

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

Unaudited Condensed Interim Financial Statements
31 March 2017

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

**UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2017**

| <u>Group</u> | Note | As at 31 March 2017 RM'000 | As at 31 December 2016 RM'000 |
|---|------|-------------------------------------|--|
| ASSETS | | | |
| Cash and bank balances | | 1,198,775 | 1,229,928 |
| Financial assets at fair value through profit or loss | A11 | 727,515 | 388,248 |
| Financial investments available-for-sale | A12 | 998,519 | 937,704 |
| Financial investments held-to-maturity | A13 | 38,002 | 40,000 |
| Derivative financial assets | A10 | 63,955 | 39,117 |
| Loans, advances and financing | A14 | 2,105,413 | 2,105,584 |
| Balances due from clients and brokers | A15 | 450,088 | 445,005 |
| Other assets | A16 | 174,749 | 229,112 |
| Statutory deposit with Bank Negara Malaysia | A17 | 106,055 | 99,504 |
| Tax recoverable | | 10,416 | 7,465 |
| Investment in associates | | 68,406 | 72,671 |
| Investment in a joint venture company | | 6,516 | 6,962 |
| Property, plant and equipment | | 196,995 | 191,717 |
| Intangible assets | | 266,734 | 266,922 |
| Deferred tax assets | | 6,896 | 9,841 |
| TOTAL ASSETS | | 6,419,034 | 6,069,780 |
| LIABILITIES | | | |
| Deposits from customers | A18 | 3,790,490 | 3,310,070 |
| Deposits and placements of banks and other financial institutions | A19 | 584,044 | 550,954 |
| Balances due to clients and brokers | | 791,241 | 857,065 |
| Derivative financial liabilities | A10 | 59,872 | 47,406 |
| Other liabilities | A20 | 222,322 | 214,701 |
| Obligations on securities sold under repurchase agreements | | - | 27,253 |
| Borrowings | A21 | 72,400 | 165,700 |
| Provision for taxation and zakat | | 311 | 439 |
| TOTAL LIABILITIES | | 5,520,680 | 5,173,588 |
| EQUITY | | | |
| Share capital | | 246,137 | 180,637 |
| Reserves | | 641,949 | 705,319 |
| | | 888,086 | 885,956 |
| Non-controlling Interests | | 10,268 | 10,236 |
| TOTAL EQUITY | | 898,354 | 896,192 |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | | 6,419,034 | 6,069,780 |
| Commitments and contingencies | | 3,040,359 | 2,911,993 |
| Net assets per share attributable to equity holders of the Bank (RM) | | 1.23 | 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 31 MARCH 2017**

| <u>Bank</u> | Note | As at 31 March 2017 RM'000 | As at 31 December 2016 RM'000 |
|--|------|-------------------------------------|--|
| ASSETS | | | |
| Cash and bank balances | | 960,128 | 951,748 |
| Financial assets at fair value through profit or loss | A11 | 720,367 | 381,588 |
| Financial investments available-for-sale | A12 | 998,519 | 937,704 |
| Financial investments held-to-maturity | A13 | 38,002 | 40,000 |
| Derivative financial assets | A10 | 63,955 | 39,117 |
| Loans, advances and financing | A14 | 2,114,069 | 2,065,887 |
| Balances due from clients and brokers | A15 | 450,088 | 445,005 |
| Other assets | A16 | 50,526 | 72,582 |
| Statutory deposit with Bank Negara Malaysia | A17 | 106,055 | 99,504 |
| Tax recoverable | | 3,708 | 894 |
| Investment in subsidiaries | | 67,550 | 67,550 |
| Investment in an associate | | 56,235 | 56,235 |
| Investment in a joint venture company | | 7,500 | 7,500 |
| Property, plant and equipment | | 195,868 | 190,731 |
| Intangible assets | | 305,409 | 305,409 |
| Deferred tax assets | | 4,669 | 7,554 |
| TOTAL ASSETS | | 6,142,648 | 5,669,008 |
| LIABILITIES | | | |
| Deposits from customers | A18 | 3,849,111 | 3,379,620 |
| Deposits and placements of banks and other financial institutions | A19 | 584,044 | 550,954 |
| Balances due to clients and brokers | | 482,463 | 474,231 |
| Derivative financial liabilities | A10 | 59,872 | 47,406 |
| Other liabilities | A20 | 184,377 | 171,790 |
| Obligations on securities sold under repurchase agreements | | - | 27,253 |
| Borrowings | A21 | 72,400 | 115,200 |
| Provision for taxation and zakat | | 72 | 48 |
| TOTAL LIABILITIES | | 5,232,339 | 4,766,502 |
| EQUITY | | | |
| Share capital | | 246,137 | 180,637 |
| Reserves | | 664,172 | 721,869 |
| TOTAL EQUITY | | 910,309 | 902,506 |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | | 6,142,648 | 5,669,008 |
| Commitments and contingencies | | 3,114,859 | 2,980,493 |
| Net assets per share (RM) | | 1.26 | 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 31 MARCH 2017**

| | Note | Individual Quarter | | Cumulative Quarter | |
|--|------|--|---|--|---|
| | | 3 months ended 31 March 2017 RM'000 | (Restated) 3 months ended 31 March 2016 RM'000 (Note A2) | 3 months ended 31 March 2017 RM'000 | (Restated) 3 months ended 31 March 2016 RM'000 (Note A2) |
| Group | | | | | |
| Interest income | A22 | 74,712 | 65,765 | 74,712 | 65,765 |
| Interest expense | A23 | (53,456) | (44,455) | (53,456) | (44,455) |
| Net interest income | | 21,256 | 21,310 | 21,256 | 21,310 |
| Net income from Islamic banking business | A35 | 1,456 | 2,682 | 1,456 | 2,682 |
| Other operating income | A24 | 91,093 | 81,459 | 91,093 | 81,459 |
| Net income | | 113,805 | 105,451 | 113,805 | 105,451 |
| Other operating expenses | A25 | (104,125) | (93,806) | (104,125) | (93,806) |
| Operating profit | | 9,680 | 11,645 | 9,680 | 11,645 |
| Write back of/(Allowance for) impairment on: | | | | | |
| - loans, advances and financing | A26 | 1 | (4) | 1 | (4) |
| - balances due from clients and brokers and other receivables | A27 | (772) | 1,133 | (772) | 1,133 |
| | | 8,909 | 12,774 | 8,909 | 12,774 |
| Share of results of associates and joint venture | | (3,422) | (1,031) | (3,422) | (1,031) |
| Profit before taxation and zakat | | 5,487 | 11,743 | 5,487 | 11,743 |
| Taxation and zakat | | (3,565) | (3,683) | (3,565) | (3,683) |
| Profit for the period | | 1,922 | 8,060 | 1,922 | 8,060 |
| Other comprehensive (loss)/income | | | | | |
| Items that may be reclassified subsequently to profit or loss: | | | | | |
| Foreign exchange differences on consolidation | | (715) | (6,780) | (715) | (6,780) |
| Share of other comprehensive loss in an associate | | (573) | (1,691) | (573) | (1,691) |
| Net gain on fair value changes of financial investments available-for-sale | | 2,011 | 10,502 | 2,011 | 10,502 |
| Income tax relating to the components of other comprehensive income | | (483) | (2,521) | (483) | (2,521) |
| Other comprehensive income/(loss) for the period, net of tax | | 240 | (489) | 240 | (489) |
| Total comprehensive income for the period, net of tax | | 2,162 | 7,571 | 2,162 | 7,571 |

**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 31 MARCH 2017**

| | Note | Individual Quarter | | Cumulative Quarter | |
|------------------------------|------|---|---|---|---|
| | | | (Restated) (Note A2) | | (Restated) (Note A2) |
| | | 3 months ended 31 March 2017 RM'000 | 3 months ended 31 March 2016 RM'000 | 3 months ended 31 March 2017 RM'000 | 3 months ended 31 March 2016 RM'000 |
| Profit for the period | | | | | |
| Attributable to: | | | | | |
| Equity holders of the Bank | | 1,890 | 7,800 | 1,890 | 7,800 |
| Non-controlling interests | | 32 | 260 | 32 | 260 |
| | | <u>1,922</u> | <u>8,060</u> | <u>1,922</u> | <u>8,060</u> |
| Earnings per share | | | | | |
| Basic (sen) | A32 | 0.26 | 1.01 | 0.26 | 1.01 |
| Fully diluted (sen) | A32 | 0.26 | 1.01 | 0.26 | 1.01 |

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 31 MARCH 2017

| | Note | Individual Quarter | | Cumulative Quarter | |
|--|------|--|--|--|--|
| | | 3 months ended 31 March 2017 RM'000 | 3 months ended 31 March 2016 RM'000 | 3 months ended 31 March 2017 RM'000 | 3 months ended 31 March 2016 RM'000 |
| Bank | | | | | |
| Interest income | A22 | 71,935 | 60,154 | 71,935 | 60,154 |
| Interest expense | A23 | (53,709) | (41,530) | (53,709) | (41,530) |
| Net interest income | | 18,226 | 18,624 | 18,226 | 18,624 |
| Net income from Islamic banking business | A35 | 1,456 | 2,682 | 1,456 | 2,682 |
| Other operating income | A24 | 75,774 | 69,267 | 75,774 | 69,267 |
| Net income | | 95,456 | 90,573 | 95,456 | 90,573 |
| Other operating expenses | A25 | (84,942) | (77,517) | (84,942) | (77,517) |
| Operating profit | | 10,514 | 13,056 | 10,514 | 13,056 |
| Write back of/(Allowance for) impairment on: | | | | | |
| - loans, advances and financing | A26 | 8 | (51) | 8 | (51) |
| - balances due from clients and brokers and other receivables | A27 | (772) | 1,133 | (772) | 1,133 |
| Profit before taxation and zakat | | 9,750 | 14,138 | 9,750 | 14,138 |
| Taxation and zakat | | (3,475) | (3,530) | (3,475) | (3,530) |
| Profit for the period | | 6,275 | 10,608 | 6,275 | 10,608 |
| Other comprehensive income/(loss) for | | | | | |
| Items that may be reclassified subsequently to profit or loss: | | | | | |
| Net gain on fair value changes of financial investments available-for-sale | | 2,011 | 10,643 | 2,011 | 10,643 |
| Income tax relating to the components of other comprehensive income | | (483) | (2,661) | (483) | (2,661) |
| Other comprehensive income for the period, net of tax | | 1,528 | 7,982 | 1,528 | 7,982 |
| Total comprehensive income for the period, net of tax | | 7,803 | 18,590 | 7,803 | 18,590 |

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 31 MARCH 2017

| Group | Non- Distributable | | | | | | Distributable | | 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 | - | - | - | - | - | - | - | 1,890 | 32 | 1,922 |
| Share of other comprehensive loss of associates | - | - | - | (573) | - | - | - | - | - | (573) |
| Other comprehensive income/(loss) | - | - | - | 1,528 | - | (715) | - | - | - | 813 |
| Total comprehensive income/(loss) | - | - | - | 955 | - | (715) | - | 1,890 | 32 | 2,162 |
| Transfer pursuant to Companies Act 2016 | 65,500 | (65,500) | - | - | - | - | - | - | - | - |
| Transfer to regulatory reserves | - | - | - | - | 628 | - | - | (628) | - | - |
| At 31 March 2017 | 246,137 | - | 465,741 | (10,079) | 24,557 | 23,673 | 88,938 | 49,119 | 10,268 | 898,354 |

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 31 MARCH 2016

| Group | Non- Distributable | | | | | | | Distributable | Non- Controlling Interests | Total Equity | |
|--|------------------------------|----------------------------|--------------------------------|--|---------------------------------|-------------------------------|------------------------------|-------------------------------------|----------------------------------|-----------------|---|
| | Ordinary Shares RM'000 | Share Premium RM'000 | Statutory Reserve RM'000 | Available-For- Sale Deficit RM'000 | Regulatory Reserve RM'000 | Exchange Reserve RM'000 | Capital Reserve RM'000 | Reorganisation Reserve RM'000 | | | (Accumulated losses)/ Retained Profits 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 | - | - | - | - | - | - | - | - | 7,800 | 259 | 8,059 |
| Share of other comprehensive loss of associates | - | - | - | (1,691) | - | - | - | - | - | - | (1,691) |
| Other comprehensive income/(loss) | - | - | - | 7,981 | - | (6,780) | - | - | - | - | 1,201 |
| Total comprehensive income/(loss) | - | - | - | 6,290 | - | (6,780) | - | - | 7,800 | 259 | 7,569 |
| Transfer to regulatory reserves | - | - | - | - | 331 | - | - | - | (331) | - | - |
| At 31 March 2016 | 770,000 | 65,500 | 94,623 | (13,263) | 22,442 | 14,873 | 15,548 | (103,666) | (3,765) | 10,008 | 872,300 |

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 31 MARCH 2017

| | <u>Non- Distributable</u> | | | | | | <u>Distributable</u> | Total Equity RM'000 |
|--|------------------------------|----------------------------|---------------------------------|--------------------------------|--|------------------------------|---|---------------------------|
| | Ordinary Shares RM'000 | Share Premium RM'000 | Regulatory reserve RM'000 | Statutory Reserve RM'000 | Available-For- Sale Deficit RM'000 | Capital Reserve RM'000 | Retained Profits/ (Accumulated losses) RM'000 | |
| Bank | | | | | | | | |
| At 1 January 2017 | 180,637 | 65,500 | 23,929 | 465,741 | (7,373) | 153,863 | 20,209 | 902,506 |
| Net profit for the period | - | - | - | - | - | - | 6,275 | 6,275 |
| Other comprehensive income | - | - | - | - | 1,528 | - | - | 1,528 |
| Total comprehensive income | - | - | - | - | 1,528 | - | 6,275 | 7,803 |
| Transfer pursuant to Companies Act 2016 | 65,500 | (65,500) | - | - | - | - | - | - |
| Transfer to regulatory reserves | - | - | 628 | - | - | - | (628) | - |
| At 31 March 2017 | 246,137 | - | 24,557 | 465,741 | (5,845) | 153,863 | 25,856 | 910,309 |

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 31 MARCH 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 | - | - | - | - | - | 10,608 | 10,608 |
| Other comprehensive income | - | - | - | - | 7,982 | - | 7,982 |
| Total comprehensive income | - | - | - | - | 7,982 | 10,608 | 18,590 |
| Transfer to regulatory reserve | - | - | 331 | - | - | (331) | - |
| At 31 March 2016 | 770,000 | 65,500 | 22,442 | 94,623 | (4,804) | (37,618) | 910,143 |

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 31 MARCH 2017

| | Group | | Bank | |
|---|----------------------------|----------------------------|----------------------------|----------------------------|
| | 31 March 2017 RM'000 | 31 March 2016 RM'000 | 31 March 2017 RM'000 | 31 March 2016 RM'000 |
| Cash flows from operating activities | | | | |
| Profit before taxation | 5,487 | 11,743 | 9,750 | 14,138 |
| Adjustments for: | | | | |
| Writeback of impairment allowance on loans, advances and financing | - | (511) | (7) | (447) |
| Depreciation of property, plant and equipment | 3,221 | 2,460 | 3,149 | 1,028 |
| Amortisation of intangible assets - software | 190 | 776 | - | - |
| Impairment allowance/(write back) of allowance on balances due from clients and brokers and other receivables | 795 | (30) | 795 | (1,128) |
| Property, plant and equipment written off | 308 | 7 | 308 | 7 |
| Non-cash items | 4,514 | 2,702 | 4,245 | (540) |
| Net gain from sale of financial assets held-for-trading and derivatives | (10,967) | (35,170) | (10,967) | (35,170) |
| Net gain from sale of financial investments available-for-sale | (1) | (5,727) | (1) | (5,727) |
| Gross dividend income from investments | (277) | (349) | (277) | (349) |
| (Gain)/Loss on revaluation of financial assets held-for-trading and derivatives | (2,276) | 21,370 | (2,276) | 21,114 |
| Share of results of associates and joint venture | 3,422 | 1,031 | - | - |
| Non-operating items - investing | (10,099) | (18,845) | (13,521) | (20,132) |
| Adjustments for non-operating and non-cash items | (5,585) | (16,143) | (9,276) | (20,672) |
| Operating (loss)/profit before working capital changes | (98) | (4,400) | 474 | (6,534) |
| Changes in working capital: | | | | |
| Net changes in operating assets | 83,229 | (9,652) | (39,793) | (24,171) |
| Net changes in operating liabilities | 428,054 | (52,664) | 496,172 | 571 |
| Cash generated from/(used) in operations | 511,185 | (66,716) | 456,853 | (30,134) |
| Taxation and zakat paid | (4,292) | (2,215) | (3,930) | (1,699) |
| Net operating cash flow | 506,893 | (68,931) | 452,923 | (31,833) |
| Cash flows from investing activities | | | | |
| Dividends received | 277 | 349 | 277 | 349 |
| Purchase of property, plant and equipment and intangible assets | (8,517) | (30,468) | (8,302) | (28,143) |
| Net (purchase)/sales of securities | (395,109) | 33,350 | (394,671) | 31,284 |
| Net investing cash flow | (403,349) | 3,231 | (402,696) | 3,490 |
| Cash flows from financing activities | | | | |
| Repayment of hire purchase and finance lease | - | (9) | - | - |
| Net (repayment)/drawdown of borrowings | (93,300) | 41,400 | (42,800) | - |
| Net financing cash flow | (93,300) | 41,391 | (42,800) | - |
| Net change in cash and cash equivalents during the financial period | 10,244 | (24,309) | 7,427 | (28,343) |
| Cash and cash equivalents brought forward | 1,044,011 | 958,803 | 893,741 | 790,157 |
| Cash and cash equivalents carried forward | 1,054,255 | 934,494 | 901,168 | 761,814 |

KENANGA INVESTMENT BANK BERHAD
(15678-H)
UNAUDITED CONDENSED STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 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 31 March 2017 RM'000 | As at 31 March 2016 RM'000 | As at 31 March 2017 RM'000 | As at 31 March 2016 RM'000 |
| Cash and short-term funds | 1,062,725 | 1,185,575 | 960,128 | 823,930 |
| Deposits and placements with banks and other financial institutions | 136,050 | 108,146 | - | - |
| Less: Segregated funds from customers | (85,560) | (297,111) | - | - |
| Less: Cash and bank balances and deposits held in trust | (58,960) | (62,116) | (58,960) | (62,116) |
| | <u>1,054,255</u> | <u>934,494</u> | <u>901,168</u> | <u>761,814</u> |

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

A1. Basis Of Preparation

The interim financial statements, for the financial period ended 31 March 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 includes:

- (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 the 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. 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.

The following comparative figures of the Group and the Bank's financial statements and notes thereto 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.

The acquisition of subsidiaries and transfer of assets and liabilities to KIBB is a combination between businesses or entities under common control. KIBB has applied the merger method of accounting, whereby Kenanga Investment Bank Berhad has incorporated the carrying value of K&N Kenanga Holdings Berhad's assets and liabilities as at 31 December 2015.

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

A2. Preceding financial period unaudited report

**Statements of profit and loss
For the financial period ended 31 March 2016**

| | Group | | |
|---|--|---|-------------------------------|
| | As previously reported RM'000 | Effect of merger accounting RM'000 | As restated RM'000 |
| Interest income | 63,524 | 2,241 | 65,765 |
| Interest expense | (42,785) | (1,670) | (44,455) |
| Net interest income | 20,739 | 571 | 21,310 |
| Net income from Islamic banking operations | 2,682 | - | 2,682 |
| Other operating income | 81,745 | (286) | 81,459 |
| Net income | 105,166 | 285 | 105,451 |
| Other operating expenses | (92,693) | (1,113) | (93,806) |
| Operating profit/(loss) | 12,473 | (828) | 11,645 |
| Write back of/(Allowance for) impairment on: | | | |
| - loans, advances and financing | 357 | (361) | (4) |
| - balances due from clients and brokers and other receivables | 1,157 | (24) | 1,133 |
| | 13,987 | (1,213) | 12,774 |
| Share of results of associates | (1,019) | (12) | (1,031) |
| Profit/(loss) before taxation and zakat | 12,968 | (1,225) | 11,743 |
| Taxation and zakat | (4,050) | 367 | (3,683) |
| Profit/(loss) for the financial period | 8,918 | (858) | 8,060 |
| Other comprehensive income/(loss) | | | |
| Items that may be reclassified subsequently to profit or loss: | | | |
| Foreign exchange differences on consolidation | (6,636) | (144) | (6,780) |
| Share of other comprehensive loss in an associate | (1,321) | (370) | (1,691) |
| Net gain on fair value changes of financial investments available-for-sale | 10,643 | (141) | 10,502 |
| Income tax relating to the components of other comprehensive income | (2,661) | 140 | (2,521) |
| Other comprehensive income/(loss) for the period, net of tax | 25 | (514) | (489) |
| Total comprehensive income/(loss) for the period, net of tax | 8,943 | (1,372) | 7,571 |

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

A2. Preceding financial year audit report (cont'd)

Statements of cash flows

For the financial period ended 31 March 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 | 12,968 | (1,225) | 11,743 |
| Adjustments for non-operating and non-cash items | (19,244) | 3,101 | (16,143) |
| Operating loss before working capital changes | (6,276) | 1,876 | (4,400) |
| Changes in working capital: | | | |
| Net changes in operating assets | (45,185) | 35,533 | (9,652) |
| Net changes in operating liabilities | (568) | (52,096) | (52,664) |
| Cash generated in/(used in) operations | (52,029) | (14,687) | (66,716) |
| Taxation and zakat paid | (1,718) | (497) | (2,215) |
| Net operating cash flow | (53,747) | (15,184) | (68,931) |
| Cash flows from investing activities | | | |
| Dividends received | 349 | - | 349 |
| Purchase of property, plant and equipment and intangible assets | (29,303) | (1,165) | (30,468) |
| Proceeds from disposal of property, plant and equipment | - | - | - |
| Net sales of securities | 31,284 | 2,066 | 33,350 |
| Net investing cash flow | 2,330 | 901 | 3,231 |
| Cash flows from financing activities | | | |
| Repayment of hire purchase and finance lease | - | (9) | (9) |
| Net repayment of borrowings | - | 41,400 | 41,400 |
| Net financing cash flow | - | 41,391 | 41,391 |
| Net change in cash and cash equivalents during the financial period | (51,417) | 27,108 | (24,309) |
| Cash and cash equivalents brought forward | 953,680 | - | 958,803 |
| Cash and cash equivalents carried forward | 902,263 | 32,231 | 934,494 |

A3. Performance Review

(a) Current financial period versus previous financial period

The Group reported a pretax profit ("PBT") of RM5.5 million for the period ended 31 March 2017 ("1Q17") as compared to RM11.7 million for the the period ended 31 March 2016 ("1Q16") . The decrease in PBT was mainly due to lower trading and investment income and share of losses from an associate and joint venture during the period under review mitigated by higher brokerage income.

(b) Current quarter versus previous quarter

Compared to previous quarter for the period from 1 October 2016 to 31 December 2016, ("4Q16"), the Group recorded an improvement of 17% and 68% in net income and profit before tax respectively. The improved pretax profit for the quarter was mainly driven by higher brokerage fees income in the current quarter and lower overheads as 4Q16 results included one off fixed assets written-off and relocation expenses to our new Kenanga corporate office.

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

Stockbroking:

Stockbroking registered PBT of RM12.2 million during the first quarter (1Q16: PBT of RM9.8 million) mainly due to higher brokerage income and interest income negated by lower trading and investment income.

Net brokerage fee income increased from RM17.5 million to RM21.6 million due to higher trading value on the Bursa Malaysia stock exchange which recorded RM309.3 billion for 1Q17 compared to RM248.3 billion during the corresponding quarter of 2016.

Investment Banking:

Investment Banking registered a lower PBT of RM0.2 million in 1Q17 (1Q16: PBT of RM6.1 million) mainly due to lower trading and investment income from AFS securities mitigated by higher interest income earned.

Investment and Wealth Management:

Investment and wealth management registered a lower loss before tax ("LBT") of RM2.1 million (1Q16: LBT of RM3.8 million) as a result of higher management fee income contributed by the increase in the total Asset under Management negated by higher personnel and administrative expenses which is in line with the expansion of the business.

Futures:

Futures segment recorded lower PBT of RM0.2 million in 1Q17 as compared to RM1.3 million in 1Q16 mainly due to lower commission income earned from lower levels of client activities amid the sluggish market conditions.

Money lending and financing:

This segment reported PBT of RM0.4 million in 1Q17 compared to LBT of RM0.1 million in 1Q16 due to higher islamic financing activities which resulted in higher profit income.

A4. Prospects for 2017

Malaysia is seeing improved economic prospects, progressing well along its recovery path. This coincides with a similar upturn observed in the global economy especially the European Union and South East Asia. Despite the upturn, key risk areas persist with Malaysia facing ringgit weaknesses, elevated cost-push inflation, uncertainties in oil price and other volatilities from global policy rates. Other external risk factors include European elections, rising trade protectionism and geopolitical tensions that may prompt a more risk-off approach towards the emerging markets, including Malaysia.

Notwithstanding these risks, Malaysia's fundamentals remain largely intact. We forecast the full year 2017 growth at 4.5%, within the Ministry of Finance's 4.0-5.0% growth targets. We expect growth to take a small breather in 1Q17 at 4.4% before picking up pace in 2Q17 and 3Q17 at 4.7% and 4.8% respectively before settling at a 4.2% growth in 4Q17.

The Group expects its Equity Broking division to continue to perform well on the back of higher Bursa volumes to-date. The Investment Banking division however experienced a slow start for 2017, and expects the market environment to be challenging especially in the debt capital markets. Meanwhile our Investment Management's division AUM growth continued its positive momentum with a 19% increase in the first quarter of 2017. With this higher AUM and a buoyant equity market, we hope to achieve at least break-even for the year in this division. Lastly we also expect to realise further cost savings in 2017 arising from the relocation to our own corporate building.

Overall the Group is cautiously optimistic that it will continue to improve on its financial performance compared to 2016.

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

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 first quarter ended 31 March 2017, other than redemption of RM40 million of Medium Term Notes ("MTN") by the Bank.

A9. Dividends paid per share

No dividend was paid during the current financial period.

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

A10. Derivative financial instruments

Derivative financial instruments are as follows:

Group and Bank

| Items | As at 31 March 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 | 78,250 | 63,846 | 93,636 | 33,498 |
| Equity related contract- swaps | 70,329 | - | 57,262 | 5,573 |
| Dual currency investment- options | 23,177 | 109 | 17,407 | 45 |
| | 171,756 | 63,955 | 168,305 | 39,117 |
| <u>Derivatives financial liabilities</u> | | | | |
| Equity related contract- options | 226,577 | 59,764 | 220,442 | 47,361 |
| Dual currency investment- options | 23,177 | 109 | 17,407 | 45 |
| | 249,754 | 59,872 | 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 previous financial year in respect of the type of derivative financial instruments, the rationale and expected benefits accruing to the Group from these derivative financial instruments.

Loss arising from fair value change of derivative financial instruments

The loss arising from fair value changes of derivative financial instruments for the current quarter amounted to RM9,518,680. 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.

KENANGA INVESTMENT BANK BERHAD
(15678-H)

NOTES TO INTERIM FINANCIAL REPORT
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2017

| | Group | | Bank | |
|--|-------------------------------------|--|-------------------------------------|--|
| | As at 31 March 2017 RM'000 | As at 31 December 2016 RM'000 | As at 31 March 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 | 260,848 | - | 260,848 | - |
| Malaysian Government Investment Certificates | 39,796 | - | 39,796 | - |
| | <u>300,644</u> | <u>-</u> | <u>300,644</u> | <u>-</u> |
| Quoted Securities: | | | | |
| Shares and Unit Trust Funds in Malaysia | 222,044 | 191,578 | 222,044 | 191,578 |
| Shares outside Malaysia | 21,843 | 19,632 | 21,843 | 19,632 |
| | <u>243,887</u> | <u>211,210</u> | <u>243,887</u> | <u>211,210</u> |
| Unquoted Securities: | | | | |
| Unit trusts funds in Malaysia | 7,148 | 6,660 | - | - |
| Unquoted Private Debt Securities in Malaysia: | | | | |
| Corporate Bonds | 45,060 | 45,035 | 45,060 | 45,035 |
| Corporate Bills | 69,921 | 84,639 | 69,921 | 84,639 |
| Islamic Corporate Bonds | 9,956 | 14,668 | 9,956 | 14,668 |
| Islamic Corporate Bills | 49,832 | 24,969 | 49,832 | 24,969 |
| | <u>174,769</u> | <u>169,311</u> | <u>174,769</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>727,515</u> | <u>388,248</u> | <u>720,367</u> | <u>381,588</u> |
| A12. Financial Investments Available-for-Sale | | | | |
| At Fair Value, or amortised cost | | | | |
| Money Market Instruments: | | | | |
| Negotiable Instruments of Deposits | - | 50,000 | - | 50,000 |
| Islamic Negotiable Instruments of Deposits | 99,905 | 149,890 | 99,905 | 149,890 |
| Malaysian Government Securities | 19,557 | 19,566 | 19,557 | 19,566 |
| Malaysian Government Investment Certificates | 58,474 | 58,428 | 58,474 | 58,428 |
| Bank Negara Malaysia Bills and Notes | 148,230 | - | 148,230 | - |
| Sukuk Perumahan Kerajaan | 9,999 | 10,056 | 9,999 | 10,056 |
| | <u>336,165</u> | <u>287,940</u> | <u>336,165</u> | <u>287,940</u> |
| Unquoted Securities: | | | | |
| Shares and unit trusts funds in Malaysia | 10,698 | 490 | 10,698 | 490 |
| Unquoted Private Debt Securities: | | | | |
| Islamic Corporate Bonds | 527,047 | 524,752 | 527,047 | 524,752 |
| Corporate Bonds | 124,609 | 124,522 | 124,609 | 124,522 |
| | <u>651,656</u> | <u>649,274</u> | <u>651,656</u> | <u>649,274</u> |
| Total Financial Investments Available-for-Sale | <u>998,519</u> | <u>937,704</u> | <u>998,519</u> | <u>937,704</u> |
| A13. Financial Investments Held-To-Maturity | | | | |
| At Amortised Cost | | | | |
| Unquoted Private Debt Securities: | | | | |
| Islamic Corporate Bonds | 38,002 | 40,000 | 38,002 | 40,000 |
| | <u>38,002</u> | <u>40,000</u> | <u>38,002</u> | <u>40,000</u> |

NOTES TO INTERIM FINANCIAL REPORT
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2017

| | Group | | Bank | |
|--|-------------------------------------|--|-------------------------------------|--|
| | As at 31 March 2017 RM'000 | As at 31 December 2016 RM'000 | As at 31 March 2017 RM'000 | As at 31 December 2016 RM'000 |
| A14. Loans, Advances and Financing | | | | |
| At Amortised Cost | | | | |
| Share margin financing | 1,524,575 | 1,490,721 | 1,524,575 | 1,490,721 |
| Term loans | 525,666 | 505,348 | 581,467 | 562,084 |
| Subordinated term loan | - | - | 10,157 | 15,219 |
| Others | 57,739 | 112,082 | - | - |
| Gross loans, advances and financing | 2,107,980 | 2,108,151 | 2,116,199 | 2,068,024 |
| Allowance for impairment: | | | | |
| - collective allowance | (390) | (432) | (822) | (871) |
| - individual allowance | (2,177) | (2,135) | (1,308) | (1,266) |
| Net Loans, Advances and Financing | 2,105,413 | 2,105,584 | 2,114,069 | 2,065,887 |
| (i) By Type of Customer | | | | |
| Domestic business enterprise - others | 910,372 | 894,834 | 918,591 | 900,953 |
| Individuals | 1,142,814 | 1,158,958 | 1,142,814 | 1,112,712 |
| Foreign enterprises | 54,794 | 54,359 | 54,794 | 54,359 |
| Gross Loans, Advances and Financing | 2,107,980 | 2,108,151 | 2,116,199 | 2,068,024 |
| (ii) By Geographical Distribution | | | | |
| In Malaysia | 2,041,827 | 2,042,417 | 2,050,046 | 2,002,290 |
| Outside Malaysia | 66,153 | 65,734 | 66,153 | 65,734 |
| Gross Loans, Advances and Financing | 2,107,980 | 2,108,151 | 2,116,199 | 2,068,024 |
| (iii) By Interest Rate/ Profit Rate Sensitivity | | | | |
| Fixed rate | | | | |
| - Other fixed rate loans | 1,582,315 | 1,602,786 | 1,524,575 | 1,490,704 |
| Variable rate | | | | |
| - Other variable rates | 498,504 | 40,483 | 564,463 | 40,483 |
| - Base lending rate plus | 27,161 | 464,882 | 27,161 | 536,837 |
| Gross Loans, Advances and Financing | 2,107,980 | 2,108,151 | 2,116,199 | 2,068,024 |
| (iv) By Purpose | | | | |
| - Purchase of securities | 1,737,355 | 1,720,409 | 1,737,355 | 1,703,996 |
| - Working capital | 202,944 | 243,792 | 268,903 | 254,056 |
| - Others | 167,681 | 143,950 | 109,941 | 109,972 |
| Gross Loans, Advances and Financing | 2,107,980 | 2,108,151 | 2,116,199 | 2,068,024 |
| (v) By Residual Contractual Maturity | | | | |
| - Within one year | 1,492,315 | 1,785,930 | 1,548,273 | 1,673,848 |
| - More than one year | 615,665 | 322,221 | 567,926 | 394,176 |
| Gross Loans, Advances and Financing | 2,107,980 | 2,108,151 | 2,116,199 | 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 | 42 | 1,824 | 42 | 160 |
| Amount written off | - | (379) | - | (379) |
| Amount recovered | - | (6,779) | - | - |
| At end of the financial period/year | 2,650 | 2,608 | 1,777 | 1,735 |
| Less: Individual allowance | (2,177) | (2,135) | (1,308) | (1,266) |
| Net impaired loans | 473 | 473 | 469 | 469 |

NOTES TO INTERIM FINANCIAL REPORT
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2017

| | Group | | Bank | |
|--|-------------------------------------|--|-------------------------------------|--|
| | As at 31 March 2017 RM'000 | As at 31 December 2016 RM'000 | As at 31 March 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 | 2,650 | 2,608 | 1,777 | 1,735 |
| Gross impaired loans | 2,650 | 2,608 | 1,777 | 1,735 |
| (viii) Impaired loans by Purpose | | | | |
| Working capital | 869 | 869 | - | - |
| Purchase of securities | 1,781 | 1,739 | 1,777 | 1,735 |
| Gross impaired loans | 2,650 | 2,608 | 1,777 | 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 | 42 | 932 | 42 | 63 |
| Amount written back during the period/year | - | (192) | - | (192) |
| At end of the financial period/year | 2,177 | 2,135 | 1,308 | 1,266 |
| <u>Collective allowance</u> | | | | |
| At beginning of financial period/year | 432 | 143 | 871 | 438 |
| Allowance made during the financial period/year | 35 | 406 | 28 | 550 |
| Amount written back during the financial period/year | (77) | (117) | (77) | (117) |
| At end of the financial period/year | 390 | 432 | 822 | 871 |
| Collective allowance as a % of gross loans, advances and financing less individual allowance | 0.02% | 0.02% | 0.04% | 0.04% |
| A15. Balances due from clients and brokers | | | | |
| Balances due from clients and brokers | 477,990 | 460,413 | 477,990 | 460,413 |
| Less: | | | | |
| Allowance for impairment | (27,902) | (15,408) | (27,902) | (15,408) |
| | 450,088 | 445,005 | 450,088 | 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 | 1,705 | 5,408 | 1,705 | 5,408 |
| Allowance for impairment losses written back | (538) | (5,975) | (538) | (5,975) |
| Amount written off | - | (26) | - | (26) |
| At end of the financial period/year | 27,902 | 26,735 | 27,902 | 26,735 |

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

**NOTES TO INTERIM FINANCIAL REPORT
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2017**

| | Group | | Bank | |
|--|-------------------------------------|--|-------------------------------------|--|
| | As at 31 March 2017 RM'000 | As at 31 December 2016 RM'000 | As at 31 March 2017 RM'000 | As at 31 December 2016 RM'000 |
| A16. Other Assets | | | | |
| Assets segregated for customers | 108,216 | 138,146 | - | - |
| Interest/income receivable | 9,897 | 9,463 | 9,534 | 8,966 |
| Prepayments and deposits | 21,884 | 21,567 | 20,329 | 20,372 |
| Other debtors | 37,985 | 63,437 | 23,234 | 45,873 |
| Amount due from subsidiaries | - | - | 662 | 872 |
| Amount due from related parties | - | 104 | - | 104 |
| | 177,982 | 232,717 | 53,759 | 76,187 |
| Allowance for impairment | (3,233) | (3,605) | (3,233) | (3,605) |
| | 174,749 | 229,112 | 50,526 | 72,582 |
| A17. Statutory deposit with Bank Negara Malaysia | | | | |
| Statutory Deposit | 106,055 | 99,504 | 106,055 | 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 | 2,341,199 | 2,295,897 | 2,341,199 | 2,300,906 |
| Short term money deposits | 1,430,033 | 996,415 | 1,488,654 | 1,060,606 |
| Negotiable instruments of deposit | 19,258 | 17,758 | 19,258 | 18,108 |
| | 3,790,490 | 3,310,070 | 3,849,111 | 3,379,620 |
| (ii) By type of customer | | | | |
| Government and other statutory bodies | 118,863 | 119,396 | 118,863 | 119,396 |
| Individuals | 138,458 | 116,950 | 138,458 | 116,950 |
| Business enterprises | 1,142,199 | 941,713 | 1,142,199 | 961,713 |
| Non-bank financial institutions | 2,390,970 | 2,132,011 | 2,390,970 | 2,132,011 |
| Related companies | - | - | 58,621 | 49,550 |
| | 3,790,490 | 3,310,070 | 3,849,111 | 3,379,620 |
| (iii) By maturity structure | | | | |
| Due within six months | 2,981,360 | 2,648,168 | 3,039,981 | 2,717,718 |
| More than six months to one year | 809,130 | 661,902 | 809,130 | 661,902 |
| | 3,790,490 | 3,310,070 | 3,849,111 | 3,379,620 |
| A19. Deposits and placements of banks and financial institutions | | | | |
| Licensed banks | 160,000 | 210,000 | 160,000 | 210,000 |
| Licensed Islamic banks | 50,000 | 60,000 | 50,000 | 60,000 |
| Others financial institutions | 374,044 | 280,954 | 374,044 | 280,954 |
| | 584,044 | 550,954 | 584,044 | 550,954 |

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

**NOTES TO INTERIM FINANCIAL REPORT
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2017**

| | Group | | Bank | |
|------------------------------------|-------------------------------------|--|-------------------------------------|--|
| | As at 31 March 2017 RM'000 | As at 31 December 2016 RM'000 | As at 31 March 2017 RM'000 | As at 31 December 2016 RM'000 |
| A20. Other liabilities | | | | |
| Interest/Income payable | 15,823 | 15,518 | 15,082 | 14,515 |
| Accruals and provision | 69,520 | 70,355 | 42,295 | 40,402 |
| Retention for contra losses | 487 | 487 | 487 | 487 |
| Deposits and other creditors | 72,617 | 66,227 | 67,552 | 58,378 |
| Amounts held in trust on behalf of | | | | |
| Dealers' Representatives | 58,960 | 58,007 | 58,960 | 58,007 |
| Amount due to trustee | 4,915 | 4,107 | - | - |
| Amount due to: | | | | |
| - subsidiaries | - | - | 1 | 1 |
| | 222,322 | 214,701 | 184,377 | 171,790 |
| A21. Borrowings | | | | |
| Secured: | | | | |
| Revolving bank loan | 72,400 | 75,200 | 72,400 | 75,200 |
| Unsecured: | | | | |
| Revolving bank loans | - | 50,500 | - | - |
| Medium term notes | - | 40,000 | - | 40,000 |
| | 72,400 | 165,700 | 72,400 | 115,200 |

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

**NOTES TO INTERIM FINANCIAL REPORT
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2017**

| | Individual Quarter | | Cumulative Quarter | |
|--|--|--|--|--|
| | 3 months ended 31 March 2017 RM'000 | 3 months ended 31 March 2016 RM'000 | 3 months ended 31 March 2017 RM'000 | 3 months ended 31 March 2016 RM'000 |
| A22. Interest Income | | | | |
| Group | | | | |
| Loans, advances and financing | 35,856 | 35,125 | 35,856 | 35,125 |
| Money at call and deposit placements with financial institutions | 10,898 | 12,930 | 10,898 | 12,930 |
| Financial assets at fair value through profit or loss | 2,033 | 380 | 2,033 | 380 |
| Financial investments available-for-sale | 20,240 | 14,353 | 20,240 | 14,353 |
| Financial investments held to maturity | 492 | 554 | 492 | 554 |
| Others | 5,193 | 2,423 | 5,193 | 2,423 |
| | 74,712 | 65,765 | 74,712 | 65,765 |
| Bank | | | | |
| Loans, advances and financing | 34,517 | 33,587 | 34,517 | 33,587 |
| Money at call and deposit placements with financial institutions | 9,460 | 8,857 | 9,460 | 8,857 |
| Financial assets at fair value through profit or loss | 2,033 | 380 | 2,033 | 380 |
| Financial investments available-for-sale | 20,240 | 14,353 | 20,240 | 14,353 |
| Financial investments held to maturity | 492 | 554 | 492 | 554 |
| Others | 5,193 | 2,423 | 5,193 | 2,423 |
| | 71,935 | 60,154 | 71,935 | 60,154 |
| A23. Interest Expense | | | | |
| Group | | | | |
| Deposits from customers | 51,495 | 40,189 | 51,495 | 40,189 |
| Deposits and placement from banks and other financial institutions | 513 | 2,418 | 513 | 2,418 |
| Borrowings | 1,448 | 1,848 | 1,448 | 1,848 |
| | 53,456 | 44,455 | 53,456 | 44,455 |
| Bank | | | | |
| Deposits from customers | 52,055 | 39,112 | 52,055 | 39,112 |
| Deposits and placement from banks and other financial institutions | 513 | 2,418 | 513 | 2,418 |
| Borrowings | 1,141 | - | 1,141 | - |
| | 53,709 | 41,530 | 53,709 | 41,530 |

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

**NOTES TO INTERIM FINANCIAL REPORT
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2017**

| | Individual Quarter | | Cumulative Quarter | |
|--|------------------------------|------------------------------|------------------------------|------------------------------|
| | 3 months ended 31 March 2017 | 3 months ended 31 March 2016 | 3 months ended 31 March 2017 | 3 months ended 31 March 2016 |
| | RM'000 | RM'000 | RM'000 | RM'000 |

A24. Other Operating Income

Group

(a) Fee income:

| | | | | |
|--|---------------|---------------|---------------|---------------|
| Brokerage fees | 49,086 | 40,539 | 49,086 | 40,539 |
| Corporate advisory fee | 2,441 | 2,877 | 2,441 | 2,877 |
| Processing fees on loans, advances and financing | 1,273 | 819 | 1,273 | 819 |
| Commissions | 2,470 | 4,025 | 2,470 | 4,025 |
| Management fee income | 10,196 | 8,853 | 10,196 | 8,853 |
| Placement fees | 1,746 | 2,007 | 1,746 | 2,007 |
| Other fee income | 5,446 | 2,370 | 5,446 | 2,370 |
| | <u>72,658</u> | <u>61,490</u> | <u>72,658</u> | <u>61,490</u> |

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

| | | | | |
|---|---------------|---------------|---------------|---------------|
| Financial assets at fair value through profit or loss and derivatives | 11,215 | 34,537 | 11,215 | 34,537 |
| Financial investments available-for-sale | - | 4,923 | - | 4,923 |
| | <u>11,215</u> | <u>39,460</u> | <u>11,215</u> | <u>39,460</u> |

(c) Gross dividend income from:

| | | | | |
|---|------------|------------|------------|------------|
| (i) Financial assets at fair value through profit or loss | 21 | 349 | 21 | 349 |
| (ii) Financial investments available-for-sale | 256 | - | 256 | - |
| | <u>277</u> | <u>349</u> | <u>277</u> | <u>349</u> |

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

| | | | | |
|--|--------------|-----------------|--------------|-----------------|
| | <u>2,309</u> | <u>(21,641)</u> | <u>2,309</u> | <u>(21,641)</u> |
|--|--------------|-----------------|--------------|-----------------|

(e) Other income:

| | | | | |
|-----------------------------|--------------|--------------|--------------|--------------|
| Net foreign exchange income | 1,443 | 1,021 | 1,443 | 1,021 |
| Other operating loss | (4) | - | (4) | - |
| Other non-operating income | | | | |
| -Rental income | 2,917 | 341 | 2,917 | 341 |
| -Others | 278 | 439 | 278 | 439 |
| | <u>4,634</u> | <u>1,801</u> | <u>4,634</u> | <u>1,801</u> |

| | | | | |
|------------------------------|----------------------|----------------------|----------------------|----------------------|
| Total other operating income | <u>91,093</u> | <u>81,459</u> | <u>91,093</u> | <u>81,459</u> |
|------------------------------|----------------------|----------------------|----------------------|----------------------|

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

**NOTES TO INTERIM FINANCIAL REPORT
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2017**

| <u>Individual Quarter</u> | | <u>Cumulative Quarter</u> | |
|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|
| 3 months ended 31 March 2017 | 3 months ended 31 March 2016 | 3 months ended 31 March 2017 | 3 months ended 31 March 2016 |
| RM'000 | RM'000 | RM'000 | RM'000 |

A24. Other Operating Income (Cont'd)

Bank

(a) Fee income:

| | | | | |
|--|---------------|---------------|---------------|---------------|
| Brokerage fees | 49,086 | 40,539 | 49,086 | 40,539 |
| Corporate advisory fee | 2,451 | 2,877 | 2,451 | 2,877 |
| Processing fees on loans, advances and financing | 890 | 606 | 890 | 606 |
| Management fee income | 157 | 102 | 157 | 102 |
| Placement fees | 1,746 | 2,007 | 1,746 | 2,007 |
| Other fee income | 2,750 | 2,013 | 2,750 | 2,013 |
| | <u>57,080</u> | <u>48,144</u> | <u>57,080</u> | <u>48,144</u> |

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

| | | | | |
|---|---------------|---------------|---------------|---------------|
| Financial assets at fair value through profit or loss and derivatives | 11,215 | 34,537 | 11,215 | 34,537 |
| Financial investments available-for-sale | - | 4,923 | - | 4,923 |
| | <u>11,215</u> | <u>39,460</u> | <u>11,215</u> | <u>39,460</u> |

(c) Gross dividend from:

| | | | | |
|---|------------|------------|------------|------------|
| Financial assets at fair value through profit or loss | 21 | - | 21 | - |
| Financial investments available-for-sale | 256 | 349 | 256 | 349 |
| | <u>277</u> | <u>349</u> | <u>277</u> | <u>349</u> |

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

| | | | | |
|--|--------------|-----------------|--------------|-----------------|
| | <u>2,309</u> | <u>(21,385)</u> | <u>2,309</u> | <u>(21,385)</u> |
|--|--------------|-----------------|--------------|-----------------|

(e) Other income:

| | | | | |
|-----------------------------|--------------|--------------|--------------|--------------|
| Net foreign exchange income | 1,447 | 1,030 | 1,447 | 1,030 |
| Other operating income | 76 | 141 | 76 | 141 |
| Other non-operating income | | | | |
| -Rental income | 3,040 | 1,133 | 3,040 | 1,133 |
| -Others | 330 | 395 | 330 | 395 |
| | <u>4,893</u> | <u>2,699</u> | <u>4,893</u> | <u>2,699</u> |

| | | | | |
|-------------------------------------|----------------------|----------------------|----------------------|----------------------|
| Total other operating income | <u>75,774</u> | <u>69,267</u> | <u>75,774</u> | <u>69,267</u> |
|-------------------------------------|----------------------|----------------------|----------------------|----------------------|

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

**NOTES TO INTERIM FINANCIAL REPORT
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2017**

| | Individual Quarter | | Cumulative Quarter | |
|--|--|--|--|--|
| | 3 months ended 31 March 2017 RM'000 | 3 months ended 31 March 2016 RM'000 | 3 months ended 31 March 2017 RM'000 | 3 months ended 31 March 2016 RM'000 |

A25. Other operating expenses

Group

| | | | | |
|---|----------------|---------------|----------------|---------------|
| Personnel costs | 38,302 | 36,651 | 38,302 | 36,651 |
| - Salaries, allowances and bonuses | 30,039 | 29,292 | 30,039 | 29,292 |
| - EPF | 3,871 | 3,527 | 3,871 | 3,527 |
| - Others | 4,392 | 3,832 | 4,392 | 3,832 |
| Establishment costs | 14,585 | 14,602 | 14,585 | 14,602 |
| - Depreciation of property, plant and equipment | 3,223 | 2,987 | 3,223 | 2,987 |
| - Amortisation of intangible assets - software | 190 | 249 | 190 | 249 |
| - Rental of premises | 5,753 | 5,930 | 5,753 | 5,930 |
| - Rental of equipment | 157 | 154 | 157 | 154 |
| - Repairs and maintenance | 1,022 | 557 | 1,022 | 557 |
| - Information technology expenses | 2,550 | 3,436 | 2,550 | 3,436 |
| - Others | 1,690 | 1,289 | 1,690 | 1,289 |
| Marketing expenses | 4,207 | 2,995 | 4,207 | 2,995 |
| - Promotion and advertisements | 2,023 | 2,062 | 2,023 | 2,062 |
| - Travel and entertainment | 1,063 | 355 | 1,063 | 355 |
| - Others | 1,121 | 578 | 1,121 | 578 |
| Administration and general expenses | 47,031 | 39,558 | 47,031 | 39,558 |
| - Communication expenses | 1,387 | 1,613 | 1,387 | 1,613 |
| - Professional fees and legal fees | 607 | 689 | 607 | 689 |
| - Regulatory charges | 5,137 | 6,166 | 5,137 | 6,166 |
| - Fees and brokerage | 34,761 | 26,889 | 34,761 | 26,889 |
| - Administrative expenses | 4,706 | 3,725 | 4,706 | 3,725 |
| - Printing and stationery | 433 | 476 | 433 | 476 |
| | 104,125 | 93,806 | 104,125 | 93,806 |

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

**NOTES TO INTERIM FINANCIAL REPORT
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2017**

| Individual Quarter | | Cumulative Quarter | |
|------------------------------|------------------------------|------------------------------|------------------------------|
| 3 months ended 31 March 2017 | 3 months ended 31 March 2016 | 3 months ended 31 March 2017 | 3 months ended 31 March 2016 |
| RM'000 | RM'000 | RM'000 | RM'000 |

A25. Other operating expenses (Cont'd)

Bank

| | | | | |
|---|---------------|---------------|---------------|---------------|
| Personnel costs | 29,573 | 31,430 | 29,573 | 31,430 |
| - Salaries, allowances and bonuses | 24,601 | 20,714 | 24,601 | 20,714 |
| - EPF | 3,096 | 2,623 | 3,096 | 2,623 |
| - Others | 1,876 | 8,093 | 1,876 | 8,093 |
| Establishment costs | 12,968 | 12,948 | 12,968 | 12,948 |
| - Depreciation of property, plant and equipment | 3,149 | 2,654 | 3,149 | 2,654 |
| - Rental of premises | 5,360 | 5,801 | 5,360 | 5,801 |
| - Rental of equipment | 72 | 68 | 72 | 68 |
| - Repair and maintenance | 830 | 345 | 830 | 345 |
| - Information technology expenses | 2,529 | 3,366 | 2,529 | 3,366 |
| - Others | 1,028 | 714 | 1,028 | 714 |
| Marketing expenses | 2,935 | 1,450 | 2,935 | 1,450 |
| - Promotion and advertisement | 1,069 | 871 | 1,069 | 871 |
| - Travel and entertainment | 897 | 252 | 897 | 252 |
| - Others | 969 | 327 | 969 | 327 |
| Administration and general expenses | 39,466 | 31,689 | 39,466 | 31,689 |
| - Communication expenses | 1,233 | 1,419 | 1,233 | 1,419 |
| - Professional fees and legal fees | 549 | 26 | 549 | 26 |
| - Regulatory charges | 4,587 | 5,326 | 4,587 | 5,326 |
| - Administrative expenses | 3,938 | 2,615 | 3,938 | 2,615 |
| - Printing and stationery | 370 | 382 | 370 | 382 |
| - Fees and brokerages | 28,789 | 21,921 | 28,789 | 21,921 |
| | 84,942 | 77,517 | 84,942 | 77,517 |

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

Group

| | | | | |
|------------------------------|----------|------------|----------|------------|
| Impairment: | | | | |
| - collective allowance (net) | 42 | (61) | 42 | (61) |
| - individual allowance (net) | (42) | (46) | (42) | (46) |
| Bad debts and financing: | | | | |
| - recovered | 1 | 103 | 1 | 103 |
| | 1 | (4) | 1 | (4) |

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

**NOTES TO INTERIM FINANCIAL REPORT
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2017**

| <u>Individual Quarter</u> | | <u>Cumulative Quarter</u> | |
|---------------------------|-----------------------|---------------------------|-----------------------|
| 3 months ended | 3 months ended | 3 months ended | 3 months ended |
| 31 March 2017 | 31 March 2016 | 31 March 2017 | 31 March 2016 |
| RM'000 | RM'000 | RM'000 | RM'000 |

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

Bank

Impairment:

| | | | | |
|------------------------------|----------|--------------|----------|--------------|
| - collective allowance (net) | 49 | (108) | 49 | (108) |
| - individual allowance (net) | (42) | (46) | (42) | (46) |
| | <u>7</u> | <u>(154)</u> | <u>7</u> | <u>(154)</u> |

Bad debts and financing:

| | | | | |
|-------------|----------|-------------|----------|-------------|
| - recovered | 1 | 103 | 1 | 103 |
| | <u>8</u> | <u>(51)</u> | <u>8</u> | <u>(51)</u> |

A27. (Allowance for)/Write back of impairment on balances due from clients and brokers and other receivables

Group and Bank

Impairment:

| | | | | |
|---|--------------|--------------|--------------|--------------|
| (i) individual allowance on clients and brokers | | | | |
| - made during the financial period/year | (1,705) | (1,307) | (1,705) | (1,307) |
| - written back during the financial period/year | 538 | 930 | 538 | 930 |
| (ii) impairment allowance on other receivables | | | | |
| - made during the financial period/year | (407) | - | (407) | - |
| - written back during the financial period/year | 779 | 1,072 | 779 | 1,072 |
| - individual allowance (net) | <u>(795)</u> | <u>695</u> | <u>(795)</u> | <u>695</u> |
| Impaired debts: | | | | |
| - recovered | 23 | 438 | 23 | 438 |
| | <u>(772)</u> | <u>1,133</u> | <u>(772)</u> | <u>1,133</u> |

**NOTES TO INTERIM FINANCIAL REPORT
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 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 31 MARCH 2017

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

Group

31 March 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 | - | 475,413 | - | 475,413 |
| - Equity securities and unit trusts | 236,739 | 7,148 | - | 243,887 |
| Financial investments available-for-sale # | | | | |
| - Debt securities | - | 887,916 | - | 887,916 |
| - Islamic Negotiable Instruments of Deposit | - | 99,905 | - | 99,905 |
| Unquoted private debt securities | - | - | 1,067 | 1,067 |
| Derivative financial assets | - | 63,955 | - | 63,955 |
| Financial assets for which fair values are disclosed | | | | |
| Financial investments held-to-maturity | - | 38,454 | - | 38,454 |
| Loans, advances and financing | - | - | 2,058,286 | 2,058,286 |
| | 236,739 | 1,572,791 | 2,059,353 | 3,868,883 |

Financial liabilities measured at fair value

| | | | | |
|----------------------------------|---------------|----------------|----------|----------------|
| Derivative financial liabilities | 11,519 | 48,354 | - | 59,872 |
| Borrowings | - | 75,582 | - | 75,582 |
| | 11,519 | 123,936 | - | 135,454 |

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 31 MARCH 2017

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

Bank

31 March 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 | - | 475,413 | - | 475,413 |
| - Equity securities and unit trusts | 243,887 | - | - | 243,887 |
| Financial investments available-for-sale # | | | | |
| - Debt securities | - | 887,916 | - | 887,916 |
| - Islamic Negotiable Instruments of Deposit | - | 99,905 | - | 99,905 |
| Unquoted private debt securities | - | - | 1,067 | 1,067 |
| Derivative financial assets | - | 63,955 | - | 63,955 |
| Financial assets for which fair values are disclosed | | | | |
| Financial investments held-to-maturity | - | 38,454 | - | 38,454 |
| Loans, advances and financing | - | - | 2,056,664 | 2,056,664 |
| | 243,887 | 1,565,643 | 2,057,731 | 3,867,261 |

Financial liabilities measured at fair value

| | | | | |
|--|---------------|----------------|----------|----------------|
| Derivative financial liabilities | 11,519 | 48,354 | - | 59,872 |
| Obligations on securities sold under repurchase agreements | - | - | - | - |
| Borrowings | - | 75,582 | - | 75,582 |
| | 11,519 | 123,936 | - | 135,454 |

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 31 March 2017 (31 March 2016: no transfer in either direction)

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

**NOTES TO INTERIM FINANCIAL REPORT
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2017**

| | As at 31 March 2017 | As at 31 December 2016 |
|--|-------------------------------|-------------------------------|
| | Principal Amount RM'000 | Principal Amount RM'000 |
| A29. <u>Commitments and Contingencies and Off-Balance Sheet Financial Instruments</u> | | |
| Group | | |
| Obligations under underwriting agreements | - | 9,380 |
| Commitments to extend credit with maturity of less than 1 year :- | | |
| - margin | 1,680,839 | 1,656,405 |
| - corporate loan | - | - |
| - foreign exchange related contracts | 97,437 | 44,858 |
| - equity exchange related contracts | 180,299 | 127,966 |
| Commitments to extend credit with maturity of more than 1 year :- | | |
| - corporate loan | - | 347 |
| - equity related contracts | 13,593 | 1,145 |
| Miscellaneous commitments | 646,681 | 665,738 |
| Derivative financial assets (Note A10) | | |
| - dual currency investment - options | 23,177 | 17,407 |
| - equity related contracts - options | 78,250 | 93,636 |
| - equity related contracts - swap | 70,329 | 57,262 |
| Derivative financial liabilities (Note A10) | | |
| - dual currency investment - options | 23,177 | 17,407 |
| - equity related contracts - options | 226,577 | 220,442 |
| | <u>3,040,359</u> | <u>2,911,993</u> |

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

**NOTES TO INTERIM FINANCIAL REPORT
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2017**

| | As at 31 March 2017 | As at 31 December 2016 |
|--|-------------------------------|-------------------------------|
| | Principal Amount RM'000 | Principal Amount RM'000 |

**A29. Commitments and Contingencies and Off-Balance Sheet
Financial Instruments (Cont'd)**

Bank

| | | |
|--|------------------|------------------|
| Obligations under underwriting agreements | - | 9,380 |
| Commitments to extend credit with maturity of less than 1 year :- | | |
| - margin | 1,680,839 | 1,656,405 |
| - corporate loan | 44,500 | 43,500 |
| - foreign exchange related contracts | 97,437 | 44,858 |
| - equity exchange related contracts | 180,299 | 127,966 |
| Commitments to extend credit with maturity of more than 1 year :- | | |
| - corporate loan | 30,000 | 25,347 |
| - equity exchange related contracts | 13,593 | 1,145 |
| Miscellaneous commitments | 646,681 | 665,738 |
| Derivative financial assets (Note A10) | | |
| - dual currency investment - options | 23,177 | 17,407 |
| - equity related contracts - options | 78,250 | 93,636 |
| - equity related contracts - swap | 70,329 | 57,262 |
| Derivative financial liabilities (Note A10) | | |
| - dual currency investment - options | 23,177 | 17,407 |
| - equity related contracts - options | 226,577 | 220,442 |
| | <u>3,114,859</u> | <u>2,980,493</u> |

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

**NOTES TO INTERIM FINANCIAL REPORT
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2017**

| | Group | | Bank | |
|---------------------------------------|----------------------------|-------------------------------|----------------------------|-------------------------------|
| | 31 March 2017 RM'000 | 31 December 2016 RM'000 | 31 March 2017 RM'000 | 31 December 2016 RM'000 |
| A30. Other Commitments | | | | |
| Capital expenditure commitments | 9,093 | 11,339 | 9,047 | 11,043 |
| Operating lease arrangements payables | 9,083 | 12,500 | 9,083 | 12,500 |
| | - | - | - | - |
| | <u>18,176</u> | <u>23,839</u> | <u>18,130</u> | <u>23,543</u> |
| Future minimum sublease receipts: | | | | |
| Subsidiaries | - | - | 4,719 | 4,674 |
| External parties | 1,534 | 1,136 | 1,534 | 1,136 |
| | <u>1,534</u> | <u>1,136</u> | <u>6,253</u> | <u>5,810</u> |

* K & N Kenanga Holdings Berhad became a wholly-owned subsidiary of Kenanga Investment Bank Berhad effective from 1 November 2016.

A31. Capital Adequacy

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

| | Group | | Bank | |
|--|----------------------------|-------------------------------|----------------------------|-------------------------------|
| | 31 March 2017 RM'000 | 31 December 2016 RM'000 | 31 March 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 profit | 47,229 | 47,857 | 19,581 | 20,209 |
| Other reserves | 592,830 | 591,962 | 638,316 | 636,160 |
| Less: Regulatory adjustments: | | | | |
| Deferred tax assets | (6,896) | (9,841) | (4,669) | (7,554) |
| Goodwill | (203,109) | (203,109) | (252,909) | (252,909) |
| Other intangibles | (63,625) | (63,813) | (52,500) | (52,500) |
| Regulatory reserve | (24,557) | (23,929) | (24,557) | (23,929) |
| Deduction in excess of Tier 2* | (60,317) | (65,313) | (116,382) | (116,876) |
| Total CET 1/Tier 1 capital | <u>527,692</u> | <u>519,951</u> | <u>453,017</u> | <u>448,738</u> |
| <u>Tier 2 capital</u> | | | | |
| Collective impairment provision and regulatory reserves | 14,605 | 14,320 | 14,303 | 13,809 |
| Less: Regulatory adjustments applied to Tier 2 capital | (14,605) | (14,320) | (14,303) | (13,809) |
| Total Tier 2 capital | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total capital | <u>527,692</u> | <u>519,951</u> | <u>453,017</u> | <u>448,738</u> |

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

**NOTES TO INTERIM FINANCIAL REPORT
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2017**

A31. Capital Adequacy (cont'd)

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

| | Group | | Bank | |
|----------------------|--------------------------|-----------------------------|--------------------------|-----------------------------|
| | 31 March 2017 | 31 December 2016 | 31 March 2017 | 31 December 2016 |
| CET 1 capital ratio | 27.455% | 28.176% | 25.463% | 26.199% |
| Tier 1 capital ratio | 27.455% | 28.176% | 25.463% | 26.199% |
| Total capital ratio | 27.455% | 28.176% | 25.463% | 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 | |
|-----------------------------------|---------------------------------------|--|---------------------------------------|--|
| | 31 March 2017 | | 31 December 2016 | |
| | Notional amount RM'000 | Risk-weighted amount RM'000 | Notional amount RM'000 | Risk-weighted amount RM'000 |
| Credit Risk | 4,224,042 | 1,168,395 | 4,273,833 | 1,145,590 |
| Market Risk | - | 192,163 | - | 154,586 |
| Operational Risk | - | 555,093 | - | 545,211 |
| Large Exposure Risk | 10,208 | 6,400 | - | - |
| Total Risk Weighted Assets | 4,224,042 | 1,922,051 | 4,273,833 | 1,845,387 |

| | Bank | | Bank | |
|-----------------------------------|---------------------------------------|--|---------------------------------------|--|
| | 31 March 2017 | | 31 December 2016 | |
| | Notional amount RM'000 | Risk-weighted amount RM'000 | Notional amount RM'000 | Risk-weighted amount RM'000 |
| Credit Risk | 3,959,380 | 1,144,231 | 3,933,702 | 1,104,691 |
| Market Risk | - | 172,505 | - | 154,586 |
| Operational Risk | - | 455,960 | - | 453,526 |
| Large Exposure Risk | 10,208 | 6,400 | - | - |
| Total Risk Weighted Assets | 3,969,588 | 1,779,096 | 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").

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

**NOTES TO INTERIM FINANCIAL REPORT
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2017**

A32. Basic / Fully Diluted Earnings Per Share (Sen)

| | <u>Individual Quarter</u> | | <u>Cumulative Quarter</u> | |
|--|--|--|--|--|
| | 3 months ended 31 March 2017 RM'000 | 3 months ended 31 March 2016 RM'000 | 3 months ended 31 March 2017 RM'000 | 3 months ended 31 March 2016 RM'000 |
| Group | | | | |
| Profit for the period attributable to equity holders of the Bank | <u>1,890</u> | <u>7,800</u> | <u>1,890</u> | <u>7,800</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>0.26</u> | <u>1.01</u> | <u>0.26</u> | <u>1.01</u> |

There were no potential dilutive ordinary shares outstanding as at 31 March 2017 and 31 March 2016.

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

**NOTES TO INTERIM FINANCIAL REPORT
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2017**

A33. Segmental reporting

The Group has five major operating divisions as described below. The division form the basis of which the Group reports its segment information.

- (i) Investment bank - Investment banking business, treasury and related financial services;
- (ii) Stockbroking - Dealings in equity securities and investment related services;
- (iii) Futures - 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 of products and services rendered. This will enable decisions on resources allocations to be handled more effectively and efficiently to improve the performance of this segment.

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

**NOTES TO INTERIM FINANCIAL REPORT
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2017**

A33. Segmental reporting (cont'd)

| | Investment banking RM'000 | Stock broking RM'000 | Futures broking RM'000 | Money lending and financing RM'000 | Investment and wealth management RM'000 | Corporate and Others RM'000 | Elimination/ consolidation adjustments RM'000 | Total RM'000 |
|---|--|-------------------------------------|---------------------------------------|---|--|--|--|-------------------------|
| 2017 | | | | | | | | |
| Revenue | | | | | | | | |
| External sales | 62,947 | 81,229 | 3,909 | 2,783 | 15,305 | 2,960 | - | 169,133 |
| Inter-segment sales | 1,055 | 79 | 400 | - | 498 | - | (2,032) | - |
| Total revenue | 64,002 | 81,308 | 4,309 | 2,783 | 15,803 | 2,960 | (2,032) | 169,133 |
| Result | | | | | | | | |
| Net income | 11,958 | 77,572 | 4,097 | 1,688 | 14,291 | 5,005 | (806) | 113,805 |
| Other operating expenses | (11,562) | (64,197) | (3,909) | (1,084) | (16,365) | (7,814) | 806 | (104,125) |
| (Allowance for)/write back of impairment on loans, advances and financing | (218) | (41) | - | - | - | 267 | (7) | 1 |
| Write back of/(allowance for) impairment on balance due from clients and brokers and other receivables | 23 | (1,159) | - | - | 3 | 361 | - | (772) |
| Share of results in associates and joint venture | - | - | - | - | - | (3,422) | - | (3,422) |
| Profit/(loss) before taxation and zakat | 201 | 12,175 | 188 | 604 | (2,071) | (5,603) | (7) | 5,487 |
| Taxation and zakat | | | | | | | | (3,565) |
| Net profit for the financial period | | | | | | | | <u>1,922</u> |
| Other information | | | | | | | | |
| Net interest and finance income | 6,968 | 11,142 | 1,631 | 1,239 | 186 | 1,820 | - | 22,986 |
| Depreciation and amortisation | 172 | 1,267 | 150 | 3 | 124 | 1,713 | - | 3,429 |
| Non cash expenses | | | | | | | | |
| - Unrealised (losses)/gains on revaluation of financial assets at fair value through profit or loss and derivative | (459) | 2,735 | - | - | - | - | - | 2,276 |

KENANGA INVESTMENT BANK BERHAD
(15678-H)

NOTES TO INTERIM FINANCIAL REPORT
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2017

A33. Segmental reporting (cont'd.)

| | Investment banking and stockbroking RM'000 | Futures broking RM'000 | Investment and wealth management RM'000 | Money lending and financing RM'000 | Corporate and Others RM'000 | Elimination/ consolidation adjustments RM'000 | Notes | Total RM'000 |
|---------------------------------------|---|------------------------------|--|--|--------------------------------------|--|----------|-----------------|
| 2017 (cont'd.) | | | | | | | | |
| Assets | | | | | | | | |
| Investments in associates | - | - | - | - | 68,406 | - | | 68,406 |
| Investment in a joint venture company | - | - | - | - | 6,516 | - | | 6,516 |
| Addition to non-current assets | 8,302 | 38 | 176 | - | - | - | A | 8,516 |
| Segment assets | 6,142,648 | 359,248 | 59,014 | 72,911 | 17,226 | (232,013) | B | 6,419,034 |
| Liabilities | | | | | | | | |
| Segment liabilities | 5,232,339 | 321,217 | 26,826 | 61,238 | 4,053 | (124,993) | C | 5,520,680 |

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

**NOTES TO INTERIM FINANCIAL REPORT
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2017**

A33. Segmental reporting (cont'd.)

| | Investment banking RM'000 | Stock broking RM'000 | Futures broking RM'000 | Money lending and financing RM'000 | Investment and wealth management RM'000 | Corporate and Others RM'000 | Elimination/ consolidation/ adjustments RM'000 | Total RM'000 |
|---|--|-------------------------------------|---------------------------------------|---|--|--|---|-------------------------|
| 2016 | | | | | | | | |
| Revenue | | | | | | | | |
| External sales | 56,728 | 72,191 | 7,966 | 2,751 | 9,046 | 3,441 | - | 152,123 |
| Inter-segment sales | 908 | 47 | 381 | - | 318 | 8,502 | (10,156) | - |
| Total revenue | 57,636 | 72,238 | 8,347 | 2,751 | 9,364 | 11,943 | (10,156) | 152,123 |
| Result | | | | | | | | |
| Net income | 16,280 | 69,262 | 6,210 | 1,022 | 9,862 | 11,815 | (9,000) | 105,451 |
| Other operating expenses | (10,796) | (59,580) | (4,869) | (1,142) | (13,703) | (12,566) | 8,850 | (93,806) |
| (Allowance for)/write back of impairment on loans, advances and financing | (108) | (350) | - | - | - | 407 | 47 | (4) |
| Write back of impairment on balance due from clients and brokers and other receivables | 697 | 422 | - | - | - | 14 | - | 1,133 |
| Share of results in associates | - | - | - | - | - | (1,031) | - | (1,031) |
| Profit/(loss) before taxation and zakat | 6,073 | 9,754 | 1,341 | (120) | (3,841) | (1,361) | (103) | 11,743 |
| Taxation and zakat | | | | | | | | (3,683) |
| Net profit for the financial period | | | | | | | | 8,060 |
| Other information | | | | | | | | |
| Net interest and finance income | 4,427 | 10,631 | 2,211 | 666 | 307 | 3,654 | - | 21,896 |
| Depreciation and amortisation | 209 | 1,460 | 175 | 3 | 263 | 1,126 | - | 3,236 |
| Non cash expenses | | | | | | | | |
| - Unrealised gains/(losses) on revaluation of financial assets at fair value through profit or loss and derivative | 362 | (20,691) | - | - | - | (1,041) | - | (21,370) |

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

**NOTES TO INTERIM FINANCIAL REPORT
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2017**

A33. Segmental reporting (cont'd.)

| | Investment banking and stockbroking RM'000 | Futures broking RM'000 | Investment and wealth management RM'000 | Money lending and financing RM'000 | Corporate and Others RM'000 | Elimination/ consolidation adjustments RM'000 | Notes | Total RM'000 |
|--------------------------------|---|------------------------------|--|--|--------------------------------------|--|----------|-----------------|
| 2016 (cont'd.) | | | | | | | | |
| Assets | | | | | | | | |
| Investments in associates | - | - | - | - | 57,334 | - | | 57,334 |
| Addition to non-current assets | 28,143 | 1,046 | 115 | 602 | 562 | - | A | 30,468 |
| Segment assets | 5,492,555 | 593,630 | 70,335 | 143,301 | 873,514 | (1,066,477) | B | 6,106,858 |
| Liabilities | | | | | | | | |
| Segment liabilities | 4,582,412 | 556,562 | 34,105 | 132,867 | 121,758 | (193,146) | C | 5,234,558 |

Notes

A Additions to non-current assets consist of:

| | 2017 RM'000 | 2016 RM'000 |
|---|----------------|----------------|
| Property, plant and equipment | | |
| - Additions during the financial period | 8,514 | 28,938 |
| Intangible assets | | |
| - Additions during the financial period | 2 | 1,530 |
| | <u>8,516</u> | <u>30,468</u> |

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

**NOTES TO INTERIM FINANCIAL REPORT
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2017**

A33. 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) | (59,860) |
| Investment in associates and joint venture | 10,001 | (86,995) |
| Intangible assets | (40,095) | (40,095) |
| Inter-segment assets | (134,369) | (879,527) |
| | <u>(232,013)</u> | <u>(1,066,477)</u> |

C The following items are (added to)/deducted from 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 | (58,621) | (67,740) |
| Inter-segment liabilities | (66,372) | (125,406) |
| | <u>(124,993)</u> | <u>(193,146)</u> |

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

**NOTES TO INTERIM FINANCIAL REPORT
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2017**

A34. Operations of Islamic Banking

**(a) Unaudited Consolidated Statement of Financial Position
As at 31 March 2017**

| | | Group and Bank | |
|--|-------------|--|---|
| | Note | As at 31 March 2017 RM '000 | As at 31 December 2016 RM '000 |
| ASSETS | | | |
| Cash and bank balances | (e) | 274,919 | 160,638 |
| Financial assets at fair value through profit or loss | (f) | 54,770 | 34,750 |
| Financial investments available-for-sale | (g) | 226,650 | 276,405 |
| Financial investments held-for-maturity | (h) | 5,001 | 5,000 |
| Advances and financing | (i) | 158,692 | 155,162 |
| Balances due from clients and brokers | | 238 | 24 |
| Other assets | | 2,087 | 1,322 |
| Property, plant and equipment | | 127 | 138 |
| Deferred tax assets | | 122 | 205 |
| TOTAL ASSETS | | 722,606 | 633,644 |
| LIABILITIES | | | |
| Deposits from customers | (j) | 499,315 | 410,813 |
| Balances due to clients and brokers | | 446 | 56 |
| Other liabilities | (k) | 86,664 | 84,378 |
| Provision for taxation and zakat | | 561 | 3,567 |
| TOTAL LIABILITIES | | 586,986 | 498,814 |
| ISLAMIC BANKING CAPITAL FUNDS | | | |
| Islamic banking funds | | 120,000 | 120,000 |
| Reserves | | 15,620 | 14,830 |
| TOTAL ISLAMIC BANKING CAPITAL FUNDS | | 135,620 | 134,830 |
| TOTAL LIABILITIES AND ISLAMIC BANKING CAPITAL FUNDS | | 722,606 | 633,644 |

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

**NOTES TO INTERIM FINANCIAL REPORT
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2017**

A34. Operations of Islamic Banking (Cont'd)

**(b) Unaudited Statement Of Profit Or Loss And Other Comprehensive Income
For the financial period ended 31 March 2017**

| | | Group and Bank | | | |
|--|-----|---|---|---|---|
| | | Individual Quarter | | Cumulative Quarter | |
| | | 3 months ended 31 March 2017 RM'000 | 3 months ended 31 March 2016 RM'000 | 3 months ended 31 March 2017 RM'000 | 3 months ended 31 March 2016 RM'000 |
| | | | | | |
| Income derived from investment of depositors' funds | (l) | 4,761 | 5,380 | 4,761 | 5,380 |
| Income derived from investment of shareholders' funds | (m) | 1,758 | 1,917 | 1,758 | 1,917 |
| Impairment allowances | | (27) | (47) | (27) | (47) |
| Total attributable income | | 6,492 | 7,250 | 6,492 | 7,250 |
| Profit distributed to depositors | (n) | (4,441) | (4,359) | (4,441) | (4,359) |
| Net income | | 2,051 | 2,891 | 2,051 | 2,891 |
| Finance cost | | (622) | (256) | (622) | (256) |
| Personnel expenses | (o) | (132) | (135) | (132) | (135) |
| Other overhead expenses | (p) | (538) | (530) | (538) | (530) |
| Profit before taxation and zakat | | 759 | 1,970 | 759 | 1,970 |
| Taxation and zakat | | (231) | (498) | (231) | (498) |
| Profit for the financial period | | 528 | 1,472 | 528 | 1,472 |

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 | | 4,761 | 5,380 | 4,761 | 5,380 |
| Income derived from investment of shareholders' funds | | 1,758 | 1,917 | 1,758 | 1,917 |
| Total income before impairment allowances and overhead expenses | | 6,519 | 7,297 | 6,519 | 7,297 |
| Profit distributed to depositors | | (4,441) | (4,359) | (4,441) | (4,359) |
| Finance cost | | (622) | (256) | (622) | (256) |
| Income from Islamic Banking Window operations reported in the statement of profit or loss of the Group and the Bank | | 1,456 | 2,682 | 1,456 | 2,682 |

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

**NOTES TO INTERIM FINANCIAL REPORT
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2017**

A34. Operations of Islamic Banking (Cont'd)

**(c) Unaudited Condensed Statements Of Cash Flows
For the financial period ended 31 March 2017**

| | Group and Bank | |
|--|--------------------------------------|--------------------------------------|
| | 31 March 2017 RM '000 | 31 March 2016 RM '000 |
| Cash flows from operating activities | | |
| Profit before tax expense and zakat | 759 | 1,970 |
| Adjustments for: | | |
| Depreciation of plant and equipment | 11 | 11 |
| Impairment allowances | 27 | 47 |
| Net loss/(gain) from sale of financial assets held-for-trading and derivatives | 248 | (634) |
| Net gain from sale of financial investments available-for-sale | (1) | (804) |
| Unrealised loss/(gain) on revaluation of financial assets at fair value through profit or loss | 33 | (271) |
| Operating profit before working capital changes | <u>1,077</u> | <u>319</u> |
| Changes in operating assets: | | |
| Financial assets at fair value through profit or loss | (20,053) | 38,185 |
| Financial investments available-for-sale | 49,755 | (117,313) |
| Financial investments held-to-maturity | (1) | (1) |
| Financing and advances | (3,557) | (6,139) |
| Other assets | (765) | (21,903) |
| Changes in operating liabilities: | | |
| Deposits from customers | 88,502 | 117,571 |
| Balances due to clients and brokers | 390 | 1 |
| Other liabilities | (820) | (29,895) |
| Net cash generated from/(used in) operating activities | <u>114,528</u> | <u>(19,175)</u> |
| Net cash flows (used in)/generated from investing activities | (247) | 1,438 |
| Net change in cash and cash equivalents | 114,281 | (17,737) |
| Cash and cash equivalents at beginning of the financial period | <u>160,638</u> | <u>115,437</u> |
| Cash and cash equivalents at end of the financial period | <u>274,919</u> | <u>97,700</u> |

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

**NOTES TO INTERIM FINANCIAL REPORT
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2017**

A34. Operations Of Islamic Banking (Cont'd)

**(d) Statement Of Changes In Islamic Banking Funds
For the financial period ended 31 March 2017**

Group and Bank

| | Non-distributable | | | | Distributable | Total RM'000 |
|--|--|---|--|---|--|-------------------------|
| | Islamic Banking Fund RM'000 | Available for- sale 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 | - | - | - | - | 528 | 528 |
| Other comprehensive income for the financial period | - | 262 | - | - | - | 262 |
| Merger adjustment | - | - | - | - | - | - |
| Transfer to regulatory reserve | - | - | 16 | - | (16) | - |
| At 31 March 2017 | 120,000 | (387) | 1,679 | 5,248 | 9,080 | 135,620 |
| At 1 January 2016 | 120,000 | (497) | 602 | - | 5,248 | 125,353 |
| Profit for the financial period | - | - | - | - | 1,472 | 1,472 |
| Other comprehensive income for the financial period | - | 1,585 | - | - | - | 1,585 |
| Merger adjustment | - | - | - | 5,248 | (5,248) | - |
| Transfer to regulatory reserve | - | - | 27 | - | (27) | - |
| At 31 March 2016 | 120,000 | 1,088 | 629 | 5,248 | 1,445 | 128,410 |

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

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

**NOTES TO INTERIM FINANCIAL REPORT
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2017**

A34. Operations Of Islamic Banking (Cont'd)

| | Group and Bank | |
|---|---|--|
| | As at 31 March 2017 RM'000 | As at 31 December 2016 RM'000 |
| (e) Cash and short-term funds | | |
| Current account with BNM and banks | 76,477 | 58,972 |
| Money at call and deposit placements with: Licensed investment banks | <u>198,442</u> | <u>101,666</u> |
| | <u>274,919</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 | 19,898 | - |
| Unquoted Private Debt Securities: | | |
| Islamic Corporate Bills | 24,916 | 24,968 |
| Islamic Corporate Bonds | <u>9,956</u> | <u>9,782</u> |
| | <u>54,770</u> | <u>34,750</u> |
| (g) Financial Investments Available-for-Sale | | |
| At Fair Value | | |
| Money Market Instruments: | | |
| In Malaysia | | |
| Malaysian Government Investment Certificates | 20,401 | 20,322 |
| Islamic Negotiable Instruments of Deposits | 99,905 | 149,890 |
| Islamic Sukuk Perumahan Kerajaan | <u>9,999</u> | <u>10,056</u> |
| | 130,305 | 180,268 |
| Unquoted Private Debt Securities: | | |
| In Malaysia | | |
| Islamic Corporate Bonds | <u>96,345</u> | <u>96,137</u> |
| | <u>226,650</u> | <u>276,405</u> |
| (h) Financial Investments Held-to-Maturity | | |
| At Amortised Cost | | |
| Unquoted Islamic Private Debt Securities: | | |
| In Malaysia | | |
| Islamic Corporate bonds | <u>5,001</u> | <u>5,000</u> |
| The maturity structure of above securities are as follows: | | |
| Two to five years | <u>5,001</u> | <u>5,000</u> |

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

**NOTES TO INTERIM FINANCIAL REPORT
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2017**

A34. Operations Of Islamic Banking (Cont'd)

| | Group and Bank | |
|--|---|--|
| | As at 31 March 2017 RM'000 | As at 31 December 2016 RM'000 |
| (i) Advances and financing | | |
| At Amortised Cost | | |
| Share margin | 54 | - |
| - Shariah contract - others | | |
| Commodity Murabahah Revolving Credit | | |
| - Shariah contract - others | 23,747 | 20,224 |
| Commodity Murabahah Term Financing | | |
| - Shariah contract - others | 135,119 | 135,139 |
| | <u>158,920</u> | <u>155,363</u> |
| Allowance for impairment: | | |
| - Collective allowance | (228) | (201) |
| Net financing and advances | <u>158,692</u> | <u>155,162</u> |
| (i) Gross advances and financing analysed by type of customer are as follows: | | |
| Domestic business enterprise - others | 118,763 | 115,256 |
| Individuals | 40,157 | 40,107 |
| | <u>158,920</u> | <u>155,363</u> |
| (ii) Gross advances and financing analysed by geographical distribution are as follows: | | |
| In Malaysia | <u>158,920</u> | <u>155,363</u> |
| (iii) Gross advances and financing analysed by profit rate sensitivity are as follows: | | |
| Fixed rate | | |
| - Other fixed rate loans | 54 | - |
| Variable rate: | | |
| - Cost plus | 158,866 | 155,363 |
| | <u>158,920</u> | <u>155,363</u> |
| (v) Gross advances and financing analysed by economic purpose are as follows: | | |
| - Working capital | 68,756 | 65,241 |
| - Purchase of securities | 50,061 | 50,015 |
| - Others | 40,103 | 40,107 |
| | <u>158,920</u> | <u>155,363</u> |
| (vi) Gross advances and financing analysed by residual contractual maturity are as follows: | | |
| - Within one year | <u>158,920</u> | <u>155,363</u> |

KENANGA INVESTMENT BANK BERHAD
(15678-H)

NOTES TO INTERIM FINANCIAL REPORT
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2017

A34. Operations Of Islamic Banking (Cont'd)

| | Group and Bank | |
|--|---|--|
| | As at 31 March 2017 RM'000 | As at 31 December 2016 RM'000 |
| (j) Islamic deposits from customers | | |
| (i) By type of deposit | | |
| Term deposits | | |
| - Tawarruq (Commodity Murabahah deposits) | 499,315 | 410,813 |
| | <u>499,315</u> | <u>410,813</u> |
| (ii) By type of customer | | |
| Domestic non-bank institutions | 391,092 | 315,032 |
| Business enterprises | 107,289 | 94,855 |
| Individuals | 934 | 926 |
| | <u>499,315</u> | <u>410,813</u> |
| (iii) By maturity structure | | |
| - Due within six months | 497,315 | 16,000 |
| - Due more than six months | 2,000 | 394,813 |
| | <u>499,315</u> | <u>410,813</u> |
| (k) Other liabilities | | |
| Mudharabah Specific Investment Account | 60,000 | 62,500 |
| Profit payable | 970 | 1,023 |
| Other payable | 25,694 | 20,855 |
| | <u>86,664</u> | <u>84,378</u> |

| | Group and Bank | |
|--|--|--|
| | 3 months ended 31 March 2017 RM'000 | 3 months ended 31 March 2016 RM'000 |
| (l) Income derived from investment of depositors' funds | | |
| Finance income and hibah | | |
| Advances and financing | 1,269 | 250 |
| Deposits placements with financial institutions | 1,881 | 1,604 |
| Financial assets at fair value through profit or loss | 201 | 466 |
| Financial investments available-for-sale | 1,626 | 1,386 |
| Financial investments held-to-maturity | 58 | 60 |
| Accretion of discount | (67) | (51) |
| | <u>4,968</u> | <u>3,715</u> |

KENANGA INVESTMENT BANK BERHAD
(15678-H)

NOTES TO INTERIM FINANCIAL REPORT
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2017

A34. Operations Of Islamic Banking (Cont'd)

| | Group and Bank | |
|--|--|--|
| | 3 months ended 31 March 2017 RM'000 | 3 months ended 31 March 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 | (281) | 905 |
| Net gain on sale of financial investments available-for-sale | 1 | 804 |
| Brokerage fee | 39 | - |
| Advisory fee | 69 | - |
| Direct trading fees | (35) | (44) |
| | <u>(207)</u> | <u>1,665</u> |
| | <u>4,761</u> | <u>5,380</u> |
| (m) Income derived from investment of shareholders' funds | | |
| Finance income and hibah | | |
| Advances and financing | 1,211 | 890 |
| Financial investments available-for-sale | 697 | 1,090 |
| Accretion of discount | (150) | (63) |
| | <u>1,758</u> | <u>1,917</u> |
| (n) Income attributable to depositors | | |
| Deposits from customers and financial institutions | | |
| -Mudharabah Fund | 3,370 | 3,099 |
| Others | 1,071 | 1,260 |
| | <u>4,441</u> | <u>4,359</u> |
| (o) Personnel costs | | |
| - Salaries, allowances and bonus | 106 | 109 |
| - EPF | 16 | 15 |
| - Others | 10 | 11 |
| | <u>132</u> | <u>135</u> |
| (p) Other overhead expenses: | | |
| Establishment costs | | |
| - Depreciation of property, plant and equipment | 11 | 11 |
| - Repairs and maintenance | - | 14 |
| | <u>11</u> | <u>25</u> |
| Marketing and trading expenses | | |
| - Promotion and advertisement | 4 | 30 |
| - Travel and entertainment | 5 | 1 |
| | <u>9</u> | <u>31</u> |

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

**NOTES TO INTERIM FINANCIAL REPORT
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2017**

A34. Operations Of Islamic Banking (Cont'd)

| | Group and Bank | |
|--|--|--|
| | 3 months ended 31 March 2017 RM'000 | 3 months ended 31 March 2016 RM'000 |
| (p) Other overhead expenses: (cont'd) | | |
| Administration and general expenses | | |
| - Others | 518 | 474 |
| | <u>538</u> | <u>530</u> |

(q) Capital adequacy

| | Group and Bank | |
|---|---|--|
| | As at 31 March 2017 RM'000 | As at 31 December 2016 RM'000 |
| CET 1 / Tier 1 Capital | | |
| Islamic Banking funds | 120,000 | 120,000 |
| Retained profits | 8,553 | 8,568 |
| Other reserves | 6,539 | 6,262 |
| Less: | | |
| Deferred tax assets | (122) | (205) |
| Regulatory reserves | (1,679) | (1,663) |
| Total CET 1 / Tier 1 capital | <u>133,291</u> | <u>132,962</u> |
| Tier 2 Capital | | |
| Collective allowance and regulatory reserve | 1,907 | 1,696 |
| Total Tier 2 capital | <u>1,907</u> | <u>1,696</u> |
| Total capital | <u>135,198</u> | <u>134,658</u> |
| CET 1 capital ratio | 67.715% | 83.230% |
| Tier 1 capital ratio | 67.715% | 83.230% |
| Total capital ratio | <u>68.684%</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 31 March 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 | 577,003 | 162,331 | 508,000 | 135,691 |
| Market risk | - | 18,193 | - | 8,056 |
| Operational risk | - | 16,317 | - | 16,005 |
| Total Risk Weighted Assets | <u>577,003</u> | <u>196,841</u> | <u>508,000</u> | <u>159,752</u> |

NOTES TO INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2017

A35. Subsequent Event to Balance Sheet Date

On 20 April 2017, the Bank issued the first issuance of RM5 million Subordinated Notes under the RM250 million in nominal value Tier 2 Subordinated Note Programme which was established on 27 March 2017.

The Subordinated Notes will pay a coupon of 6.25% per annum. The Subordinated Notes has a tenure of 10 years Non-Callable 5 years from the issue date and will mature on 20 April 2027 and call date 20 April 2022.

The proceeds from the issuance of the Subordinated Notes will be utilised by the Bank for working capital requirement.

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

B1. Variance From Profit Forecast And Profit Guarantee

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

B2. Taxation and zakat

| | Individual Quarter 3 months ended 31 March 2017 RM'000 | Cumulative Quarter 3 months ended 31 March 2017 RM'000 |
|---------------------------------------|---|---|
| Current period - income tax and zakat | (620) | (2,353) |
| Deferred taxation | (2,945) | (1,330) |
| Total | <u>(3,565)</u> | <u>(3,683)</u> |

B3. Realised and Unrealised Retained Profits/(Accumulated Losses) Disclosure:

| | As at 31 March 2017 RM'000 | As at 31 December 2016 RM'000 |
|---|---|--|
| Total (accumulated losses)/retained profits of Bank and its subsidiaries: | | |
| - Realised | (197,289) | (175,109) |
| - Unrealised | 23,822 | (3,079) |
| | (173,467) | (178,188) |
| Total share of (accumulated losses)/retained profit from associates | | |
| - Realised | (3,282) | 206 |
| - Unrealised | (232) | (217) |
| | (3,514) | (11) |
| Add: Consolidation adjustments | 226,100 | 226,056 |
| Total Group retained profits as per consolidated accounts | <u>49,119</u> | <u>47,857</u> |