>685,917</u> | <u>649,274</u> |
| Total Financial Investments Available-for-Sale | <u>1,151,884</u> | <u>937,704</u> | <u>1,151,884</u> | <u>937,704</u> |
| Included in financial investments available-for-sale are financial assets sold under repurchase agreements as follows: | | | | |
| Malaysian Government Investment Certificates | - | 27,253 | - | 27,253 |
| Malaysian Government Securities | 9,542 | - | 9,542 | - |
| Islamic Corporate Bonds | 37,204 | - | 37,204 | - |
| | <u>46,746</u> | <u>27,253</u> | <u>46,746</u> | <u>27,253</u> |

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| | Group | | Bank | |
|--|---|--|---|--|
| | As at 30 September 2017 RM'000 | As at 31 December 2016 RM'000 | As at 30 September 2017 RM'000 | As at 31 December 2016 RM'000 |
| A13. Financial Investments Held-To-Maturity | | | | |
| Unquoted Private Debt Securities: | | | | |
| Islamic Corporate Bonds | 38,001 | 40,000 | 38,001 | 40,000 |
| A14. Loans, Advances and Financing | | | | |
| At Amortised Cost | | | | |
| Share margin financing | 1,520,725 | 1,490,721 | 1,520,725 | 1,490,721 |
| Term loans | 588,413 | 505,348 | 614,073 | 562,084 |
| Subordinated term loan | - | - | 10,115 | 15,219 |
| Others | 55,614 | 112,082 | - | - |
| Gross loans, advances and financing | 2,164,752 | 2,108,151 | 2,144,913 | 2,068,024 |
| Allowance for impairment: | | | | |
| - collective allowance | (503) | (432) | (701) | (871) |
| - individual allowance | (2,243) | (2,135) | (1,395) | (1,266) |
| Net Loans, Advances and Financing | 2,162,006 | 2,105,584 | 2,142,817 | 2,065,887 |
| (i) By Type of Customer | | | | |
| Domestic business enterprise - others | 904,456 | 894,834 | 884,617 | 900,953 |
| Individuals | 1,198,468 | 1,158,958 | 1,198,468 | 1,112,712 |
| Foreign enterprises | 61,828 | 54,359 | 61,828 | 54,359 |
| Gross Loans, Advances and Financing | 2,164,752 | 2,108,151 | 2,144,913 | 2,068,024 |
| (ii) By Geographical Distribution | | | | |
| In Malaysia | 2,092,300 | 2,042,417 | 2,072,461 | 2,002,290 |
| Outside Malaysia | 72,452 | 65,734 | 72,452 | 65,734 |
| Gross Loans, Advances and Financing | 2,164,752 | 2,108,151 | 2,144,913 | 2,068,024 |
| (iii) By Interest Rate/ Profit Rate Sensitivity | | | | |
| Fixed rate | | | | |
| - Other fixed rate loans | 1,576,339 | 1,602,786 | 1,520,725 | 1,490,704 |
| Variable rate | | | | |
| - Other variable rates | 565,082 | 464,882 | 600,856 | 536,837 |
| - Base lending rate plus | 23,331 | 40,483 | 23,332 | 40,483 |
| Gross Loans, Advances and Financing | 2,164,752 | 2,108,151 | 2,144,913 | 2,068,024 |
| (iv) By Purpose | | | | |
| - Purchase of securities | 1,749,266 | 1,720,409 | 1,749,266 | 1,703,996 |
| - Working capital | 228,209 | 243,792 | 263,983 | 254,056 |
| - Others | 187,277 | 143,950 | 131,664 | 109,972 |
| Gross Loans, Advances and Financing | 2,164,752 | 2,108,151 | 2,144,913 | 2,068,024 |
| (v) By Residual Contractual Maturity | | | | |
| - Within one year | 1,699,633 | 1,785,930 | 1,725,407 | 1,673,848 |
| - More than one year | 465,119 | 322,221 | 419,506 | 394,176 |
| Gross Loans, Advances and Financing | 2,164,752 | 2,108,151 | 2,144,913 | 2,068,024 |
| (vi) Movements in impaired loans, advances and financing ("Impaired loans") | | | | |
| At beginning of the financial period/year | 2,608 | 7,942 | 1,735 | 1,954 |
| Impaired during the financial period/year | 130 | 1,824 | 130 | 160 |
| Amount written off | (21) | (379) | - | (379) |
| Amount recovered | - | (6,779) | - | - |
| At end of the financial period/year | 2,717 | 2,608 | 1,865 | 1,735 |
| Less: Individual allowance | (2,243) | (2,135) | (1,395) | (1,266) |
| Net impaired loans | 474 | 473 | 470 | 469 |

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FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2017

| | Group | | Bank | |
|--|---|--|---|--|
| | As at 30 September 2017 RM'000 | As at 31 December 2016 RM'000 | As at 30 September 2017 RM'000 | As at 31 December 2016 RM'000 |
| A14. Loans, Advances and Financing (Cont'd) | | | | |
| (vi) Movements in impaired loans, advances and financing ("Impaired loans") (Cont'd) | | | | |
| Net impaired loans as a % of gross loans, advances and financing less individual allowance | 0.02% | 0.02% | 0.02% | 0.02% |
| (vii) Impaired loans by Geographical Distribution | | | | |
| Malaysia | 2,717 | 2,608 | 1,865 | 1,735 |
| Gross impaired loans | 2,717 | 2,608 | 1,865 | 1,735 |
| (viii) Impaired loans by Purpose | | | | |
| Working capital | 848 | 869 | - | - |
| Purchase of securities | 1,869 | 1,739 | 1,865 | 1,735 |
| Gross impaired loans | 2,717 | 2,608 | 1,865 | 1,735 |
| (ix) Movements in impairment allowance for loans, advances and financing | | | | |
| <u>Individual allowance</u> | | | | |
| At beginning of financial period/year | 2,135 | 1,395 | 1,266 | 1,395 |
| Allowance made during the period/year | 130 | 932 | 130 | 63 |
| Amount written back during the period/year | (22) | (192) | (1) | (192) |
| At end of the financial period/year | 2,243 | 2,135 | 1,395 | 1,266 |
| <u>Collective allowance</u> | | | | |
| At beginning of financial period/year | 432 | 143 | 871 | 438 |
| Allowance made during the financial period/year | 284 | 406 | 43 | 550 |
| Amount written back during the financial period/year | (213) | (117) | (213) | (117) |
| At end of the financial period/year | 503 | 432 | 701 | 871 |
| Collective allowance as a % of gross loans, advances and financing less individual allowance | 0.02% | 0.02% | 0.03% | 0.04% |
| A15. Balances due from clients and brokers | | | | |
| Balances due from clients and brokers | 527,330 | 471,740 | 527,330 | 471,740 |
| Less: | | | | |
| Allowance for impairment | (21,053) | (26,735) | (21,053) | (26,735) |
| | 506,277 | 445,005 | 506,277 | 445,005 |
| Movements of allowance impairment for: | | | | |
| <u>Individual Impairment</u> | | | | |
| At beginning of the financial period/year | 26,735 | 27,328 | 26,735 | 27,328 |
| Allowance made | 5,246 | 5,408 | 5,246 | 5,408 |
| Allowance for impairment losses written back | (5,461) | (5,975) | (5,461) | (5,975) |
| Amount written off against balances due from clients and brokers | (5,467) | (26) | (5,467) | (26) |
| At end of the financial period/year | 21,053 | 26,735 | 21,053 | 26,735 |

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FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2017

| | Group | | Bank | |
|--|---|--|---|--|
| | As at 30 September 2017 RM'000 | As at 31 December 2016 RM'000 | As at 30 September 2017 RM'000 | As at 31 December 2016 RM'000 |
| A16. Other Assets | | | | |
| Assets segregated for customers | 66,143 | 138,146 | - | - |
| Interest/income receivable | 12,407 | 9,463 | 11,902 | 8,966 |
| Prepayments and deposits | 20,013 | 21,567 | 18,497 | 20,372 |
| Other debtors | 38,009 | 63,437 | 21,091 | 45,873 |
| Amount due from subsidiaries | - | - | 699 | 872 |
| Amount due from related parties | 41 | 104 | 41 | 104 |
| | 136,613 | 232,717 | 52,230 | 76,187 |
| Allowance for impairment | (5,029) | (3,605) | (3,583) | (3,605) |
| | 131,584 | 229,112 | 48,647 | 72,582 |
| A17. Statutory deposit with Bank Negara Malaysia | | | | |
| Statutory Deposit | 117,654 | 99,504 | 117,654 | 99,504 |
| 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. | | | | |
| A18. Deposits from customers | | | | |
| (i) By type of deposit | | | | |
| Fixed term deposits | 2,250,619 | 2,295,897 | 2,250,619 | 2,300,906 |
| Short term money deposits | 1,788,957 | 972,372 | 1,847,850 | 1,036,563 |
| Call money deposits | 17,450 | - | 17,450 | - |
| Negotiable instruments of deposit | 43,744 | 17,758 | 43,744 | 18,108 |
| | 4,100,770 | 3,286,027 | 4,159,663 | 3,355,577 |
| (ii) By type of customer | | | | |
| Government and other statutory bodies | 173,958 | 119,396 | 173,958 | 119,396 |
| Individuals | 134,488 | 94,167 | 134,488 | 94,167 |
| Business enterprises | 1,474,331 | 940,453 | 1,474,331 | 960,453 |
| Non-bank financial institutions | 2,317,993 | 2,132,011 | 2,317,993 | 2,132,011 |
| Related companies | - | - | 58,893 | 49,550 |
| | 4,100,770 | 3,286,027 | 4,159,663 | 3,355,577 |
| (iii) By maturity structure | | | | |
| Due within six months | 3,592,031 | 2,630,511 | 3,650,924 | 2,700,061 |
| More than six months to one year | 508,739 | 655,516 | 508,739 | 655,516 |
| | 4,100,770 | 3,286,027 | 4,159,663 | 3,355,577 |
| A19. Deposits and placements of banks and financial institutions | | | | |
| Licenced banks | 100,000 | 210,000 | 100,000 | 210,000 |
| Licenced Islamic banks | - | 60,000 | - | 60,000 |
| Others financial institutions | 324,203 | 280,954 | 324,203 | 280,954 |
| | 424,203 | 550,954 | 424,203 | 550,954 |

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FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2017

| | Group | | Bank | |
|------------------------------------|---|--|---|--|
| | As at 30 September 2017 RM'000 | As at 31 December 2016 RM'000 | As at 30 September 2017 RM'000 | As at 31 December 2016 RM'000 |
| A20. Other liabilities | | | | |
| Interest/Income payable | 25,101 | 15,518 | 24,480 | 14,515 |
| Accruals and provision | 71,602 | 70,355 | 46,266 | 40,402 |
| Retention for contra losses | 487 | 487 | 487 | 487 |
| Structured products | 51,941 | 24,043 | 51,941 | 24,043 |
| Treasury trade payables | 41,967 | - | 41,967 | - |
| Deposits and other creditors | 62,072 | 66,227 | 53,080 | 58,378 |
| Amounts held in trust on behalf of | | | | |
| Dealers' Representatives | 59,849 | 58,007 | 59,849 | 58,007 |
| Amount due to trustee | 12,692 | 4,107 | - | - |
| Amount due to subsidiaries | - | - | 1 | 1 |
| | 325,711 | 238,744 | 278,071 | 195,833 |
| A21. Borrowings | | | | |
| Secured: | | | | |
| Revolving bank loan | 66,800 | 75,200 | 66,800 | 75,200 |
| Unsecured: | | | | |
| Revolving bank loans | 20,000 | 50,500 | - | - |
| Medium term notes | - | 40,000 | - | 40,000 |
| Subordinated notes | 5,000 | - | 5,000 | - |
| | 91,800 | 165,700 | 71,800 | 115,200 |

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**NOTES TO INTERIM FINANCIAL REPORT
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| | <u>Individual Quarter</u> | | <u>Cumulative Quarter</u> | |
|---|--|--|--|--|
| | 3 months ended 30 September 2017 RM'000 | 3 months ended 30 September 2016 RM'000 | 9 months ended 30 September 2017 RM'000 | 9 months ended 30 September 2016 RM'000 |
| A22. Interest Income | | | | |
| <u>Group</u> | | | | |
| Loans, advances and financing | 37,808 | 37,063 | 111,267 | 108,478 |
| Money at call and deposit placements with financial institutions | 8,825 | 9,482 | 28,755 | 32,099 |
| Financial assets at fair value through profit or loss | 1,632 | 1,874 | 5,997 | 3,729 |
| Financial investments available-for-sale | 9,135 | 9,349 | 24,919 | 30,685 |
| Financial investments held to maturity | 478 | 524 | 1,440 | 1,601 |
| Others | 26,296 | 7,213 | 55,043 | 18,043 |
| | 84,174 | 65,505 | 227,421 | 194,635 |
| <u>Bank</u> | | | | |
| Loans, advances and financing | 36,417 | 34,890 | 106,684 | 102,645 |
| Money at call and deposit placements with financial institutions | 8,472 | 7,775 | 27,108 | 26,098 |
| Financial assets at fair value through profit or loss | 1,632 | 1,874 | 5,997 | 3,729 |
| Financial investments available-for-sale | 9,135 | 9,349 | 24,919 | 30,685 |
| Financial investments held to maturity | 478 | 524 | 1,440 | 1,601 |
| Others | 26,296 | 7,214 | 55,043 | 18,044 |
| | 82,430 | 61,626 | 221,191 | 182,802 |
| A23. Interest Expense | | | | |
| <u>Group</u> | | | | |
| Deposits from customers | 36,209 | 33,549 | 107,975 | 103,959 |
| Deposits and placement from banks and other financial institutions | 940 | 1,610 | 3,111 | 6,046 |
| Borrowings | 415 | 2,365 | 2,835 | 6,601 |
| Others | 24,268 | 5,056 | 48,197 | 11,314 |
| | 61,832 | 42,580 | 162,118 | 127,920 |
| <u>Bank</u> | | | | |
| Deposits from customers | 36,723 | 34,225 | 109,556 | 106,449 |
| Deposits and placement from banks and other financial institutions | 940 | 1,610 | 3,111 | 6,046 |
| Borrowings | 258 | 805 | 2,192 | 1,078 |
| Others | 24,268 | 5,056 | 48,833 | 11,314 |
| | 62,189 | 41,696 | 163,692 | 124,887 |

**KENANGA INVESTMENT BANK BERHAD
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**NOTES TO INTERIM FINANCIAL REPORT
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2017**

| | Individual Quarter | | Cumulative Quarter | |
|--|--------------------|-------------------|--------------------|-------------------|
| | 3 months ended | 3 months ended | 9 months ended | 9 months ended |
| | 30 September 2017 | 30 September 2016 | 30 September 2017 | 30 September 2016 |
| | RM'000 | RM'000 | RM'000 | RM'000 |

A24. Other Operating Income

Group

(a) Fee income:

| | | | | |
|--|---------------|---------------|----------------|----------------|
| Brokerage fees | 40,134 | 34,179 | 142,825 | 112,486 |
| Corporate advisory fee | 1,790 | 2,289 | 8,640 | 7,677 |
| Processing fees on loans, advances and financing | 896 | 1,282 | 3,793 | 3,801 |
| Commissions | 1,918 | 2,622 | 6,517 | 9,860 |
| Management fee income | 13,239 | 10,315 | 35,860 | 29,748 |
| Placement fees | 4,754 | 2,616 | 9,275 | 6,568 |
| Underwriting commission | 146 | - | 206 | - |
| Other fee income | 4,416 | 3,218 | 13,312 | 8,320 |
| | <u>67,293</u> | <u>56,521</u> | <u>220,428</u> | <u>178,460</u> |

(b) Net (loss)/gain arising from sale/redemption of:

| | | | | |
|---|----------------|---------------|---------------|---------------|
| Financial assets at fair value through profit or loss and derivatives | (2,178) | 18,913 | 26,620 | 56,893 |
| Financial investments available-for-sale | 4 | 6,267 | 5 | 13,048 |
| | <u>(2,174)</u> | <u>25,180</u> | <u>26,625</u> | <u>69,941</u> |

(c) Gross dividend income from:

| | | | | |
|---|--------------|------------|--------------|--------------|
| (i) Financial assets at fair value through profit or loss | 779 | 352 | 964 | 1,438 |
| (ii) Financial investments available-for-sale | 227 | 399 | 533 | 739 |
| | <u>1,006</u> | <u>751</u> | <u>1,497</u> | <u>2,177</u> |

(d) Unrealised gain /(loss) on revaluation of financial assets at fair value through profit or loss and derivatives

| | | | | |
|--|---------------|----------------|--------------|-----------------|
| | <u>10,360</u> | <u>(8,065)</u> | <u>7,436</u> | <u>(24,151)</u> |
|--|---------------|----------------|--------------|-----------------|

(e) Other income:

| | | | | |
|---|--------------|--------------|--------------|--------------|
| Net foreign exchange income | 1,404 | 1,448 | 4,230 | 3,168 |
| Loss on disposal of property, plant and equipment | (46) | - | (44) | - |
| Other operating income | 82 | - | 87 | - |
| Other non-operating income | | | | |
| -Rental income | 921 | 901 | 2,590 | 1,633 |
| -Others | 865 | 363 | 2,584 | 1,201 |
| | <u>3,226</u> | <u>2,712</u> | <u>9,447</u> | <u>6,002</u> |

| | | | | |
|------------------------------|----------------------|----------------------|-----------------------|-----------------------|
| Total other operating income | <u>79,711</u> | <u>77,099</u> | <u>265,433</u> | <u>232,429</u> |
|------------------------------|----------------------|----------------------|-----------------------|-----------------------|

**KENANGA INVESTMENT BANK BERHAD
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**NOTES TO INTERIM FINANCIAL REPORT
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2017**

| | Individual Quarter | | Cumulative Quarter | |
|--|--------------------|-------------------|--------------------|-------------------|
| | 3 months ended | 3 months ended | 9 months ended | 9 months ended |
| | 30 September 2017 | 30 September 2016 | 30 September 2017 | 30 September 2016 |
| | RM'000 | RM'000 | RM'000 | RM'000 |

A24. Other Operating Income (Cont'd)

Bank

(a) Fee income:

| | | | | |
|--|---------------|---------------|----------------|----------------|
| Brokerage fees | 40,134 | 34,179 | 142,825 | 112,486 |
| Corporate advisory fee | 1,798 | 2,420 | 8,667 | 7,808 |
| Processing fees on loans, advances and financing | 534 | 977 | 2,726 | 2,802 |
| Management fee income | 115 | (69) | 551 | 376 |
| Placement fees | 4,754 | 2,616 | 9,275 | 6,568 |
| Underwriting commission | 146 | - | 206 | - |
| Other fee income | 2,454 | 2,390 | 7,683 | 6,491 |
| | <u>49,935</u> | <u>42,513</u> | <u>171,933</u> | <u>136,531</u> |

(b) Net (loss)/gain arising from sale/redemption of:

| | | | | |
|---|----------------|---------------|---------------|---------------|
| Financial assets at fair value through profit or loss and derivatives | (2,178) | 18,914 | 26,620 | 58,133 |
| Financial investments available-for-sale | 4 | 6,266 | 5 | 13,048 |
| | <u>(2,174)</u> | <u>25,180</u> | <u>26,625</u> | <u>71,181</u> |

(c) Gross dividend from:

| | | | | |
|---|------------|------------|--------------|--------------|
| Financial assets at fair value through profit or loss | 604 | 352 | 789 | 742 |
| Financial investments available-for-sale | 227 | 399 | 533 | 739 |
| Subsidiary | - | - | - | 62 |
| | <u>831</u> | <u>751</u> | <u>1,322</u> | <u>1,543</u> |

(d) Unrealised gain/(loss) on revaluation of financial assets fair value through profit or loss and derivatives

| | | | | |
|--|---------------|----------------|--------------|-----------------|
| | <u>10,360</u> | <u>(8,065)</u> | <u>7,436</u> | <u>(24,151)</u> |
|--|---------------|----------------|--------------|-----------------|

(e) Other income:

| | | | | |
|---|--------------|--------------|---------------|--------------|
| Net foreign exchange income | 1,412 | 1,436 | 4,250 | 3,180 |
| Loss on disposal of property, plant and equipment | (48) | - | (46) | - |
| Other operating income | 105 | 130 | 251 | 334 |
| Loss on deemed disposal of a subsidiary | - | (60) | - | (60) |
| Other non-operating income | | | | |
| -Rental income | 1,287 | 1,694 | 3,864 | 4,012 |
| -Others | 837 | 458 | 2,635 | 1,299 |
| | <u>3,593</u> | <u>3,658</u> | <u>10,954</u> | <u>8,765</u> |

| | | | | |
|------------------------------|----------------------|----------------------|-----------------------|-----------------------|
| Total other operating income | <u>62,545</u> | <u>64,037</u> | <u>218,270</u> | <u>193,869</u> |
|------------------------------|----------------------|----------------------|-----------------------|-----------------------|

**KENANGA INVESTMENT BANK BERHAD
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**NOTES TO INTERIM FINANCIAL REPORT
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2017**

| Individual Quarter | | Cumulative Quarter | |
|---------------------------|--------------------------|---------------------------|--------------------------|
| 3 months ended | 3 months ended | 9 months ended | 9 months ended |
| 30 September 2017 | 30 September 2016 | 30 September 2017 | 30 September 2016 |
| RM'000 | RM'000 | RM'000 | RM'000 |

A25. Other operating expenses

Group

| | | | | |
|---|---------------|---------------|----------------|----------------|
| Personnel costs | 39,040 | 35,929 | 116,735 | 109,417 |
| - Salaries, allowances and bonuses | 30,104 | 28,220 | 91,006 | 86,141 |
| - EPF | 3,982 | 3,557 | 11,730 | 10,708 |
| - Others | 4,954 | 4,152 | 13,999 | 12,568 |
| Establishment costs | 10,472 | 15,605 | 38,396 | 43,916 |
| - Depreciation of property, plant and equipment | 3,268 | 2,896 | 9,702 | 8,673 |
| - Amortisation of intangible assets - software | 203 | 237 | 583 | 735 |
| - Rental of premises | 2,550 | 5,648 | 10,831 | 17,451 |
| - Rental of equipment | 158 | 155 | 503 | 455 |
| - Repairs and maintenance | 1,012 | 1,920 | 3,337 | 3,138 |
| - Information technology expenses | 2,699 | 3,033 | 8,097 | 9,019 |
| - Others | 582 | 1,716 | 5,343 | 4,445 |
| Marketing expenses | 2,716 | 3,954 | 10,516 | 9,787 |
| - Promotion and advertisements | 937 | 2,803 | 5,426 | 6,427 |
| - Travel and entertainment | 1,126 | 835 | 3,066 | 2,549 |
| - Others | 653 | 316 | 2,024 | 811 |
| Administration and general expenses | 42,409 | 40,830 | 140,869 | 118,696 |
| - Communication expenses | 1,122 | 1,464 | 3,698 | 4,574 |
| - Professional fees and legal fees | 693 | 909 | 2,254 | 3,528 |
| - Regulatory charges | 5,165 | 4,579 | 16,265 | 15,252 |
| - Fees and brokerage | 30,567 | 24,461 | 102,948 | 76,357 |
| - Administrative expenses | 4,401 | 8,924 | 14,388 | 17,635 |
| - Printing and stationery | 461 | 493 | 1,316 | 1,350 |
| | 94,637 | 96,318 | 306,516 | 281,816 |

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

**NOTES TO INTERIM FINANCIAL REPORT
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2017**

| Individual Quarter | | Cumulative Quarter | |
|--------------------|-------------------|--------------------|-------------------|
| 3 months ended | 3 months ended | 9 months ended | 9 months ended |
| 30 September 2017 | 30 September 2016 | 30 September 2017 | 30 September 2016 |
| RM'000 | RM'000 | RM'000 | RM'000 |

A25. Other operating expenses (Cont'd)

Bank

| | | | | |
|---|---------------|---------------|----------------|----------------|
| Personnel costs | 29,674 | 33,526 | 89,392 | 96,339 |
| - Salaries, allowances and bonuses | 23,930 | 21,425 | 73,468 | 63,845 |
| - EPF | 3,191 | 2,603 | 9,385 | 7,917 |
| - Others | 2,553 | 9,498 | 6,539 | 24,577 |
| Establishment costs | 8,991 | 13,947 | 33,996 | 38,959 |
| - Depreciation of property, plant and equipment | 3,177 | 2,620 | 9,456 | 7,769 |
| - Rental of premises | 2,341 | 5,515 | 10,339 | 17,040 |
| - Rental of equipment | 73 | 73 | 246 | 199 |
| - Repair and maintenance | 811 | 671 | 2,685 | 1,448 |
| - Information technology expenses | 2,678 | 2,765 | 8,029 | 8,624 |
| - Others | (89) | 2,303 | 3,241 | 3,879 |
| Marketing expenses | 2,797 | 2,240 | 8,512 | 5,181 |
| - Promotion and advertisement | 1,337 | 1,540 | 3,715 | 3,057 |
| - Travel and entertainment | 834 | 519 | 2,434 | 1,690 |
| - Others | 626 | 181 | 2,363 | 434 |
| Administration and general expenses | 33,347 | 33,011 | 115,789 | 94,485 |
| - Communication expenses | 949 | 1,275 | 3,222 | 4,006 |
| - Professional fees and legal fees | 558 | 635 | 1,993 | 1,686 |
| - Regulatory charges | 4,720 | 3,901 | 14,759 | 12,843 |
| - Administrative expenses | 3,755 | 7,638 | 12,360 | 13,820 |
| - Printing and stationery | 333 | 369 | 1,020 | 1,034 |
| - Fees and brokerages | 23,032 | 19,193 | 82,435 | 61,096 |
| | 74,809 | 82,724 | 247,689 | 234,964 |

A26. Write back of/(Allowance for) impairment on loans, advances and financing

Group

Impairment:

| | | | | |
|------------------------------|-----------|-----------|-------------|--------------|
| - collective allowance (net) | 28 | (10) | (71) | (126) |
| - individual allowance (net) | (44) | (66) | (108) | (996) |
| Bad debts and financing: | | | | |
| - recovered | 108 | 154 | 117 | 272 |
| | 92 | 78 | (62) | (850) |

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

**NOTES TO INTERIM FINANCIAL REPORT
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2017**

| | Individual Quarter | | Cumulative Quarter | |
|---|--|--|--|--|
| | 3 months ended 30 September 2017 RM'000 | 3 months ended 30 September 2016 RM'000 | 9 months ended 30 September 2017 RM'000 | 9 months ended 30 September 2016 RM'000 |
| A26. Write back of/(Allowance for) impairment on loans, advances and financing (cont'd) | | | | |
| <u>Bank</u> | | | | |
| Impairment: | | | | |
| - collective allowance (net) | 28 | (9) | 170 | (399) |
| - individual allowance (net) | (44) | (45) | (129) | (77) |
| | <u>(16)</u> | <u>(54)</u> | <u>41</u> | <u>(476)</u> |
| Bad debts and financing: | | | | |
| - recovered | 108 | 154 | 117 | 272 |
| | <u>92</u> | <u>100</u> | <u>158</u> | <u>(204)</u> |
| A27. Write back of/(Allowance for) impairment on balances due from clients and brokers and other receivables | | | | |
| <u>Group</u> | | | | |
| Impairment: | | | | |
| (i) individual allowance on clients and brokers (net) | 631 | 3,761 | 215 | 658 |
| (ii) impairment allowance on other receivables (net) | (626) | (4,146) | (1,425) | (303) |
| Impaired debts: | | | | |
| - recovered | 2 | 2 | 107 | 452 |
| | <u>7</u> | <u>(383)</u> | <u>(1,103)</u> | <u>807</u> |
| <u>Bank</u> | | | | |
| Impairment: | | | | |
| (i) individual allowance on clients and brokers (net) | 631 | 3,761 | 215 | 658 |
| (ii) impairment allowance on other receivables (net) | (300) | (4,146) | 21 | (303) |
| Impaired debts: | | | | |
| - recovered | 2 | 2 | 107 | 452 |
| | <u>333</u> | <u>(383)</u> | <u>343</u> | <u>807</u> |

**NOTES TO INTERIM FINANCIAL REPORT
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2017**

A28. Fair value of financial instruments

Fair value measurements

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

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

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

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

Valuation techniques and sensitivity analysis

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

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

NOTES TO INTERIM FINANCIAL REPORT
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2017

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

Group

30 September 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 | - | 299,949 | - | 299,949 |
| - Equity securities and unit trusts | 151,976 | 7,768 | - | 159,744 |
| Financial investments available-for-sale # | | | | |
| - Debt securities | - | 891,295 | - | 891,295 |
| - Negotiable Instruments of Deposit | - | 150,000 | - | 150,000 |
| - Islamic Negotiable Instruments of Deposit | - | 99,891 | - | 99,891 |
| Unquoted private debt securities | - | - | 1,067 | 1,067 |
| Derivative financial assets | - | 69,248 | - | 69,248 |
| Financial assets for which fair values are disclosed | | | | |
| Financial investments held-to-maturity | - | 38,501 | - | 38,501 |
| Loans, advances and financing | - | - | 2,161,668 | 2,161,668 |
| | 151,976 | 1,556,652 | 2,162,735 | 3,871,363 |

Financial liabilities measured at fair value

| | | | | |
|--|---------------|----------------|----------|----------------|
| Derivative financial liabilities | 11,059 | 7,316 | - | 18,375 |
| Obligations on securities sold under repurchase agreements | - | 46,746 | - | 46,746 |
| Borrowings | - | 92,277 | - | 92,277 |
| | 11,059 | 146,339 | - | 157,398 |

31 December 2016

| | 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 | - | 169,311 | - | 169,311 |
| - Equity securities and unit trusts | 211,210 | - | - | 211,210 |
| Financial investments available-for-sale # | | | | |
| - Debt securities | - | 737,324 | - | 737,324 |
| - Negotiable Instruments of Deposit | - | 50,000 | - | 50,000 |
| - Islamic Negotiable Instruments of Deposit | - | 149,890 | - | 149,890 |
| - Equity securities and unit trusts | - | 6,660 | - | 6,660 |
| Unquoted private debt securities | - | - | 1,067 | 1,067 |
| Derivative financial assets | - | 39,117 | - | 39,117 |
| Financial assets for which fair values are disclosed | | | | |
| Financial investments held-to-maturity | - | 40,026 | - | 40,026 |
| Loans, advances and financing | - | - | 2,102,439 | 2,102,439 |
| | 211,210 | 1,192,328 | 2,103,506 | 3,507,044 |

Financial liabilities measured at fair value

| | | | | |
|--|---------------|----------------|----------|----------------|
| Derivative financial liabilities | 13,613 | 33,793 | - | 47,406 |
| Obligations on securities sold under repurchase agreements | - | 27,253 | - | 27,253 |
| Borrowings | - | 168,906 | - | 168,906 |
| | 13,613 | 229,952 | - | 243,565 |

NOTES TO INTERIM FINANCIAL REPORT
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2017

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

Bank

30 September 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 | - | 299,949 | - | 299,949 |
| - Equity securities and unit trusts | 151,976 | - | - | 151,976 |
| Financial investments available-for-sale # | | | | |
| - Debt securities | - | 891,295 | - | 891,295 |
| - Negotiable Instruments of Deposit | - | 150,000 | - | 150,000 |
| - Islamic Negotiable Instruments of Deposit | - | 99,891 | - | 99,891 |
| Unquoted private debt securities | - | - | 1,067 | 1,067 |
| Derivative financial assets | - | 69,248 | - | 69,248 |
| Financial assets for which fair values are disclosed | | | | |
| Financial investments held-to-maturity | - | 38,501 | - | 38,501 |
| Loans, advances and financing | - | - | 2,161,668 | 2,161,668 |
| | 151,976 | 1,548,884 | 2,162,735 | 3,863,595 |

Financial liabilities measured at fair value

| | | | | |
|--|---------------|----------------|----------|----------------|
| Derivative financial liabilities | 11,059 | 7,316 | - | 18,375 |
| Obligations on securities sold under repurchase agreements | - | 46,746 | - | 46,746 |
| Borrowings | - | 72,278 | - | 72,278 |
| | 11,059 | 126,340 | - | 137,399 |

31 December 2016

| | 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 | - | 169,311 | - | 169,311 |
| - Equity securities and unit trusts | 211,210 | - | - | 211,210 |
| Financial investments available-for-sale # | | | | |
| - Debt securities | - | 737,324 | - | 737,324 |
| - Negotiable Instruments of Deposit | - | 50,000 | - | 50,000 |
| - Islamic Negotiable Instruments of Deposit | - | 149,890 | - | 149,890 |
| Unquoted private debt securities | - | - | 1,067 | 1,067 |
| Derivative financial assets | - | 39,117 | - | 39,117 |
| Financial assets for which fair values are disclosed | | | | |
| Financial investments held-to-maturity | - | 40,026 | - | 40,026 |
| Loans, advances and financing | - | - | 2,062,740 | 2,062,740 |
| | 211,210 | 1,185,668 | 2,063,807 | 3,460,685 |
| Financial liabilities measured at fair value | | | | |
| Derivative financial liabilities | 13,613 | 33,793 | - | 47,406 |
| Obligations on securities sold under repurchase agreements | - | 27,253 | - | 27,253 |
| Borrowings | - | 118,334 | - | 118,334 |
| | 13,613 | 179,380 | - | 192,993 |

Excluded unquoted securities stated at cost of RM10,698,000 (2016 : RM490,000).

There has been no transfer between level 1 & level 2 during the current period ended 30 September 2017 (30 September 2016: None)

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

**NOTES TO INTERIM FINANCIAL REPORT
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2017**

| | As at 30 September 2017 | As at 31 December 2016 |
|--|-------------------------------|-------------------------------|
| | Principal Amount RM'000 | Principal Amount RM'000 |
| A29. <u>Commitments and Contingencies and Off-Balance Sheet</u> | | |
| <u>Financial Instruments</u> | | |
| Group | | |
| Obligations under underwriting agreements | - | 9,380 |
| Commitments to extend credit with maturity of less than 1 year :- | | |
| - share margin financing | 1,659,769 | 1,656,405 |
| - corporate loans | 5,000 | - |
| - foreign exchange related contracts | 62,190 | 44,858 |
| - equity exchange related contracts | 167,242 | 127,966 |
| Commitments to extend credit with maturity of more than 1 year :- | | |
| - corporate loans | 8,000 | 347 |
| - equity related contracts | - | 1,145 |
| Client trust in respect of the stockbroking business | 946,769 | 665,738 |
| Derivative financial assets (Note B11) | | |
| - dual currency investment - options | 24,855 | 17,407 |
| - equity related contracts - options | 87,326 | 93,636 |
| - equity related contracts - swap | 56,118 | 57,262 |
| Derivative financial liabilities (Note B11) | | |
| - dual currency investment - options | 24,855 | 17,407 |
| - equity related contracts - options | 480,517 | 220,442 |
| | <u>3,522,640</u> | <u>2,911,993</u> |

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(15678-H)**

**NOTES TO INTERIM FINANCIAL REPORT
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2017**

| | As at 30 September 2017 | As at 31 December 2016 |
|--|-------------------------------|-------------------------------|
| | Principal Amount RM'000 | Principal Amount RM'000 |
| A29. <u>Commitments and Contingencies and Off-Balance Sheet</u> | | |
| <u>Financial Instruments (Cont'd)</u> | | |
| Bank | | |
| Obligations under underwriting agreements | - | 9,380 |
| Commitments to extend credit with maturity of less than 1 year :- | | |
| - share margin financing | 1,659,769 | 1,656,405 |
| - corporate loans | 79,500 | 43,500 |
| - foreign exchange related contracts | 62,190 | 44,858 |
| - equity exchange related contracts | 167,242 | 127,966 |
| Commitments to extend credit with maturity of more than 1 year :- | | |
| - corporate loan | 38,000 | 25,347 |
| - equity exchange related contracts | - | 1,145 |
| Client trust in respect of the stockbroking business | 946,769 | 665,738 |
| Derivative financial assets (Note B11) | | |
| - dual currency investment - options | 24,855 | 17,407 |
| - equity related contracts - options | 87,326 | 93,636 |
| - equity related contracts - swap | 56,118 | 57,262 |
| Derivative financial liabilities (Note B11) | | |
| - dual currency investment - options | 24,855 | 17,407 |
| - equity related contracts - options | 480,517 | 220,442 |
| | <u>3,627,140</u> | <u>2,980,493</u> |

**KENANGA INVESTMENT BANK BERHAD
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**NOTES TO INTERIM FINANCIAL REPORT
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2017**

| | Group | | Bank | |
|---------------------------------------|--------------------------------|-------------------------------|--------------------------------|-------------------------------|
| | 30 September 2017 RM'000 | 31 December 2016 RM'000 | 30 September 2017 RM'000 | 31 December 2016 RM'000 |
| A30. Other Commitments | | | | |
| Capital expenditure commitments | 8,274 | 11,339 | 7,816 | 11,043 |
| Operating lease arrangements payables | 6,594 | 12,500 | 6,594 | 12,500 |
| Investment in equity fund | 9,792 | - | 9,792 | - |
| | <u>24,660</u> | <u>23,839</u> | <u>24,202</u> | <u>23,543</u> |
| Future minimum sublease receipts: | | | | |
| Subsidiaries | - | - | 3,507 | 4,674 |
| External parties | 1,253 | 1,136 | 1,253 | 1,136 |
| | <u>1,253</u> | <u>1,136</u> | <u>4,760</u> | <u>5,810</u> |

A31. Capital Adequacy

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

| | Group | | Bank | |
|--|--------------------------------|-------------------------------|--------------------------------|-------------------------------|
| | 30 September 2017 RM'000 | 31 December 2016 RM'000 | 30 September 2017 RM'000 | 31 December 2016 RM'000 |
| <u>CET 1 / Tier 1 capital</u> | | | | |
| Paid-up share capital | 246,137 | 180,637 | 246,137 | 180,637 |
| Share premium | - | 65,500 | - | 65,500 |
| Retained profits | 496,292 | 47,857 | 468,480 | 20,209 |
| Other reserves | 126,076 | 591,962 | 177,059 | 636,160 |
| Less: Regulatory adjustments: | | | | |
| Deferred tax assets | (6,827) | (9,841) | (4,573) | (7,554) |
| Goodwill | (203,109) | (203,109) | (252,909) | (252,909) |
| Other intangibles | (63,375) | (63,813) | (52,500) | (52,500) |
| Regulatory reserve | (25,142) | (23,929) | (25,142) | (23,929) |
| Deduction in excess of Tier 2* | (58,974) | (65,313) | (129,034) | (116,876) |
| Total CET 1/Tier 1 capital | <u>511,078</u> | <u>519,951</u> | <u>427,518</u> | <u>448,738</u> |
| <u>Tier 2 capital</u> | | | | |
| Subordinated debt capital | 5,000 | - | 5,000 | - |
| Collective impairment provision and regulatory reserves | 14,533 | 14,320 | 14,201 | 13,809 |
| Less: Regulatory adjustments applied to Tier 2 capital | (14,743) | (14,320) | (19,201) | (13,809) |
| Total Tier 2 capital | <u>4,790</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total capital | <u>515,868</u> | <u>519,951</u> | <u>427,518</u> | <u>448,738</u> |

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A31. Capital Adequacy (cont'd)

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

| | Group | | Bank | |
|----------------------|------------------------------|-----------------------------|------------------------------|-----------------------------|
| | 30 September 2017 | 31 December 2016 | 30 September 2017 | 31 December 2016 |
| CET 1 capital ratio | 27.158% | 28.176% | 24.509% | 26.199% |
| Tier 1 capital ratio | 27.158% | 28.176% | 24.509% | 26.199% |
| Total capital ratio | 27.412% | 28.176% | 24.509% | 26.199% |

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

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

| | Group | | Group | |
|-----------------------------------|---------------------------------------|--|---------------------------------------|--|
| | 30 September 2017 | | 31 December 2016 | |
| | Notional amount RM'000 | Risk-weighted amount RM'000 | Notional amount RM'000 | Risk-weighted amount RM'000 |
| Credit Risk | 4,881,714 | 1,162,668 | 4,273,833 | 1,145,590 |
| Market Risk | - | 160,196 | - | 154,586 |
| Operational Risk | - | 552,621 | - | 545,211 |
| Large Exposure Risk | 10,208 | 6,400 | - | - |
| Total Risk Weighted Assets | 4,881,714 | 1,881,885 | 4,273,833 | 1,845,387 |

| | Bank | | Bank | |
|-----------------------------------|---------------------------------------|--|---------------------------------------|--|
| | 30 September 2017 | | 31 December 2016 | |
| | Notional amount RM'000 | Risk-weighted amount RM'000 | Notional amount RM'000 | Risk-weighted amount RM'000 |
| Credit Risk | 6,480,628 | 1,136,064 | 3,933,702 | 1,104,691 |
| Market Risk | - | 138,834 | - | 154,586 |
| Operational Risk | - | 463,052 | - | 453,526 |
| Large Exposure Risk | 10,208 | 6,400 | - | - |
| Total Risk Weighted Assets | 6,490,836 | 1,744,350 | 3,933,702 | 1,712,804 |

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 - Futures broker business
- (iv) Money lending and financing - Money lending, islamic factoring and leasing;
- (v) Investment and wealth management - Management of funds and unit trusts (Note 1); and
- (vi) Corporate and others - Support services comprise all middle and back office functions, and, includes business operations conducted by the Group's associate in the Kingdom of Saudi Arabia and joint venture.

Note 1

Wealth management was previously reported under the corporate and other segments. However with effect from this financial year, it has been reported as part of the investment management segment due to similar products and services rendered. This will enable decisions on allocation of resources to be handled more effectively and efficiently to improve the performance of this segment.

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**NOTES TO INTERIM FINANCIAL REPORT
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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 | 10,157 | 6,192 | 58,817 | 9,184 | - | 515,396 |
| Inter-segment sales | 2,548 | 200 | 1,139 | - | 1,608 | - | (5,495) | - |
| Total revenue | 200,995 | 232,799 | 11,296 | 6,192 | 60,425 | 9,184 | (5,495) | 515,396 |
| Result | | | | | | | | |
| Net income | 47,211 | 220,567 | 10,826 | 3,745 | 45,704 | 12,839 | (2,740) | 338,152 |
| Other operating expenses | (33,491) | (189,409) | (11,195) | (3,465) | (50,523) | (21,173) | 2,740 | (306,516) |
| (Allowance for)/write back of impairment on loans, advances and financing | (58) | (13) | - | 21 | - | 230 | (242) | (62) |
| (Allowance for)/ Write back of impairment on balance due from clients and brokers and other receivables | (147) | 96 | - | - | 3 | (1,055) | - | (1,103) |
| Share of results in associates and joint venture | - | - | - | - | - | (6,630) | - | (6,630) |
| Profit/(loss) before taxation and zakat | 13,515 | 31,241 | (369) | 301 | (4,816) | (15,789) | (242) | 23,841 |
| Taxation and zakat | | | | | | | | (12,190) |
| Net profit for the financial period | | | | | | | | 11,651 |
| 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 |

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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.) | | | | | | | | |
| Assets | | | | | | | | |
| Investments in associates | - | - | - | - | 62,937 | - | | 62,937 |
| Investment in a joint venture company | | | | | 10,780 | | | 10,780 |
| Addition to non-current assets | 10,592 | 196 | 83 | 667 | - | - | 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 |

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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 |
|--|--|-------------------------------------|---------------------------------------|---|--|--|--|-------------------------|
| 2016 | | | | | | | | |
| Revenue | | | | | | | | |
| External sales | 180,386 | 196,349 | 15,522 | 10,488 | 33,305 | 10,857 | - | 446,907 |
| Inter-segment sales | 3,257 | 153 | 1,070 | - | 1,047 | 23,352 | (28,879) | - |
| Total revenue | 183,643 | 196,502 | 16,592 | 10,488 | 34,352 | 34,209 | (28,879) | 446,907 |
| Result | | | | | | | | |
| Net income | 60,418 | 188,063 | 15,993 | 4,832 | 34,267 | 34,396 | (26,050) | 311,919 |
| Other operating expenses | (32,413) | (168,067) | (13,312) | (3,555) | (44,121) | (46,398) | 26,050 | (281,816) |
| (Allowance for)/write back of impairment on loans, advances and financing | (946) | 195 | - | (919) | - | 547 | 273 | (850) |
| (Allowance for)/write back of impairment on balance due from clients and brokers and other receivables | (372) | 662 | - | - | - | 517 | - | 807 |
| Share of results in associates | - | - | - | - | - | (795) | - | (795) |
| Profit/(loss) before taxation and zakat | 26,687 | 20,853 | 2,681 | 358 | (9,854) | (11,733) | 273 | 29,265 |
| Taxation and zakat | | | | | | | | (10,917) |
| Net profit for the financial period | | | | | | | | 18,348 |
| Other information | | | | | | | | |
| Net interest and finance income | 10,016 | 21,446 | 4,347 | 1,914 | 808 | 6,538 | - | 45,069 |
| Depreciation and amortisation | 415 | 2,852 | 347 | 7 | 515 | 2,139 | - | 6,275 |
| Non cash expenses | | | | | | | | |
| - Unrealised gains/(losses) on revaluation of financial assets at fair value through profit or loss and derivatives | 4,185 | (17,641) | - | - | - | (1,604) | - | (15,060) |

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**NOTES TO INTERIM FINANCIAL REPORT
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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 |
|---------------------------------------|---|------------------------------|--|--|--------------------------------------|--|----------|-----------------|
| 2016 (cont'd.) | | | | | | | | |
| Assets | | | | | | | | |
| Investments in associates | - | - | - | - | 58,207 | - | | 58,207 |
| Investment in a joint venture company | - | - | - | - | 2,222 | - | | 2,222 |
| Addition to non-current assets | 164,292 | 165 | 347 | 602 | 624 | - | A | 166,030 |
| Segment assets | 5,388,366 | 404,665 | 52,108 | 169,785 | 807,823 | (1,031,178) | B | 5,791,569 |
| Liabilities | | | | | | | | |
| Segment liabilities | 4,461,780 | 366,692 | 18,763 | 158,873 | 55,022 | (158,816) | C | 4,902,314 |

Notes

A Additions to non-current assets consist of:

| | 2017 RM'000 | 2016 RM'000 |
|---|----------------|----------------|
| Property, plant and equipment | | |
| - Additions during the financial period | 11,394 | 164,998 |
| Intangible assets | | |
| - Additions during the financial period | 145 | 1,032 |
| | <u>11,539</u> | <u>166,030</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.

| | 2017 | 2016 |
|--|------------------|--------------------|
| | RM'000 | RM'000 |
| Investment in subsidiaries | (67,550) | (59,800) |
| Investment in associates and joint venture | 1,295 | 508 |
| Intangible assets | (40,095) | (40,095) |
| Inter-segment assets | (114,841) | (931,791) |
| | <u>(221,191)</u> | <u>(1,031,178)</u> |

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

| | 2017 | 2016 |
|-------------------------------------|-----------------|------------------|
| | RM'000 | RM'000 |
| Deposits accepted from subsidiaries | (58,893) | (65,059) |
| Inter-segment liabilities | (36,291) | (93,757) |
| | <u>(95,184)</u> | <u>(158,816)</u> |

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**NOTES TO INTERIM FINANCIAL REPORT
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2017**

A35. Operations of Islamic Banking

**(a) Unaudited Consolidated Statement of Financial Position
As at 30 September 2017**

| | Note | Group and Bank | |
|--|------|--|---|
| | | As at 30 September 2017 RM '000 | As at 31 December 2016 RM '000 |
| ASSETS | | | |
| Cash and bank balances | (e) | 422,208 | 160,638 |
| Financial assets at fair value through profit or loss | (f) | 144,873 | 34,750 |
| Financial investments available-for-sale | (g) | 258,432 | 276,405 |
| Financial investments held-for-maturity | (h) | 5,001 | 5,000 |
| Advances and financing | (i) | 189,321 | 155,162 |
| Balances due from clients and brokers | | 254 | 24 |
| Other assets | | 3,347 | 1,322 |
| Property, plant and equipment | | 111 | 138 |
| Deferred tax assets | | - | 205 |
| TOTAL ASSETS | | 1,023,547 | 633,644 |
| LIABILITIES | | | |
| Deposits from customers | (j) | 739,133 | 410,813 |
| Balances due to clients and brokers | | 1,129 | 56 |
| Other liabilities | (k) | 142,200 | 84,378 |
| Deferred tax liabilities | | 82 | - |
| Provision for taxation and zakat | | 1,418 | 3,567 |
| TOTAL LIABILITIES | | 883,962 | 498,814 |
| ISLAMIC BANKING CAPITAL FUNDS | | | |
| Islamic banking funds | | 120,000 | 120,000 |
| Reserves | | 19,585 | 14,830 |
| TOTAL ISLAMIC BANKING CAPITAL FUNDS | | 139,585 | 134,830 |
| TOTAL LIABILITIES AND ISLAMIC BANKING CAPITAL FUNDS | | 1,023,547 | 633,644 |

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**NOTES TO INTERIM FINANCIAL REPORT
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2017**

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 2017**

| | Group and Bank | | | | |
|---|---|---|---|---|---------------|
| | Individual Quarter | | Cumulative Quarter | | |
| | 3 months ended | 3 months ended | 9 months ended | 9 months ended | |
| | 30 September 2017 RM'000 | 30 September 2016 RM'000 | 30 September 2017 RM'000 | 30 September 2016 RM'000 | |
| Income derived from investment of depositors' funds | (l) | 9,348 | 11,571 | 22,856 | 22,824 |
| Income derived from investment of shareholders' funds | (m) | 1,783 | 750 | 4,898 | 4,310 |
| (Allowance for)/ Write back of impairment on advances and financing | | - | (1) | 59 | (171) |
| Allowance for impairment on other assets | | (1) | - | (61) | - |
| Total attributable income | | 11,130 | 12,320 | 27,752 | 26,963 |
| Profit distributed to depositors | (n) | (7,540) | (5,007) | (18,272) | (13,706) |
| Net income | | 3,590 | 7,313 | 9,480 | 13,257 |
| Finance cost | | (785) | (185) | (2,066) | (653) |
| Personnel expenses | (o) | (153) | (175) | (430) | (440) |
| Other overhead expenses | (p) | (672) | (510) | (1,721) | (1,506) |
| Profit before taxation and zakat | | 1,980 | 6,443 | 5,263 | 10,658 |
| Taxation and zakat | | (514) | (1,550) | (1,418) | (2,617) |
| Profit for the financial period | | 1,466 | 4,893 | 3,845 | 8,041 |

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 | 9,348 | 11,571 | 22,856 | 22,824 |
| Income derived from investment of shareholders' funds | 1,783 | 750 | 4,898 | 4,310 |
| Total income before impairment allowances and overhead expenses | 11,131 | 12,321 | 27,754 | 27,134 |
| Profit distributed to depositors | (7,540) | (5,007) | (18,272) | (13,706) |
| Finance cost | (785) | (185) | (2,066) | (653) |
| Income from Islamic Banking Window operations reported in the statement of profit or loss of the Group and the Bank | 2,806 | 7,129 | 7,416 | 12,775 |

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A35. Operations of Islamic Banking (Cont'd)

**(c) Unaudited Condensed Statements Of Cash Flows
For the financial period ended 30 September 2017**

| | Group and Bank | |
|---|--|--|
| | 30 September 2017 RM '000 | 30 September 2016 RM '000 |
| Cash flows from operating activities | | |
| Profit before tax expense and zakat | 5,263 | 10,658 |
| Adjustments for: | | |
| Depreciation of plant and equipment | 32 | 33 |
| Impairment allowances | 2 | 171 |
| Net loss/(gain) from sale of financial assets held-for-trading and derivatives | 395 | (2,562) |
| Net loss from sale of financial investments available-for-sale | (1) | (5,123) |
| Unrealised gain on revaluation of financial assets at fair value through profit or loss | (110) | (221) |
| Operating profit before working capital changes | <u>5,581</u> | <u>2,956</u> |
| Changes in operating assets: | | |
| Financial assets at fair value through profit or loss | (141,013) | 38,808 |
| Financial investments available-for-sale | 19,170 | (41,155) |
| Financial investments held-to-maturity | - | - |
| Advances and financing | (34,100) | (53,492) |
| Other assets | (2,255) | (1,226) |
| Changes in operating liabilities: | | |
| Deposits from customers | 328,320 | 162,940 |
| Balances due to clients and brokers | 1,073 | 15 |
| Other liabilities | 88,762 | 6,594 |
| Cash generated from operating activities | <u>265,538</u> | <u>115,440</u> |
| Taxation and zakat paid | (3,568) | (1,963) |
| Net cash generated from operating activities | <u>261,970</u> | <u>113,477</u> |
| Cash flows from investing activities | | |
| Purchase of property, plant and equipment | (6) | (311) |
| Net sales of securities | (394) | 7,685 |
| Net cash flows (used in)/generated from investing activities | <u>(400)</u> | <u>7,374</u> |
| Net change in cash and cash equivalents | 261,570 | 120,851 |
| Cash and cash equivalents at beginning of the financial period | 160,638 | 115,437 |
| Cash and cash equivalents at end of the financial period | <u>422,208</u> | <u>236,288</u> |

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A35. Operations Of Islamic Banking (Cont'd)

**(d) Statement Of Changes In Islamic Banking Funds
For the financial period ended 30 September 2017**

Group and Bank

| | Non-distributable | | | Distributable | | Total RM'000 |
|--|-----------------------------------|--|---------------------------------|--------------------------------|-------------------------------|-----------------|
| | Islamic Banking Fund RM'000 | Available for-sale (Deficit)/ Reserve RM'000 | Regulatory Reserve RM'000 | Capital Reserve * RM'000 | Retained Profits RM'000 | |
| 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 |
| At 1 January 2016 | 120,000 | (497) | 602 | - | 5,248 | 125,353 |
| Profit for the financial period | - | - | - | - | 8,041 | 8,041 |
| Other comprehensive income for the financial period | - | 2,555 | - | - | - | 2,555 |
| Merger adjustment | - | - | - | 5,248 | (5,248) | - |
| Transfer to regulatory reserve | - | - | 595 | - | (595) | - |
| At 30 September 2016 | 120,000 | 2,058 | 1,197 | 5,248 | 7,446 | 135,949 |

* 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)

| | Group and Bank | |
|--|---|--|
| | As at 30 September 2017 RM'000 | As at 31 December 2016 RM'000 |
| (e) Cash and short-term funds | | |
| Current account with BNM and banks | 92 | 59 |
| Money at call and deposit placements with: | | |
| Licensed investment banks | 422,116 | 160,579 |
| | <u>422,208</u> | <u>160,638</u> |
| (f) Financial Assets at fair value through profit or loss | | |
| At Fair Value | | |
| Money Market Instruments: | | |
| Malaysian Government Investment Certificates | 80,192 | - |
| Unquoted Private Debt Securities: | | |
| Islamic Corporate Bills | 64,681 | 24,968 |
| Islamic Corporate Bonds | - | 9,782 |
| | <u>144,873</u> | <u>34,750</u> |
| (g) Financial Investments Available-for-Sale | | |
| At Fair Value | | |
| Money Market Instruments: | | |
| In Malaysia | | |
| Malaysian Government Investment Certificates | 41,951 | 20,322 |
| Islamic Negotiable Instruments of Deposits | 99,892 | 149,890 |
| Sukuk Perumahan Kerajaan | 10,055 | 10,056 |
| | <u>151,898</u> | <u>180,268</u> |
| Unquoted Private Debt Securities: | | |
| In Malaysia | | |
| Islamic Corporate Bonds | 106,534 | 96,137 |
| | <u>258,432</u> | <u>276,405</u> |
| (h) Financial Investments Held-to-Maturity | | |
| At Amortised Cost | | |
| Unquoted Islamic Private Debt Securities: | | |
| In Malaysia | | |
| Islamic Corporate bonds | 5,001 | 5,000 |
| | <u>5,001</u> | <u>5,000</u> |
| The maturity structure of above securities are as follows: | | |
| More than one year to three years | <u>5,001</u> | <u>5,000</u> |

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A35. Operations Of Islamic Banking (Cont'd)

| | Group and Bank | |
|--|---|--|
| | As at 30 September 2017 RM'000 | As at 31 December 2016 RM'000 |
| (i) Advances and financing | | |
| At Amortised Cost | | |
| Share margin | | |
| - Shariah contract - others | 42 | - |
| Commodity Murabahah Revolving Credit | | |
| - Shariah contract - others | 12,648 | 20,224 |
| Commodity Murabahah Term Financing | | |
| - Shariah contract - others | 176,773 | 135,139 |
| | <u>189,463</u> | <u>155,363</u> |
| Allowance for impairment: | | |
| - Collective allowance | (142) | (201) |
| Net financing and advances | <u>189,321</u> | <u>155,162</u> |
| (i) Gross advances and financing analysed by type of customer are as follows: | | |
| Domestic business enterprise - others | 151,816 | 115,256 |
| Individuals | 37,647 | 40,107 |
| | <u>189,463</u> | <u>155,363</u> |
| (ii) Gross advances and financing analysed by geographical distribution are as follows: | | |
| In Malaysia | <u>189,463</u> | <u>155,363</u> |
| (iii) Gross advances and financing analysed by profit rate sensitivity are as follows: | | |
| Fixed rate | | |
| - Other fixed rate loans | 42 | - |
| Variable rate: | | |
| - Cost plus | 189,421 | 155,363 |
| | <u>189,463</u> | <u>155,363</u> |
| (v) Gross advances and financing analysed by economic purpose are as follows: | | |
| - Working capital | 57,665 | 65,241 |
| - Purchase of securities | 94,193 | 50,015 |
| - Others | 37,605 | 40,107 |
| | <u>189,463</u> | <u>155,363</u> |
| (vi) Gross advances and financing analysed by residual contractual maturity are as follows: | | |
| - Within one year | 12,690 | 20,224 |
| - More than one year | 176,773 | 135,139 |
| | <u>189,463</u> | <u>155,363</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 2017 RM'000 | 9 months ended 30 September 2016 RM'000 |
| (l) Income derived from investment of depositors' funds (Cont'd) | | |
| Other operating income | | |
| Net (loss)/gain on sale of financial assets at fair value through profit or loss | (286) | 2,783 |
| Net gain on sale of financial investments available-for-sale | 1 | 5,123 |
| Fees on financing and advances | 659 | 1,690 |
| Brokerage fee | 881 | 3 |
| Advisory fee | 308 | 11 |
| Placement fee | 35 | - |
| Direct trading fees | (179) | (154) |
| Other non-operating income | 6 | 5 |
| | <u>1,425</u> | <u>9,461</u> |
| | <u>22,856</u> | <u>22,824</u> |
| (m) Income derived from investment of shareholders' funds | | |
| Finance income and hibah | | |
| Advances and financing | 4,370 | 1,396 |
| Financial investments available-for-sale | 585 | 3,111 |
| Accretion of discount | (57) | (197) |
| | <u>4,898</u> | <u>4,310</u> |
| (n) Profit distributed to depositors | | |
| Deposits from customers and financial institutions | | |
| - Murabahah Fund | 15,108 | 10,132 |
| Others | 3,164 | 3,574 |
| | <u>18,272</u> | <u>13,706</u> |
| (o) Personnel costs | | |
| - Salaries, allowances and bonus | 339 | 328 |
| - EPF | 52 | 46 |
| - Others | 39 | 66 |
| | <u>430</u> | <u>440</u> |

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A35. Operations Of Islamic Banking (Cont'd)

| | Group and Bank | |
|---|--|--|
| | 9 months ended 30 September 2017 RM'000 | 9 months ended 30 September 2016 RM'000 |
| (p) Other overhead expenses: | | |
| Establishment costs | | |
| - Depreciation of property, plant and equipment | 32 | 33 |
| - Rental of premises | 42 | 34 |
| - Repairs and maintenance | 1 | 3 |
| - Others | 5 | 4 |
| | <u>80</u> | <u>74</u> |
| Marketing and trading expenses | | |
| - Promotion and advertisement | 17 | 39 |
| - Travel and entertainment | 12 | 4 |
| | <u>29</u> | <u>43</u> |
| Administration and general expenses | | |
| - Others | <u>1,612</u> | <u>1,389</u> |
| | <u>1,721</u> | <u>1,506</u> |

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**A35. Operations Of Islamic Banking (Cont'd)
(q) Capital adequacy**

| | Group and Bank | |
|---|---|--|
| | As at 30 September 2017 RM'000 | As at 31 December 2016 RM'000 |
| CET 1 / Tier 1 Capital | | |
| Islamic Banking funds | 120,000 | 120,000 |
| Retained profits | 7,964 | 8,568 |
| Other reserves | 7,776 | 6,262 |
| Less: | | |
| Deferred tax assets | (144) | (205) |
| Regulatory reserves | <u>(2,267)</u> | <u>(1,663)</u> |
| Total CET 1 / Tier 1 capital | <u>133,329</u> | <u>132,962</u> |
| Tier 2 Capital | | |
| Collective allowance and regulatory reserve | <u>2,337</u> | <u>1,696</u> |
| Total Tier 2 capital | <u>2,337</u> | <u>1,696</u> |
| Total capital | <u>135,666</u> | <u>134,658</u> |
| CET 1 capital ratio | 59.823% | 83.230% |
| Tier 1 capital ratio | 59.823% | 83.230% |
| Total capital ratio | <u>60.872%</u> | <u>84.292%</u> |

The breakdown of risk-weighted assets in the various categories of risk-weights are as follows:

| | Group and Bank | | | |
|----------------------------|--------------------------------|---------------------------------|-------------------------------|---------------------------------|
| | As at 30 September 2017 | | As at 31 December 2016 | |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| | Notional amount | Risk-weighted amount | Notional amount | Risk-weighted amount |
| Credit risk | 746,230 | 186,936 | 508,000 | 135,691 |
| Market risk | - | 17,448 | - | 8,056 |
| Operational risk | - | 18,487 | - | 16,005 |
| Total Risk Weighted Assets | <u>746,230</u> | <u>222,871</u> | <u>508,000</u> | <u>159,752</u> |

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

B1. Performance Review

Current quarter and financial year-to-date

Group:

| (RM'000) | Individual period | | Cumulative period | |
|-------------------|-------------------|-------------------|-------------------|-------------------|
| | 3 months ended | 3 months ended | 9 months ended | 9 months ended |
| | 30 September 2017 | 30 September 2016 | 30 September 2017 | 30 September 2016 |
| Revenue | 171,923 | 152,401 | 515,396 | 446,907 |
| Net income | 104,230 | 107,153 | 338,152 | 311,919 |
| Profit before tax | 8,757 | 10,335 | 23,841 | 29,265 |
| Profit after tax | 5,420 | 6,036 | 11,651 | 18,348 |

The Group reported a pretax profit ("PBT") of RM23.8 million for the period ended 30 September 2017 ("9M17") as compared to RM29.3 million for the the period ended 30 September 2016 ("9M16"). The decrease in PBT was mainly due to lower trading and investment income and higher share of losses from associate companies and a joint venture company mitigated by higher brokerage income, investment banking fees income and lower overhead cost.

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 2017 | 30 September 2016 | 30 September 2017 | 30 September 2016 |
| Revenue | 68,439 | 62,783 | 232,799 | 196,502 |
| Net income | 63,850 | 59,904 | 220,567 | 188,063 |
| Profit before tax | 7,613 | 5,781 | 31,241 | 20,853 |

Stockbroking registered PBT of RM31.2 million in 9M17 (9M16: PBT of RM20.9 million) mainly due to higher brokerage income and interest income negated by lower trading and investment income.

Net brokerage fee income increased from RM49.5 million to RM63.1 million mainly due to higher trading value on the Bursa Malaysia stock exchange which recorded RM904.2 billion for 9M17 compared to RM728.8 billion during the corresponding period of 2016.

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B1. Performance Review (cont'd)

Current quarter and financial year-to-date (cont'd)

Performance analysis of the Group's major operating segments are as follows (cont'd):

Investment Banking:

| | Individual period | | Cumulative period | |
|-------------------|-------------------|-------------------|-------------------|-------------------|
| | 3 months ended | 3 months ended | 9 months ended | 9 months ended |
| | 30 September 2017 | 30 September 2016 | 30 September 2017 | 30 September 2016 |
| (RM'000) | | | | |
| Revenue | 71,838 | 67,260 | 200,995 | 183,643 |
| Net income | 15,379 | 26,025 | 47,211 | 60,418 |
| Profit before tax | 4,609 | 14,315 | 13,515 | 26,687 |

Investment Banking registered a lower PBT of RM13.5 million in 9M17 (9M16: PBT of RM26.7 million) mainly due to lower trading and investment income from available-for-sale securities mitigated by higher interest income earned and investment banking fees income.

Investment and Wealth Management:

| | Individual period | | Cumulative period | |
|-----------------|-------------------|-------------------|-------------------|-------------------|
| | 3 months ended | 3 months ended | 9 months ended | 9 months ended |
| | 30 September 2017 | 30 September 2016 | 30 September 2017 | 30 September 2016 |
| (RM'000) | | | | |
| Revenue | 25,070 | 12,342 | 60,425 | 34,352 |
| Net income | 15,281 | 12,299 | 45,704 | 34,267 |
| Loss before tax | (678) | (3,044) | (4,816) | (9,854) |

Investment and wealth management registered a lower loss before tax ("LBT") of RM4.8 million (9M16: LBT of RM9.9 million) as a result of higher management fee income in tandem with the increase in the total Assets under Management ("AUM") negated by higher personnel and administrative expenses.

Futures:

| | Individual period | | Cumulative period | |
|--------------------------|-------------------|-------------------|-------------------|-------------------|
| | 3 months ended | 3 months ended | 9 months ended | 9 months ended |
| | 30 September 2017 | 30 September 2016 | 30 September 2017 | 30 September 2016 |
| (RM'000) | | | | |
| Revenue | 3,403 | 4,545 | 11,296 | 16,592 |
| Net income | 3,288 | 4,457 | 10,826 | 15,993 |
| (Loss)/profit before tax | (323) | 435 | (369) | 2,681 |

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B1. Performance Review (cont'd)

Current quarter and financial year-to-date (cont'd)

Performance analysis of the Group's major operating segments are as follows (cont'd):

Futures (cont'd):

Futures registered LBT of RM0.04 million 9M17 as compared to PBT of RM2.7 million in 9M16 mainly due to lower commission income earned from lower levels of client activities amid the sluggish market conditions and tame volatility 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 2017 | 30 September 2016 | 30 September 2017 | 30 September 2016 |
| (RM'000) | | | | |
| Revenue | 1,680 | 3,690 | 6,192 | 10,488 |
| Net income | 1,098 | 1,630 | 3,745 | 4,832 |
| (Loss)/Profit before tax | (105) | 485 | 301 | 358 |

This segment reported PBT of RM0.3 million in 9M17 compared to PBT of RM0.4 million in 9M16 due to lower interest income from financing activities as a result of stiff competition in the market.

Corporate and others:

| | Individual period | | Cumulative period | |
|--------------------------|-------------------|-------------------|-------------------|-------------------|
| | 3 months ended | 3 months ended | 9 months ended | 9 months ended |
| | 30 September 2017 | 30 September 2016 | 30 September 2017 | 30 September 2016 |
| (RM'000) | | | | |
| Revenue | 3,173 | 12,164 | 9,184 | 34,209 |
| Net income | 5,763 | 12,541 | 12,839 | 34,396 |
| (Loss)/Profit before tax | (2,358) | (7,636) | (15,789) | (11,733) |

Higher LBT was recorded in the segment of corporate and others for YTD 2017 compared to YTD 2016 mainly due to higher provision of impairment losses share of losses on other receivables and sharing of losses from associates and joint venture mitigated by lower overhead expenses incurred in 9M17 compared to 9M16.

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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

| | Current quarter | Previous quarter |
|-------------------|---|--|
| | 3 months ended 30 September 2017 | 3 months ended 30 June 2017 |
| (RM'000) | | |
| Revenue | 171,923 | 174,340 |
| Net income | 104,230 | 120,117 |
| Profit before tax | 8,757 | 9,597 |
| Profit after tax | 5,420 | 4,309 |

Compared to previous quarter for the period from 1 April 2017 to 30 June 2017, ("2Q17"), the Group's net income and profit before tax decreased by 11% and 9% respectively. The lower pretax profit for the third quarter 2017 ("3Q17") was mainly due to lower net brokerage fees income, trading and investment income and loan and processing fees income. These were mitigated by lower overheads in the current quarter.

B3. Prospects for 2017

Global growth continues to be strong in 3Q17 in view of the resilience in economic activity, buoyant business and consumer confidence and improving capital investments. Despite a strong first half year 2017 performance of 5.7%, Malaysia's GDP for 3Q17 is expected however to be slightly lower at 5.3%. For financial year 2017, Malaysia's GDP growth is forecast to hit a two-year high of 5.4% (2016: 4.2%). Going forward, we believe Malaysia's economic fundamentals remain strong due to its financial reserves that shield it from any headwinds, its diversified mix of natural and other resources, improving domestic demand, low unemployment levels and robust export levels.

Barring unforeseen circumstances, the Group expects its financial performance for 2017 to be satisfactory.

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SELECTED EXPLANATORY NOTES
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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.

B5. Taxation and zakat

| | Individual Quarter 3 months ended 30 September 2017 RM'000 | Cumulative Quarter 9 months ended 30 September 2017 RM'000 |
|---------------------------------------|---|---|
| Current period - income tax and zakat | (4,762) | (10,889) |
| Deferred taxation | 1,425 | (1,301) |
| Total | <u>(3,337)</u> | <u>(12,190)</u> |

The effective tax rate of the Group for the third quarter and the nine months financial period ended 30 September 2017 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 2017 RM '000 | As at 31 December 2016 RM '000 | As at 30 September 2017 RM '000 | As at 31 December 2016 RM '000 |
| Secured | | | | |
| Revolving bank loan denominated in RM | | | | |
| - More than one year | 66,800 | 75,200 | 66,800 | 75,200 |
| Unsecured | | | | |
| Revolving bank loans denominated in RM | | | | |
| - Within one year | 20,000 | 50,500 | - | - |
| Subordinated notes denominated in RM | | | | |
| - More than one year | 5,000 | - | 5,000 | - |
| Medium term notes denominated in RM | | | | |
| - Within one year | - | 40,000 | - | 40,000 |
| | <u>91,800</u> | <u>165,700</u> | <u>71,800</u> | <u>115,200</u> |

B7. Earnings per share

| | Individual Quarter | | Cumulative Quarter | |
|--|--|--|--|--|
| | 3 months ended 30 September 2017 RM'000 | 3 months ended 30 September 2016 RM'000 | 9 months ended 30 September 2017 RM'000 | 9 months ended 30 September 2016 RM'000 |
| Profit for the period attributable to equity holders of the bank | <u>5,420</u> | <u>5,966</u> | <u>11,673</u> | <u>17,844</u> |
| Weighted average number of ordinary shares in issue ('000) | <u>722,547</u> | <u>770,000</u> | <u>722,547</u> | <u>770,000</u> |
| Earnings per share (sen) - basic / fully diluted | <u>0.75</u> | <u>0.77</u> | <u>1.62</u> | <u>2.32</u> |

There were no potential dilutive ordinary shares outstanding as at 30 September 2017 and 30 September 2016.

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B8. Dividend

No dividend has been proposed for the current financial period.

B9. Realised and Unrealised Retained Profits/(Accumulated Losses) Disclosure:

| | As at 30 September 2017 RM'000 | As at 31 December 2016 RM'000 |
|--|---|--|
| Total retained profits/(accumulated losses) of Bank and its subsidiaries: | | |
| - Realised | 277,562 | (175,109) |
| - Unrealised | 11,042 | (3,079) |
| | 288,604 | (178,188) |
| Total share of (accumulated losses)/retained profit from associates and joint venture | | |
| - Realised | (6,403) | 206 |
| - Unrealised | (227) | (217) |
| | (6,630) | (11) |
| Add: Consolidation adjustments | 225,992 | 226,056 |
| Total Group retained profits as per consolidated accounts | 507,966 | 47,857 |

B10. Status of Corporate Proposals

On 13 February 2017, the Bank proposed to establish and implement an Employee Share Scheme ("ESS") of up to 10% of the Bank's total issued share capital (excluding treasury shares) at any one time during the duration of the scheme for the eligible employees and executive directors of Kenanga Investment Bank Berhad and its non-dormant subsidiary companies which will be valid for a period of five (5) years from its commencement date, and may be extended for a further period of five (5) years.

BNM had vide its letter dated 13 March 2017, which was received on 21 March 2017, approved the application of the Company for the increase of up to ten percent (10%) of its issued share capital, excluding treasury shares at any point of time arising from the issuance of new Kenanga IB Shares under the Proposed ESS.

Bursa Securities had, vide its letter dated 24 March 2017, approved the listing and quotation for such number of new ordinary shares, representing up to ten percent (10%) of the issued shares of Kenanga IB (excluding treasury shares), to be issued pursuant to the employees' share scheme under the Proposed ESS.

The proposed ESS was approved by the shareholders of the Bank in the Extraordinary General Meeting held on 25 May 2017 and became effective on 21 September 2017.

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B11. Derivative financial instruments

Derivative financial instruments are as follows:

Group and Bank

| Items | As at 30 September 2017 | | As at 31 December 2016 | |
|--|-----------------------------------|----------------------|-----------------------------------|----------------------|
| | Contract/Notional Value RM'000 | Fair Value RM'000 | Contract/Notional Value RM'000 | Fair Value RM'000 |
| <u>Derivatives financial assets</u> | | | | |
| Equity related contract- options | 87,326 | 61,992 | 93,636 | 33,498 |
| Equity related contract- swaps | 56,118 | 7,216 | 57,262 | 5,573 |
| Dual currency investment- options | 24,855 | 39 | 17,407 | 45 |
| | 168,298 | 69,248 | 168,305 | 39,117 |
| <u>Derivatives financial liabilities</u> | | | | |
| Equity related contract- options | 480,517 | 18,332 | 220,442 | 47,361 |
| Dual currency investment- options | 24,855 | 43 | 17,407 | 45 |
| | 505,372 | 18,375 | 237,849 | 47,406 |
| | | | | |

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.

Purposes of engaging in derivative financial instruments

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

Gain/(Loss) arising from fair value change of derivative financial instruments

The gain arising from fair value changes of derivative financial instruments for the current quarter amounted to RM9,705,317 (2Q17 loss: RM3,947,182). This was arrived at based on the fluctuation in the market prices of the derivative financial instruments or underlying assets which are listed on Bursa Malaysia.

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B12. Contingent liabilities

| | Group and Bank | |
|--|-----------------------|--------------------|
| | 30 September | 31 December |
| | 2017 | 2016 |
| | RM'000 | RM'000 |
| <p>(a) On 17 August 2012, the Plaintiffs filed a claim against ECM Libra Investment Bank Berhad ("EIBB") (which had, on 14 December 2012, been merged with the Bank vide a vesting order) for the return of the balance amount in two (2) margin accounts held under the Plaintiffs' names. The said amount was used by EIBB towards satisfaction of a judgment debt owing by a judgment debtor ("Judgment Debtor"). The Judgment Debtor claimed that the monies held in the said margin accounts under the Plaintiffs' names belonged to him and represented to EIBB that the monies may be used towards satisfaction of his judgment debt to EIBB. EIBB had commenced third party proceedings against the Judgment Debtor and had applied to convert the Originating Summons into a writ action. The converted action is now known as Suit No. 22NCC-1315-08/2012 ("Writ Action") as described in paragraph (b) below.</p> | - | <u>2,050</u> |
| <p>(b) The Judgment Debtor remains a third party in the Writ Action. He also applied to intervene to be named as a Defendant. The High Court allowed his application. He has since filed his Defence and Counterclaim against the Plaintiffs. The trial commenced on 22 July 2013 with various continuation dates and concluded on 18 February 2014 and the High Court has dismissed the Plaintiffs claims on 16 May 2014. The Plaintiffs have filed an appeal on 11 June 2014 and the appeal had concluded on 20 June 2016. On 8 November 2016, the Court of Appeal dismissed the Appellants' appeal with costs of RM25,000 to EIBB. The Plaintiffs have filed a Notice of Motion for leave to appeal to the Federal Court. The Federal Court has on 4 October 2017 dismissed the Appellants' application. Thus this case shall no longer be regarded as a contingent liability to the Bank.</p> | - | <u>1,054</u> |