

**K & N Kenanga Holdings Berhad**  
(Company No. 302859-X)

**Unaudited Condensed Interim Financial Statements**  
**30 September 2016**

**QUARTERLY REPORT ON CONSOLIDATED RESULTS  
FOR THE FINANCIAL QUARTER ENDED 30 SEPTEMBER 2016  
THE FIGURES HAVE NOT BEEN AUDITED.**

**UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2016**

<u>Group</u>		As at 30 September 2016 RM'000	As at 31 December 2015 RM'000
	<b>Note</b>		
<b>ASSETS</b>			
Cash and bank balances		1,344,010	1,367,926
Financial assets held-for-trading	<b>A9</b>	305,553	338,573
Financial investments available-for-sale	<b>A10</b>	929,582	1,249,661
Financial investments held-to-maturity	<b>A11</b>	40,002	40,003
Derivative financial assets		32,581	2,910
Loans, advances and financing	<b>A12</b>	2,029,226	1,930,064
Balance due from clients and brokers		312,932	457,327
Assets segregated for customers		96,795	110,635
Other assets	<b>A13</b>	60,549	115,331
Statutory deposit with Bank Negara Malaysia ("BNM")		105,509	120,753
Tax recoverable		6,573	8,229
Investment in associates and joint venture		60,429	66,838
Property, plant and equipment		194,422	35,698
Intangible assets		267,129	266,832
Deferred tax assets		6,277	10,025
<b>TOTAL ASSETS</b>		<b>5,791,569</b>	<b>6,120,805</b>
<b>LIABILITIES</b>			
Deposits from customers	<b>A14</b>	3,189,979	3,229,065
Deposits and placements of banks and other financial institutions	<b>A15</b>	760,000	575,159
Obligations on securities sold under repurchase agreements		-	95,310
Borrowings	<b>A16</b>	189,000	141,000
Balance due to clients and brokers		537,064	896,302
Amount held in trust		58,385	64,204
Other liabilities	<b>A17</b>	128,031	182,024
Provision for taxation and zakat		4,343	732
Derivative financial liabilities		35,512	72,278
<b>TOTAL LIABILITIES</b>		<b>4,902,314</b>	<b>5,256,074</b>

**K & N KENANGA HOLDINGS BERHAD (302859-X)**  
(Incorporated in Malaysia)

**UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2016**

<u>Group</u>	<b>As at 30 September 2016 RM'000</b>	<b>As at 31 December 2015 RM'000</b>
<b>SHAREHOLDERS' EQUITY</b>		
Share capital	722,547	731,759
Share premium	75	75
Treasury shares	-	(6,604)
Retained profits/(accumulated losses)	5,921	(11,234)
Regulatory reserve	22,800	22,111
Exchange reserve	18,531	21,653
Statutory reserve	94,623	94,623
Available-for-sale reserve	(10,255)	(19,553)
Capital reserve	24,760	22,152
	<hr/>	<hr/>
	879,002	854,982
Non-controlling interests	10,253	9,749
Total equity	<hr/>	<hr/>
	889,255	864,731
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<hr/>	<hr/>
	5,791,569	6,120,805
<b>Net Assets Per Share (RM) *</b>	<hr/>	<hr/>
	1.22	1.18

\* The Net Assets per share attributable to ordinary equity holders of the parent (RM) is computed as Total Shareholders' Equity (excluding Non-controlling interests) divided by total number of ordinary shares in circulation.

**K & N KENANGA HOLDINGS BERHAD (302859-X)**  
(Incorporated in Malaysia)

**UNAUDITED COMPANY STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2016**

	<b>As at 30 September 2016 RM'000</b>	<b>As at 31 December 2015 RM'000</b>
<b>ASSETS</b>		
Cash and bank balances	7,735	3,347
Financial assets held-for-trading	-	19,831
Other assets	16,432	67,726
Tax recoverable	2,615	2,471
Investment in subsidiaries	763,737	763,737
Investment in associates	1,187	1,187
Property, plant and equipment	2,504	2,325
Deferred tax assets	298	638
<b>TOTAL ASSETS</b>	<b>794,508</b>	<b>861,262</b>
<b>LIABILITIES</b>		
Other liabilities	5,320	7,409
Borrowings	45,000	110,000
<b>TOTAL LIABILITIES</b>	<b>50,320</b>	<b>117,409</b>
<b>SHAREHOLDERS' EQUITY</b>		
Share capital	722,547	731,759
Share premium	75	75
Treasury shares	-	(6,604)
Capital reserve	(47,192)	(49,800)
Retained profits	68,758	68,423
Total equity	744,188	743,853
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>794,508</b>	<b>861,262</b>
<b>Net Assets Per Share (RM)</b>	<b>1.03</b>	<b>1.03</b>

The condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2015.

**UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

**Group**

	Individual Quarter		Cumulative Quarter	
	3 months ended 30 September 2016 RM'000	3 months ended 30 September 2015 RM'000	9 months ended 30 September 2016 RM'000	9 months ended 30 September 2015 RM'000
<b>Note</b>				
Interest income	A21 65,360	63,798	193,690	177,030
Interest expense	A22 (42,580)	(41,430)	(127,920)	(114,701)
Net interest income	22,780	22,368	65,770	62,329
Net income from Islamic banking business	A31 7,129	538	12,775	7,935
Other operating income	A23 77,099	57,941	232,429	206,432
Net income	107,008	80,847	310,974	276,696
Other operating expenses	A24 (96,318)	(95,260)	(281,816)	(281,735)
Operating profit/(loss)	10,690	(14,413)	29,158	(5,039)
Write back of/(allowance for) impairment on:				
- loans, advances and financing	A25 78	468	(850)	1,194
- balances due from clients and brokers and other receivables	A26 (238)	(2,345)	1,752	(3,554)
	10,530	(16,290)	30,060	(7,399)
Share of results in associates and joint venture	(195)	618	(795)	3,474
<b>Profit/(loss) before taxation and zakat</b>	10,335	(15,672)	29,265	(3,925)
Taxation and zakat	(4,299)	3,018	(10,917)	(1,486)
<b>Profit/(loss) for the financial period</b>	6,036	(12,654)	18,348	(5,411)
Other comprehensive income:				
<i>Items that may be reclassified subsequently to profit or loss</i>				
Share of other comprehensive loss of associates	(4,283)	(6,519)	(4,992)	(6,406)
Foreign exchange differences on consolidation	2,106	12,050	(3,122)	16,712
Net gain/(loss) on fair value changes of financial investments available-for-sale	3,837	(15,068)	18,803	(7,912)
Income tax relating to the components of other comprehensive income	(921)	3,767	(4,513)	1,978
Other comprehensive income/(loss) for the financial period	739	(5,770)	6,176	4,372
<b>Total comprehensive income/(loss)</b>	<b>6,775</b>	<b>(18,424)</b>	<b>24,524</b>	<b>(1,039)</b>

The condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2015.

**K & N KENANGA HOLDINGS BERHAD (302859-X)**

(Incorporated in Malaysia)

**UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME****Group**

	Individual Quarter		Cumulative Quarter	
	3 months ended 30 September 2016 RM'000	3 months ended 30 September 2015 RM'000	9 months ended 30 September 2016 RM'000	9 months ended 30 September 2015 RM'000
Profit/(loss) for the period attributable to				
- Equity holders of the parent	5,966	(13,059)	17,844	(6,246)
- Non-controlling interests	70	405	504	835
	<u>6,036</u>	<u>(12,654)</u>	<u>18,348</u>	<u>(5,411)</u>
Total comprehensive income/(loss) for the period attributable to				
- Equity holders of the parent	6,705	(18,829)	24,020	(1,874)
- Non-controlling interests	70	405	504	835
	<u>6,775</u>	<u>(18,424)</u>	<u>24,524</u>	<u>(1,039)</u>
Earnings/(loss) per share attributable to ordinary equity holders of the parent				
(i) Basic (based on weighted average number of ordinary shares 722,546,999 for the current quarter and cumulative quarter to date; 2015: 723,780,530 ordinary shares for the preceeding quarter and 728,048,300 for cumulative quarter to date). (sen)	0.83	(1.80)	2.47	(0.86)
(ii) Fully diluted (sen)	<u>0.83</u>	<u>(1.80)</u>	<u>2.47</u>	<u>(0.86)</u>

The condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2015.

**UNAUDITED COMPANY STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

	Individual Quarter		Cumulative Quarter	
	3 months ended 30 September 2016 RM'000	3 months ended 30 September 2015 RM'000	9 months ended 30 September 2016 RM'000	9 months ended 30 September 2015 RM'000
Interest income	171	908	1,405	2,653
Interest expense	(533)	(1,432)	(2,890)	(3,883)
Net interest expense	(362)	(524)	(1,485)	(1,230)
Other operating income	8,183	7,005	21,356	26,513
Net income	7,821	6,481	19,871	25,283
Other operating expenses	(5,037)	(6,932)	(19,255)	(22,216)
<b>Profit/(loss) before taxation</b>	<b>2,784</b>	<b>(451)</b>	<b>616</b>	<b>3,067</b>
Taxation	(327)	(10)	(281)	(613)
<b>Profit/(loss) for the financial period</b>	<b>2,457</b>	<b>(461)</b>	<b>335</b>	<b>2,454</b>
(i) Profit/(loss) for the period attributable to - Equity holders of the parent	2,457	(461)	335	2,454
	<u>2,457</u>	<u>(461)</u>	<u>335</u>	<u>2,454</u>
(a) Earnings/(loss) per share attributable to ordinary equity holders of the parent				
(i) Basic (based on weighted average number of ordinary shares 722,546,999 for the current quarter and cumulative quarter to date; 2015: 723,780,530 ordinary shares for the preceeding quarter and 728,048,300 for cumulative quarter to date). (sen)	0.34	(0.06)	0.05	0.34
(ii) Fully diluted (sen)	0.34	(0.06)	0.05	0.34

The condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2015.

**UNAUDITED CONDENSED STATEMENTS OF CASH FLOWS  
FOR THE FINANCIAL QUARTER ENDED 30 SEPTEMBER 2016**

	<b>Group</b>		<b>Company</b>	
	<b>30 September 2016 RM'000</b>	<b>30 September 2015 RM'000</b>	<b>30 September 2016 RM'000</b>	<b>30 September 2015 RM'000</b>
<b>Cash flows from operating activities</b>				
<b>Profit/(loss) before taxation</b>				
- Continuing operations	29,265	(3,925)	616	3,067
Adjustments for non operating and non cash items	(271,206)	(187,441)	2,473	(1,770)
<b>Operating (loss)/profit before changes in working capital</b>	<u>(241,941)</u>	<u>(191,366)</u>	<u>3,089</u>	<u>1,297</u>
Net changes in operating assets	329,744	(163,495)	51,306	(1,720)
Net changes in operating liabilities	(368,254)	161,371	(2,042)	(1,140)
<b>Cash (used in)/generated from operations</b>	<u>(280,451)</u>	<u>(193,490)</u>	<u>52,353</u>	<u>(1,563)</u>
Net dividends received	-	2,793	-	1,593
Interest received	154,473	140,310	1,405	2,653
Net tax paid	(4,520)	(9,285)	(144)	(354)
<b>Net operating cash flow</b>	<u>(130,498)</u>	<u>(59,672)</u>	<u>53,614</u>	<u>2,329</u>
<b>Net investing cash flow</b>	270,889	369,151	18,664	(843)
<b>Net financing cash flow</b>	41,398	(34,809)	(67,890)	(7,640)
Net change in cash and cash equivalents during the financial period	<u>181,789</u>	<u>274,670</u>	<u>4,388</u>	<u>(6,154)</u>
Cash and cash equivalents brought forward	958,803	571,674	3,347	9,760
Cash and cash equivalents carried forward	<u>1,140,592</u>	<u>846,344</u>	<u>7,735</u>	<u>3,606</u>
Cash and cash equivalents comprise the following:				
Non trust cash and short term funds	<u>1,140,592</u>	<u>846,344</u>	<u>7,735</u>	<u>3,606</u>



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

Group	-----Attributable to Equity Holders of the Company-----										Total Equity RM'000
	-----Non-Distributable-----					-----Distributable-----					
	Share Capital RM'000	Share Premium RM'000	Exchange Reserve RM'000	Capital Reserve RM'000	Available- for-sale Reserve RM'000	Statutory Reserve RM'000	Regulatory Reserve RM'000	(Accumulated Losses)/ Retained Profits RM'000	Treasury Shares RM'000	Non- Controlling Interests RM'000	
<b>As at 1 January 2016</b>	731,759	75	21,653	22,152	(19,553)	94,623	22,111	(11,234)	(6,604)	9,749	864,731
Total comprehensive (loss)/income for the financial period	-	-	(3,122)	-	14,290	-	-	17,844	-	504	29,516
Share of an associates' other comprehensive loss	-	-	-	-	(4,992)	-	-	-	-	-	(4,992)
Cancellation of treasury shares	(9,212)	-	-	2,608	-	-	-	-	6,604	-	-
Transfer to regulatory reserve *	-	-	-	-	-	-	689	(689)	-	-	-
<b>As at 30 September 2016</b>	<b>722,547</b>	<b>75</b>	<b>18,531</b>	<b>24,760</b>	<b>(10,255)</b>	<b>94,623</b>	<b>22,800</b>	<b>5,921</b>	<b>-</b>	<b>10,253</b>	<b>889,255</b>

\* Regulatory reserve is maintained by the Bank subsidiary in addition to the collective impairment allowance that has been assessed and recognised in accordance with Malaysian Financial Reporting Standards ("MFRS"); in compliance with BNM requirements.

The condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2015.

**K & N KENANGA HOLDINGS BERHAD (302859-X)**

(Incorporated in Malaysia)

**UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE FINANCIAL QUARTER ENDED 30 SEPTEMBER 2015**

<-----Attributable to Equity Holders of the Company----->

<-----Non-Distributable----->

<----Distributable---->

Group	<-----Non-Distributable----->				<----Distributable---->			Non-Controlling Interests RM'000	Total Equity RM'000	
	Share Capital RM'000	Share Premium RM'000	Exchange Reserve RM'000	Capital Reserve RM'000	Available-for-sale Reserve RM'000	Statutory Reserve RM'000	Retained Profits/ Losses) RM'000			Treasury Shares RM'000
<b>As at 1 January 2015</b>	731,759	75	7,427	22,152	(8,276)	88,815	12,630	-	8,592	863,174
Total comprehensive income/(loss) for the financial period	-	-	16,712	-	(5,934)	-	(6,246)	-	835	5,367
Share of an associate's other comprehensive loss	-	-	-	-	(6,406)	-	-	-	-	(6,406)
Buy-back of shares	-	-	-	-	-	-	-	(6,503)	-	(6,503)
Dividend paid	-	-	-	-	-	-	(7,254)	-	-	(7,254)
<b>As at 30 September 2015</b>	<b>731,759</b>	<b>75</b>	<b>24,139</b>	<b>22,152</b>	<b>(20,616)</b>	<b>88,815</b>	<b>(870)</b>	<b>(6,503)</b>	<b>9,427</b>	<b>848,378</b>

The condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2014.

**K & N KENANGA HOLDINGS BERHAD (302859-X)**

(Incorporated in Malaysia)

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

	<b>Share Capital RM'000</b>	<b>Non Distributable Share Premium RM'000</b>	<b>Capital Reserve RM'000</b>	<b>Distributable Retained Profits RM'000</b>	<b>Treasury Shares RM'000</b>	<b>Total Equity RM'000</b>
<b>As at 1 January 2016</b>	731,759	75	(49,800)	68,423	(6,604)	743,853
Comprehensive income for the financial period	-	-	-	335	-	335
Cancellation of treasury shares	(9,212)	-	2,608	-	6,604	-
<b>As at 30 September 2016</b>	<b>722,547</b>	<b>75</b>	<b>(47,192)</b>	<b>68,758</b>	<b>-</b>	<b>744,188</b>

The condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2015.

**K & N KENANGA HOLDINGS BERHAD (302859-X)**

(Incorporated in Malaysia)

**UNAUDITED COMPANY STATEMENT OF CHANGES IN EQUITY  
FOR THE FINANCIAL QUARTER ENDED 30 SEPTEMBER 2015**

	<b>Share Capital RM'000</b>	<b>Non Distributable Share Premium RM'000</b>	<b>Capital Reserve RM'000</b>	<b>Distributable Retained Profits RM'000</b>	<b>Treasury Shares RM'000</b>	<b>Total Equity RM'000</b>
<b>As at 1 January 2015</b>	731,759	75	(49,800)	73,286	-	755,320
Comprehensive income for the financial period	-	-	-	2,454	-	2,454
Buy-back of shares	-	-	-	-	(6,503)	(6,503)
Dividend paid	-	-	-	(7,254)	-	(7,254)
<b>As at 30 September 2015</b>	<b>731,759</b>	<b>75</b>	<b>(49,800)</b>	<b>68,486</b>	<b>(6,503)</b>	<b>744,017</b>

The condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2014.

## **NOTES TO INTERIM FINANCIAL STATEMENTS**

### **A1. Basis of Preparation**

The interim financial statements, for the third quarter ended 30 September 2016, have been prepared in accordance with 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 the interim financial statements are consistent with those of the audited financial statements for the financial year ended 31 December 2015.

### **A2. Condensed financial statements**

The interim financial statements have been prepared on a condensed basis and as such should be read in conjunction with the audited financial statements for the financial year ended 31 December 2015. The explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 31 December 2015.

### **A3. Preceding financial year audit report**

The preceding financial year audit report in respect of the financial year ended 31 December 2015 was not qualified by the external auditors.

### **A4. Seasonal or Cyclical Factors**

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

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

There were no exceptional items affecting assets, liabilities, equity, net income or cash flows.

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

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

### **A7. Issuance, cancellation, 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 third quarter ended 30 September 2016, other than the following:

- (i) On 4 August 2016, the Company had cancelled 9,212,500 ordinary shares as treasury shares and as at the reporting date, there were no ordinary shares held as treasury shares. Accordingly the adjusted issued and paid-up share capital of the Company was 722,546,999 shares of RM1.00 each.
- (ii) The Company has issued up to RM40 million of Medium Term Notes ("MTN") during the third quarter ended 30 September 2016.
- (iii) During the third quarter, the Company has redeemed RM45 million of MTN.

<u>Series</u>	<u>Issued Date</u>	<u>Principal</u>	<u>Coupon Rate</u>	<u>Tenure</u>
006	24 July 2015	RM 5 million	4.65%	367 days
007	26 August 2015	RM 5 million	4.65%	366 days
008	17 September 2015	RM 35 million	4.60%	368 days

### **A8. Dividends paid per share**

No dividend was paid during the nine months ended 30 September 2016.

**NOTES TO INTERIM FINANCIAL STATEMENTS**

	<b>30 September 2016</b>	<b>31 December 2015</b>
	<b>RM' 000</b>	<b>RM' 000</b>
<b>A9 Financial assets held-for-trading</b>		
<b>At Fair Value</b>		
<b>Money market instruments:</b>		
Malaysian Government Investment Issues	-	57,373
	<u>-</u>	<u>57,373</u>
<b>Quoted securities:</b>		
Shares and Unit Trust Funds in Malaysia	122,026	231,311
Shares outside Malaysia	23,820	-
	<u>145,846</u>	<u>231,311</u>
<b>Unquoted private debt securities:</b>		
Corporate Bonds	5,021	-
Corporate Bills	114,697	-
Islamic Corporate Bills	24,916	-
Islamic Corporate Bonds	15,073	49,889
	<u>159,707</u>	<u>49,889</u>
Total financial assets held-for-trading	<u><b>305,553</b></u>	<u><b>338,573</b></u>
<b>A10 Financial investments available-for-sale</b>		
<b>At Fair Value, or amortised cost</b>		
<b>Money market instruments:</b>		
Negotiable Instruments of Deposits	60,000	-
Islamic Negotiable Instruments of Deposits	99,827	-
Malaysian Government Securities	20,094	131,390
Malaysian Government Investment Issues	60,244	244,556
Bank Negara Malaysia Bills and Notes	-	39,706
Sukuk Perumahan Kerajaan	10,227	9,996
	<u>250,392</u>	<u>425,648</u>
<b>Unquoted securities:</b>		
Shares and Unit Trust Funds in Malaysia	6,895	490
	<u>6,895</u>	<u>490</u>
<b>Unquoted private debt securities:</b>		
Islamic Corporate Bonds	107,773	120,050
Islamic Corporate Bills	-	24,878
Corporate Bonds	564,522	653,717
Corporate Bills	-	24,878
	<u>672,295</u>	<u>823,523</u>
Total financial investments available-for-sale	<u><b>929,582</b></u>	<u><b>1,249,661</b></u>
<b>A11 Financial investments held-to maturity</b>		
<b>At Amortised Cost</b>		
<b>Unquoted private debt securities:</b>		
Islamic Corporate Bonds	5,001	5,001
Corporate Bonds	35,001	35,002
Total financial investments held-to-maturity	<u><b>40,002</b></u>	<u><b>40,003</b></u>

**NOTES TO INTERIM FINANCIAL STATEMENTS**

	<b>30 September 2016</b>	<b>31 December 2015</b>
	<b>RM' 000</b>	<b>RM' 000</b>
<b>A12 Loans, advances and financing</b>		
Term loans	437,457	424,483
Share margin financing	1,455,597	1,399,394
Other financing	138,832	107,725
Gross loans, advances and financing	<u>2,031,886</u>	<u>1,931,602</u>
Allowances for impairment on loans, advances and financing:		
- Individual allowance	(2,391)	(1,395)
- Collective allowance	(269)	(143)
Net loans, advances and financing	<u><b>2,029,226</b></u>	<u><b>1,930,064</b></u>
<b>(i) By type of customer</b>		
<b>Domestic operations:</b>		
Domestic business enterprise - others	936,136	896,820
Individuals	1,061,899	1,002,660
Foreign entities	33,851	32,122
Gross loans, advances and financing	<u>2,031,886</u>	<u>1,931,602</u>
<b>(ii) By geographical distribution</b>		
In Malaysia	1,986,577	1,898,570
Outside Malaysia	45,309	33,032
Gross loans, advances and financing	<u>2,031,886</u>	<u>1,931,602</u>
<b>(iii) By interest/profit rate sensitivity</b>		
Fixed rate		
- Other fixed rate loans/financing	1,594,429	1,519,169
Variable rate		
- Base lending rate plus	40,359	-
- Cost plus	-	317,198
- Other variable rates	397,098	95,235
Gross loans, advances and financing	<u>2,031,886</u>	<u>1,931,602</u>
<b>(iv) Total loans by economic purpose</b>		
<b>Domestic operations:</b>		
Purchase of securities	1,669,594	1,598,275
Working capital	118,831	98,490
Others	243,461	234,837
Gross loans, advances and financing	<u>2,031,886</u>	<u>1,931,602</u>
<b>(v) By maturity structure</b>		
Within one year	1,383,690	1,643,632
More than one year	648,196	287,970
Gross loans, advances and financing	<u>2,031,886</u>	<u>1,931,602</u>

NOTES TO INTERIM FINANCIAL STATEMENTS

	30 September 2016 RM' 000	31 December 2015 RM' 000
<b>A12 Loans, advances and financing (cont'd)</b>		
<b>(vi) Movement in impaired loans, advances and financing ("Impaired loans") are as follows:</b>		
At beginning of the period	7,942	2,790
Impaired during the period	872	6,157
Recovered	(144)	(1,005)
At end of the period	<u>8,670</u>	<u>7,942</u>
Individual allowance	(2,391)	(1,395)
Net impaired loans, advances and financing	<u>6,279</u>	<u>6,547</u>
Net impaired loans as a % of gross loans, advances and financing less individual allowance	<u>0.31%</u>	<u>0.34%</u>
<b>(vii) Impaired loans by geographical distribution</b>		
In Malaysia	<u>8,670</u>	<u>7,942</u>
<b>(viii) Impaired loans by economic purpose</b>		
<b>Domestic operations:</b>		
Working capital	6,729	5,986
Purchase of securities	1,941	1,956
	<u>8,670</u>	<u>7,942</u>
<b>(ix) Movement in individual allowance for loans, advances and financing are as follows:</b>		
<u>Individual allowance</u>		
At beginning of the period	1,395	1,725
Allowance made during the period	1,054	259
Amount written back in respect of recoveries	(58)	(589)
At end of the period	<u>2,391</u>	<u>1,395</u>
<b>(x) Movement in collective allowance for loans, advances and financing are as follows:</b>		
<u>Collective allowance</u>		
At beginning of the period	143	166
Allowance made during the period	139	32
Amount written back	(13)	(55)
At end of the period	<u>269</u>	<u>143</u>
Collective allowance as % of gross loans, advances and financing less individual allowance	<u>0.01%</u>	<u>0.01%</u>
<b>A13 Other assets</b>		
Interest/Income receivable	10,417	15,181
Prepayments and deposits	21,268	18,119
Treasury trade receivables	-	9,585
Other debtors	33,566	77,112
	<u>65,251</u>	<u>119,997</u>
Allowance for impairment	(4,702)	(4,666)
	<u>60,549</u>	<u>115,331</u>



**NOTES TO INTERIM FINANCIAL STATEMENTS**

	<b>30 September 2016</b>	<b>31 December 2015</b>
	<b>RM' 000</b>	<b>RM' 000</b>
<b>A14 Deposits from customers</b>		
Fixed deposits and negotiable instruments of deposit		
- Due within six months	2,888,884	3,213,115
- Six months to one year	301,095	15,950
	<b>3,189,979</b>	<b>3,229,065</b>
By type of customers:		
Business enterprise	584,813	680,073
Domestic non-bank financial institutions	1,905,942	2,208,881
Individuals	90,961	77,320
Government and statutory bodies	608,263	262,791
	<b>3,189,979</b>	<b>3,229,065</b>
<b>A15 Deposits and placement of banks and other financial institutions</b>		
Licensed banks	510,000	140,000
Other financial institutions	250,000	435,159
	<b>760,000</b>	<b>575,159</b>
<b>A16 Borrowings</b>		
Medium Term Notes	45,000	110,000
Revolving bank loans	144,000	31,000
	<b>189,000</b>	<b>141,000</b>
<b>A17 Other liabilities</b>		
Interest/Profit payable	13,301	11,087
Provision and accruals	58,110	54,662
Retention for Contra Losses	487	602
Hire purchase creditors	-	28
Treasury trade payables	-	49,818
Deposits and other creditors	56,133	65,827
	<b>128,031</b>	<b>182,024</b>
<b>A18 Commitments and Contingencies and Off-Balance Sheet Financial Instruments</b>		
	<b>Principal</b>	<b>Principal</b>
	<b>Amount</b>	<b>Amount</b>
	<b>RM' 000</b>	<b>RM' 000</b>
Commitments to extend credit with maturity of less than 1 year :-		
- margin	1,602,226	1,400,821
- foreign exchange related contracts	65,485	123,114
- equity related contracts	51,122	35,350
Commitments to extend credit with maturity of more than 1 year :-		
- term loan	402	7,249
Miscellaneous commitments	591,042	597,665
	<b>2,310,277</b>	<b>2,164,199</b>

**NOTES TO INTERIM FINANCIAL STATEMENTS**

	<b>Group</b>		<b>Company</b>	
	<b>30 September 2016 RM' 000</b>	<b>31 December 2015 RM' 000</b>	<b>30 September 2016 RM' 000</b>	<b>31 December 2015 RM' 000</b>
<b>A19 Other Commitments</b>				
Capital expenditure commitments	4,658	4,470	-	-
Operating lease arrangements	23,502	40,512	-	-
Corporate guarantee provided by the Company for subsidiary companies for credit facilities granted by licensed banks.	-	-	253,000	333,000
Corporate guarantee provided by the Company for a subsidiary company to a counter party against cash collateral.	-	-	-	60,000
	<u>28,160</u>	<u>44,982</u>	<u>253,000</u>	<u>393,000</u>

**NOTES TO INTERIM FINANCIAL STATEMENTS**

**A20 Capital Adequacy**

- (i) BNM guidelines on capital adequacy requires the Group's subsidiary, Kenanga Investment Bank Berhad ("KIBB") to maintain an adequate level of capital to withstand any losses which may result from credit and other risks associated with financing operations. The capital adequacy ratio is computed based on the eligible capital in relation to the total risk-weighted assets as determined by BNM.

The capital adequacy ratios of KIBB are as follows:

	<b>30 September 2016</b>	<b>31 December 2015</b>
	<b>RM'000</b>	<b>RM'000</b>
<b><u>Common Equity Tier 1 (CET 1)/Tier 1 Capital</u></b>		
Paid-up share capital	770,000	770,000
Share premium	65,500	65,500
Accumulated loss	(48,584)	(47,895)
Other reserves	118,928	103,948
Less: Regulatory adjustments applied on CET 1 capital		
Deferred tax assets	(4,428)	(7,758)
55% of cumulative gains on financial instruments classified as 'available-for-sale'	(828)	-
Goodwill	(252,909)	(252,909)
Other intangibles	(52,500)	(52,500)
Regulatory reserve attributable to loans/financing	(22,800)	(22,111)
Deduction in excess of Tier 2 *	(106,096)	(104,990)
<b>Total CET 1/Tier 1 Capital</b>	<b>466,283</b>	<b>451,285</b>
<b><u>Tier 2 Capital</u></b>		
Collective impairment allowance and regulatory reserves	12,439	11,105
Less: Regulatory adjustments applied on Tier 2 capital	(12,439)	(11,105)
<b>Total Tier 2 capital</b>	<b>-</b>	<b>-</b>
<b>Total capital</b>	<b>466,283</b>	<b>451,285</b>
CET 1 Capital ratio	29.69%	28.36%
Tier 1 Capital ratio	29.69%	28.36%
Total Capital ratio	29.69%	28.36%

\* The portion of regulatory adjustments not deducted from Tier 2 (as KIBB 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 BNM's Capital Adequacy Framework (Capital Components).

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

	<b>Bank</b>		<b>Bank</b>	
	<b>30 September 2016</b>		<b>31 December 2015</b>	
	<b>Notional amount</b>	<b>Risk-weighted amount</b>	<b>Notional amount</b>	<b>Risk-weighted amount</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Credit Risk	3,675,478	995,100	3,906,967	888,384
Market Risk	-	122,283	-	264,206
Operational Risk	-	453,285	-	438,746
<b>Total Risk Weighted Assets</b>	<b>3,675,478</b>	<b>1,570,668</b>	<b>3,906,967</b>	<b>1,591,336</b>

The capital adequacy ratios of the Bank subsidiary are computed in accordance with BNM'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").

**NOTES TO INTERIM FINANCIAL STATEMENTS**

	Individual Quarter		Cumulative Quarter	
	30 September 2016 RM'000	30 September 2015 RM'000	30 September 2016 RM'000	30 September 2015 RM'000
<b>A21 Interest Income</b>				
Loans, advances and financing	37,063	33,823	108,478	100,822
Money at call and deposit placements with financial institutions	9,482	10,320	32,099	29,725
Financial assets held-for-trading	1,874	2,792	3,729	6,076
Financial investments available-for-sale	13,604	10,652	39,098	31,932
Financial investments held-to-maturity	524	510	1,601	1,083
Others	2,813	5,701	8,685	7,392
	<b>65,360</b>	<b>63,798</b>	<b>193,690</b>	<b>177,030</b>
<b>A22 Interest Expense</b>				
Deposits from customers	38,605	36,160	115,273	99,724
Deposits and placement of banks and other financial institutions	1,610	3,454	6,046	9,382
Revolving bank loans	1,832	384	3,711	1,712
Medium Term Notes	533	1,432	2,890	3,883
	<b>42,580</b>	<b>41,430</b>	<b>127,920</b>	<b>114,701</b>
<b>A23 Other Operating Income</b>				
(a) Fee income:				
Brokerage income	34,179	44,421	112,486	137,268
Commissions	2,622	4,983	9,860	12,485
Loans, advances and financing	1,282	1,047	3,801	3,811
Corporate advisory	2,289	2,275	7,677	8,122
Placement fees	2,616	1,816	6,568	4,178
Underwriting fees	-	293	-	1,549
Management fee income	10,315	7,475	29,748	21,058
Other fee income	3,218	3,253	8,320	8,471
	<b>56,521</b>	<b>65,563</b>	<b>178,460</b>	<b>196,942</b>
(b) Gain arising from sale of securities:				
Net gain/(loss) from sale of financial assets held-for-trading and derivatives	18,913	(12,002)	56,893	7,285
Net gain from sale of financial investments available-for-sale	6,267	1,477	13,048	1,537
	<b>25,180</b>	<b>(10,525)</b>	<b>69,941</b>	<b>8,822</b>
(c) Gross dividend from:				
Securities portfolio	751	140	2,177	2,793
(d) Unrealised (loss)/gain on revaluation of financial assets held-for-trading and derivatives	(8,065)	1,520	(24,151)	(7,460)
(e) Other income:				
Foreign exchange profit	1,448	740	3,168	3,521
Gain on disposal of property, plant and equipment	-	-	-	(1)
Others	1,264	503	2,834	1,815
	<b>2,712</b>	<b>1,243</b>	<b>6,002</b>	<b>5,335</b>
Total non-interest income	<b>77,099</b>	<b>57,941</b>	<b>232,429</b>	<b>206,432</b>

**NOTES TO INTERIM FINANCIAL STATEMENTS**

	Individual Quarter		Cumulative Quarter	
	30 September 2016 RM'000	30 September 2015 RM'000	30 September 2016 RM'000	30 September 2015 RM'000
<b>A24 Other operating expenses</b>				
Personnel costs	35,929	33,723	109,417	105,370
- Salaries, allowances and bonuses	28,220	26,551	86,141	83,420
- EPF	3,557	3,513	10,708	10,880
- Others	4,152	3,659	12,568	11,070
Establishment costs	15,605	12,895	43,916	38,055
- Depreciation and amortisation of software	3,133	2,326	9,408	7,145
- Rental of leasehold land and premises	5,648	5,680	17,451	17,386
- Repairs and maintenance of property, plant and equipment	2,075	740	3,593	2,184
- Information technology expenses	3,033	2,773	9,019	7,411
- Others	1,716	1,376	4,445	3,929
Marketing expenses	3,954	3,300	9,787	9,491
- Advertisement and publicity	2,803	2,263	6,427	5,750
- Others	1,151	1,037	3,360	3,741
Administration and general expenses	40,830	45,342	118,696	128,819
- Fees and brokerage	24,461	29,330	76,357	83,960
- Administrative expenses	16,369	16,012	42,339	44,859
	<b>96,318</b>	<b>95,260</b>	<b>281,816</b>	<b>281,735</b>
<b>A25 Write back/(Allowance for) of impairment on loans, advances and financing:</b>				
Allowances for loans, advances and financing:				
- collective allowance (net)	(10)	11	(126)	11
- individual allowance (net)	(66)	(44)	(996)	359
Bad debts and financing recovered	154	501	272	824
	<b>78</b>	<b>468</b>	<b>(850)</b>	<b>1,194</b>
<b>A26 (Allowance for)/write back of impairment on balances due from clients and brokers and other receivables</b>				
Impairment allowances on balances due from clients and brokers:				
- individual allowance (net)	(240)	(2,345)	1,300	(3,558)
Bad debts and financing recovered	2	-	452	4
	<b>(238)</b>	<b>(2,345)</b>	<b>1,752</b>	<b>(3,554)</b>

**A27 Segmental reporting**

- (i) Investment bank - Investment banking business, treasury and related financial services;
- (ii) Stockbroking - Dealings in securities and investment related services;
- (iii) Futures - Futures broker business
- (iv) Money lending and financing - Licensed money lender and financing;
- (v) Investment management - Management of funds and unit trusts; and
- (vi) Corporate and others - Investment holding and management services, support services comprise all middle and back office functions includes business operations conducted by the Group's associates and a joint venture, and investment in the Kingdom of Saudi Arabia, Vietnam and Sri Lanka.

**NOTES TO INTERIM FINANCIAL STATEMENTS**

**A27 Segmental reporting (cont'd.)**

<b>30 September 2016</b>	<b>Continued Operations</b>							<b>Total RM'000</b>
	<b>Investment banking RM'000</b>	<b>Stockbroking RM'000</b>	<b>Futures broking RM'000</b>	<b>Money lending and financing RM'000</b>	<b>Investment management RM'000</b>	<b>Corporate and others RM'000</b>	<b>Eliminations RM'000</b>	
<b>Revenue</b>								
External sales	180,386	196,349	15,522	10,488	30,239	13,923	-	446,907
Inter-segment sales	3,257	153	1,070	-	1,047	23,352	(28,879)	-
<b>Total revenue</b>	<b>183,643</b>	<b>196,502</b>	<b>16,592</b>	<b>10,488</b>	<b>31,286</b>	<b>37,275</b>	<b>(28,879)</b>	<b>446,907</b>
<b>Result</b>								
Net income	60,418	187,118	15,993	4,832	32,132	36,531	(26,050)	310,974
Other operating expenses	(32,413)	(168,067)	(13,312)	(3,555)	(36,436)	(54,083)	26,050	(281,816)
(Allowance for)/write back of impairment on loans, advances and financing	(946)	195	-	(919)	-	547	273	(850)
(Allowance for)/write back of impairment on balances due from clients and brokers and other receivables	(372)	1,607	-	-	-	517	-	1,752
Share of results in associates and joint venture	-	-	-	-	-	(795)	-	(795)
Profit/(loss) before taxation and zakat	26,687	20,853	2,681	358	(4,304)	(17,283)	273	29,265
Taxation and zakat								(10,917)
Net profit for the financial period								<u>18,348</u>

**NOTES TO INTERIM FINANCIAL STATEMENTS**

**A27 Segmental reporting (cont'd.)**

	-----Continued Operations-----						
	Investment banking and stockbroking RM'000	Futures broking RM'000	Money lending and financing RM'000	Investment management RM'000	Corporate and others RM'000	Eliminations RM'000	Total RM'000
<b>Assets</b>							
Investment in associates and joint venture	-	-	-	-	60,429	-	60,429
Addition to non-current assets	164,292	165	602	347	624	-	166,030
Segment assets	5,388,366	404,665	169,785	52,108	807,823	(1,031,178)	5,791,569
<b>Liabilities</b>							
Segment liabilities	4,461,780	366,692	158,873	18,763	55,022	(158,816)	4,902,314

**NOTES TO INTERIM FINANCIAL STATEMENTS**

**A27 Segmental reporting (cont'd.)**

<b>30 September 2015</b>	<b>Continued Operations</b>							<b>Total RM'000</b>
	<b>Investment banking RM'000</b>	<b>Stockbroking RM'000</b>	<b>Futures RM'000</b>	<b>Money Lending and financing RM'000</b>	<b>Investment Management RM'000</b>	<b>Corporate and others RM'000</b>	<b>Eliminations/ Adjustments RM'000</b>	
<b>Revenue</b>								
External sales	150,023	183,346	21,154	8,380	21,064	16,905	-	400,872
Inter-segment sales	2,413	165	986	(27)	1,398	27,521	(32,456)	-
<b>Total revenue</b>	<b>152,436</b>	<b>183,511</b>	<b>22,140</b>	<b>8,353</b>	<b>22,462</b>	<b>44,426</b>	<b>(32,456)</b>	<b>400,872</b>
<b>Result</b>								
Net income	43,917	174,068	17,949	3,037	22,594	43,956	(28,825)	276,696
Other operating expenses	(32,703)	(177,392)	(13,797)	(3,620)	(28,807)	(53,349)	27,933	(281,735)
(Allowance for)/write back of impairment on loans, advances and financing	(13)	683	-	-	-	500	24	1,194
Write back of/(allowance for) impairment on balances due from clients and brokers and other receivables	(747)	(2,135)	-	-	-	(672)	-	(3,554)
Share of results in associate	-	-	-	-	-	3,474	-	3,474
Profit/(loss) before taxation and zakat	10,454	(4,776)	4,152	(583)	(6,213)	(6,091)	(868)	(3,925)
Taxation and zakat								(1,486)
Net loss for the financial period								<b>(5,411)</b>



(Incorporated in Malaysia)

## NOTES TO INTERIM FINANCIAL STATEMENTS

### A27 Segmental reporting (cont'd.)

	-----Continued Operations-----						
	Investment banking and stock broking RM'000	Futures RM'000	Money Lending and financing RM'000	Investment Management RM'000	Corporate and others RM'000	Eliminations/ Adjustments RM'000	Total RM'000
<b>Assets</b>							
Investment in associates	-	-	-	-	73,002	-	73,002
Addition to non-current assets	3,552	13	-	518	1,317	-	5,400
Segment assets	5,654,322	565,855	143,586	54,784	873,085	(1,050,343)	6,241,289
<b>Liabilities</b>							
Segment liabilities	4,783,560	530,941	133,638	16,867	120,601	(192,696)	5,392,911

**NOTES TO INTERIM FINANCIAL STATEMENTS**

**A28 Revaluation of property, plant and equipment**

The Group's property, plant and equipment have not been revalued previously.

**A29 Material events subsequent to the end of the interim period that have not been reflected in the financial statements for the interim period**

The Internal Reorganisation of KNKH Group has been completed on 1 November 2016, with details as in Note B6. With the implementation of the KNKH Capital Reduction and Repayment, KNKH had on 1 November 2016 issued two (2) new KNKH shares to KIBB, such that KNKH becomes a wholly-owned subsidiary of KIBB.

**A30 Fair value of financial instruments**

**Fair value measurements**

The Group and the Company 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.

**30 September 2016**

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Financial assets measured at fair value</b>				
Financial assets held-for-trading				
- Debt securities	-	159,707	-	159,707
- Equity securities and unit trusts	145,831	15	-	145,846
Financial investments available-for-sale #				
- Debt securities	-	762,860	-	762,860
- Unit trusts	-	6,405	-	6,405
- Negotiable Instruments of Deposits	-	60,000	-	60,000
- Islamic Negotiable Instruments of Deposits	-	99,827	-	99,827
Derivative financial assets	-	32,581	-	32,581
<b>Financial assets for which fair values are disclosed</b>				
Financial instruments held-to-maturity	-	40,330	-	40,330
Loans, advances and financing	-	-	2,029,146	2,029,146
	<b>145,831</b>	<b>1,161,725</b>	<b>2,029,146</b>	<b>3,336,702</b>
<b>Financial liabilities measured at fair value</b>				
Derivatives financial liabilities	23,186	12,326	-	35,512
Borrowings	-	189,000	-	189,000
	<b>23,186</b>	<b>201,326</b>	<b>-</b>	<b>224,512</b>

**A30 Fair value of financial instruments (continued)**

**31 December 2015**

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Financial assets measured at fair value</b>				
Financial assets held-for-trading				
- Debt securities	-	107,262	-	107,262
- Equity securities and unit trusts	220,136	11,175	-	231,311
Financial investments available-for-sale #				
- Debt securities	-	1,249,171	-	1,249,171
Derivative financial assets	-	2,910	-	2,910
<b>Financial assets for which fair values are disclosed</b>				
Financial instruments held-to-maturity	-	39,922	-	39,922
Loans, advances and financing	-	-	1,926,827	1,926,827
	<b>220,136</b>	<b>1,410,440</b>	<b>1,926,827</b>	<b>3,557,403</b>
<b>Financial liabilities measured at fair value</b>				
Derivatives financial liabilities	45,688	26,590	-	72,278
Obligations on securities sold under repurchase agreements	-	95,310	-	95,310
Borrowings	-	141,000	-	141,000
	<b>45,688</b>	<b>262,900</b>	<b>-</b>	<b>308,588</b>

# Excludes unquoted securities stated at cost of RM490,000 (2015: RM490,000)

**NOTES TO INTERIM FINANCIAL STATEMENTS**

**A31 OPERATIONS OF ISLAMIC BANKING**

The Islamic Banking operations of the wholly-owned investment banking subsidiary, KIBB are as follows:

**(a) UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 30 SEPTEMBER 2016**

	Note	As at 30 September 2016 RM '000	As at 31 December 2015 RM '000
<b>ASSETS</b>			
Cash and bank balances	(c)	236,289	115,437
Financial assets held-for-trading	(d)	39,989	78,576
Financial investments available-for-sale	(e)	238,990	194,630
Financial investments held-to-maturity	(f)	5,001	5,001
Financing and Advances	(g)	112,595	59,150
Balance due from clients and brokers		43	-
Other assets		2,913	1,730
Property, plant and equipment		156	14
Deferred tax assets		-	157
<b>TOTAL ASSETS</b>		<b>635,976</b>	<b>454,695</b>
<b>LIABILITIES</b>			
Islamic deposits from customers	(h)	435,307	272,367
Balance due to clients and brokers		15	-
Other liabilities		58,839	55,012
Deferred tax liabilities		650	-
Provision for taxation and zakat		5,216	1,963
<b>TOTAL LIABILITIES</b>		<b>500,027</b>	<b>329,342</b>
<b>ISLAMIC BANKING CAPITAL FUNDS</b>			
Islamic banking funds		120,000	120,000
Reserves		15,949	5,353
<b>TOTAL ISLAMIC BANKING CAPITAL FUNDS</b>		<b>135,949</b>	<b>125,353</b>
<b>TOTAL LIABILITIES AND ISLAMIC BANKING CAPITAL FUNDS</b>		<b>635,976</b>	<b>454,695</b>

The condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2015.

**NOTES TO INTERIM FINANCIAL STATEMENTS**

**A31 OPERATIONS OF ISLAMIC BANKING**

**(b) UNAUDITED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE FINANCIAL QUARTER ENDED 30 SEPTEMBER 2016**

	Individual Quarter		Cumulative Quarter	
	3 months ended 30 September 2016 RM'000	3 months ended 30 September 2015 RM'000	9 months ended 30 September 2016 RM'000	9 months ended 30 September 2015 RM'000
Income derived from investment of depositors' funds	11,571	2,856	22,824	14,444
Income derived from investment of shareholders' funds	750	1,279	4,310	4,231
Impairment allowances on investments	(1)	-	(171)	(23)
<b>Total attributable income</b>	<b>12,320</b>	<b>4,135</b>	<b>26,963</b>	<b>18,652</b>
Profit distributed to depositors	(5,007)	(3,597)	(13,706)	(10,740)
<b>Net income</b>	<b>7,313</b>	<b>538</b>	<b>13,257</b>	<b>7,912</b>
Finance cost	(185)	-	(653)	-
Personnel expenses	(175)	(171)	(440)	(489)
Other overhead expenses	(510)	(422)	(1,506)	(1,213)
<b>Profit/(loss) before taxation and zakat</b>	<b>6,443</b>	<b>(55)</b>	<b>10,658</b>	<b>6,210</b>
Taxation	(1,550)	20	(2,617)	(1,572)
<b>Profit/(loss) for the financial period</b>	<b>4,893</b>	<b>(35)</b>	<b>8,041</b>	<b>4,638</b>

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, comprise the following items:

Income derived from investment of depositors' funds	11,571	2,856	22,824	14,444
Income derived from investment of shareholders' funds	750	1,279	4,310	4,231
Total income before impairment allowance on financing and overhead expenses	<b>12,321</b>	<b>4,135</b>	<b>27,134</b>	<b>18,675</b>
Profit distributed to depositors	(5,007)	(3,597)	(13,706)	(10,740)
Finance cost	(185)	-	(653)	-
<b>Income from Islamic Banking Window operations reported in the statement of profit or loss of the Group</b>	<b>7,129</b>	<b>538</b>	<b>12,775</b>	<b>7,935</b>

The condensed financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2015.

**NOTES TO INTERIM FINANCIAL STATEMENTS**

**A31 OPERATIONS OF ISLAMIC BANKING**

	<b>As at 30 September 2016 RM'000</b>	<b>As at 31 December 2015 RM'000</b>
<b>(c) Cash and bank balances</b>		
Current account with BNM and banks	36,289	21,117
Money at call and deposit placements with: Licensed investment banks	200,000	94,320
	<b><u>236,289</u></b>	<b><u>115,437</u></b>
<b>(d) Financial assets held-for-trading</b>		
<b>At fair value</b>		
<b>Money market instruments:</b>		
Malaysian Government Investment Issues	-	28,687
<b>Unquoted private debt securities:</b>		
Islamic Corporate Bills	24,916	-
Islamic Corporate Bonds	15,073	49,889
	<b><u>39,989</u></b>	<b><u>78,576</u></b>
<b>(e) Financial investments available-for-sale</b>		
<b>At fair value</b>		
<b>Money market instruments:</b>		
Malaysian Government Investment Issues	21,163	39,706
Islamic Negotiable instruments of Deposits	99,827	-
Sukuk Perumahan Kerajaan	10,227	9,996
<b>Unquoted private debt securities:</b>		
Islamic Corporate Bills	-	24,878
Islamic Corporate Bonds	107,773	120,050
	<b><u>238,990</u></b>	<b><u>194,630</u></b>
<b>(f) Financial investments held-to-maturity</b>		
<b>At amortised cost</b>		
<b>Unquoted private debt securities:</b>		
Islamic Corporate Bonds	<b><u>5,001</u></b>	<b><u>5,001</u></b>
<b>(g) Financing and advances</b>		
Commodity Murabahah Revolving Credit		
- Shariah contract - others	20,138	14,122
Commodity Murabahah Term Financing		
- Shariah contract - others	92,613	45,137
	112,751	59,259
Allowance for impairment:		
- collective impairment	(156)	(109)
	<b><u>112,595</u></b>	<b><u>59,150</u></b>

**NOTES TO INTERIM FINANCIAL STATEMENTS**

**A31 OPERATIONS OF ISLAMIC BANKING**

	<b>As at 30 September 2016 RM'000</b>	<b>As at 31 December 2015 RM'000</b>
<b>(g) Financing and advances (cont'd.)</b>		
<b>(i) Gross financing and advances analysed by type of customer are as follows:</b>		
Domestic business enterprise - others	70,146	-
Individuals	42,605	59,259
	<u>112,751</u>	<u>59,259</u>
<b>(ii) Gross financing and advances analysed by geographical distribution are as follows:</b>		
In Malaysia	<u>112,751</u>	<u>59,259</u>
<b>(iii) Gross financing and advances analysed by profit sensitivity are as follows:</b>		
Variable rate:		
Cost plus	<u>112,751</u>	<u>59,259</u>
<b>(iv) Gross financing and advances analysed by economic purpose are as follows:</b>		
Purchase of securities	92,613	45,137
Working capital	20,138	14,122
	<u>112,751</u>	<u>59,259</u>
<b>(v) Gross financing and advances analysed by residual contractual maturity are as follows:</b>		
Within one year	20,138	59,259
More than one year	92,613	-
	<u>112,751</u>	<u>59,259</u>
<b>(h) Deposits from customers</b>		
<b>(i) By type of deposit</b>		
Demand deposits		
- Wadiah	50,000	-
Term deposits		
- Tawarruq (Commodity Murabahah deposits)	385,307	272,367
	<u>435,307</u>	<u>272,367</u>
<b>(ii) By type of customer</b>		
Licence bank	50,000	-
Domestic non-bank institutions	292,052	-
Business enterprises	92,337	272,367
Individuals	918	-
	<u>435,307</u>	<u>272,367</u>
<b>(iii) By maturity structure</b>		
Due within six months	<u>435,307</u>	<u>272,367</u>

**NOTES TO INTERIM FINANCIAL STATEMENTS**

**A31 OPERATIONS OF ISLAMIC BANKING**

	<b>As at 30 September 2016 RM'000</b>	<b>As at 31 December 2015 RM'000</b>
<b>(i) Capital adequacy</b>		
<b>CET 1/Tier 1 Capital</b>		
Islamic Banking funds	120,000	120,000
Retained Profits	6,438	5,248
Other reserves	3,255	105
Less: Regulatory adjustments applied on CET 1 capital		
55% of cumulative gains on financial instruments classified as 'available-for-sale'	(1,132)	-
Regulatory reserves	(1,197)	-
Deferred tax assets	-	(157)
<b>Total CET 1/Tier 1 capital</b>	<b>127,364</b>	<b>125,196</b>
<b>Tier 2 Capital</b>		
Collective impairment provision and regulatory reserves	1,353	711
<b>Total Tier 2 capital</b>	<b>1,353</b>	<b>1,464</b>
<b>Total capital</b>	<b>128,717</b>	<b>126,660</b>
CET 1 capital ratio	87.56%	99.60%
Tier 1 capital ratio	87.56%	99.60%
<b>Total capital ratio</b>	<b>88.49%</b>	<b>100.77%</b>

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

	<b>30 September 2016</b>		<b>31 December 2015</b>	
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
	<b>Principal</b>	<b>Risk-weighted</b>	<b>Principal</b>	<b>Risk-weighted</b>
Credit risk	502,633	114,959	380,972	64,481
Market risk	-	15,624	-	52,041
Operational risk	-	14,875	-	9,172
<b>Total RWA</b>	<b>502,633</b>	<b>145,458</b>	<b>380,972</b>	<b>125,694</b>



**NOTES TO INTERIM FINANCIAL STATEMENTS**  
**REQUIREMENTS OF PART A, APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA**  
**SECURITIES BERHAD**

**B1. Performance Review**

**Current Year-to-date vs. Previous Year-to-date**

The Group reported a pretax profit ("PBT") of RM29.3 million for the nine months ended 30 September 2016 ("9M16") as compared to a pretax loss ("LBT") of RM3.9 million for the nine months ended 30 September 2015 ("9M15").

The performance of the Group's respective operating business segments were analysed as follow:

**Stockbroking:**

Stockbroking registered PBT of RM20.9 million (9M15: LBT of RM4.8 million) mainly due to higher interest income and trading and investment income.

Brokerage fee income declined from RM60.5 million to RM49.7 million due to lower trading value on the Bursa Malaysia stock exchange which recorded RM728.8 billion for 9M16 compared to RM757.9 billion in the corresponding period of 2015 and lower market share.

**Investment Banking:**

Investment Banking registered a higher PBT of RM26.7 million in 9M16 (9M15: PBT of RM10.4 million) mainly due to higher trading and investment income from bond securities recorded for 9M16.

**Investment Management:**

Investment management registered a lower LBT of RM4.3 million (9M15: LBT of RM6.2 million) as a result of higher management fee income contributed by higher asset under management (9M16: RM7.3 billion; 9M15: RM6.3 billion).

**Futures:**

Futures segment recorded lower PBT of RM2.7 million in 9M16 as compared to RM4.2 million in 9M15 mainly due to lower commission and interest income earned. Income decreased mainly due to lower levels of client activity amid the sluggish market conditions.

**Money lending and financing:**

The money lending and financing segment reported a PBT of RM358,000 in 9M16 compared to LBT of RM583,000 in 9M15. The improvement was mainly due to higher financing activities resulting in higher fees and interest income.

**SELECTED EXPLANATORY NOTES**  
**REQUIREMENTS OF PART A, APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA**  
**SECURITIES BERHAD (CONT'D.)**

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

**Variation of Results Against Preceding Quarter**

The Group reported a pretax profit of RM10.3 million in the third quarter ended 30 September 2016 ("3Q16") as compared to a pretax profit of RM7.2 million in the preceding quarter ended 30 June 2016 ("2Q16"). The pretax profit improved due to higher trading and investment income, processing fee on loan and placement fee income and offset by lower brokerage fee income. Net gain in debts securities and warrant activities largely contributed to trading and investment income in 3Q16 compared to 2Q16. However, the continuing poor market condition weakened the brokerage performance for the quarter.

**B3. Prospects for 2016**

The Malaysian domestic growth recovery in 4Q16 and to a large extent the 2H16 will mainly rely on private demand in the absence of a convincing export recovery. Our research expects current year's GDP growth to decline to 4.0%-4.5% from 5.0% in 2015 reflecting rising uncertainties arising from the impact of China's growth slowdown, Brexit, US Presidential election in November, the US Fed move to tighten interest rates and to a lesser extent the weak and troubled European banking sector. For the Malaysian banking industry, it is widely expected to experience weak investment sentiment and high market volatility, moderated trends in growth and persistent margin compression.

Amid the challenging economic outlook and the competitive industry landscape, the Group still expects to show better performance for the current year compared to last year. The Group will continue to implement its business plans, including strategic alliances with foreign partners, to diversify its sources of revenue. The Group's internal reorganisation and the rationalisation of its offices are expected to contribute to further cost savings with effect from next year.

**B4. Variance From Profit Forecast And Profit Guarantee**

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

**B5. Taxation and zakat**

	<b>Individual Quarter 3 months ended 30 September 2016 RM'000</b>	<b>Cumulative Quarter 9 months ended 30 September 2016 RM'000</b>
Current period - income tax and zakat	(7,994)	(11,682)
Deferred taxation	12	765
Total	<u>(7,982)</u>	<u>(10,917)</u>

**NOTES TO INTERIM FINANCIAL STATEMENTS**  
**REQUIREMENTS OF PART A, APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA**  
**SECURITIES BERHAD (CONT'D.)**

**B6. Status of Corporate Proposals**

On 30 October 2015, the Company announced that it proposes to undertake an Internal Reorganisation of the KNKH group of companies structure which comprises the following:

**I. Proposed Merger**

- (i) Proposed transfer will entail the transfer of the Identified Assets and Liabilities of KNKH to Kenanga Investment Bank Berhad ("KIBB").
- (ii) Proposed capital reduction and repayment by KNKH by way of cancellation of all the ordinary shares of RM1.00 each in KNKH and distribution of the entire shareholdings of KNKH in KIBB to the shareholders of KNKH; and
- (iii) Proposed transfer of KNKH's listing status on the main market of Bursa Malaysia Securities Berhad to KIBB upon completion of the proposed transfer and proposed KNKH capital reduction and repayment.

**II. Proposed KIBB Capital Restructuring**

As a component of the Proposed Internal Reorganisation, KIBB intends to undertake the following proposals:

- (i) Proposed capital reduction of the issued and paid-up share capital of KIBB involving the cancellation of KIBB shares.
- (ii) Proposed adjustment of the par value of KIBB from RM1.00 to RM0.25 of the paid-up share capital of every existing KIBB share.
- (iii) Proposed increase in the authorised share capital of KIBB; and
- (iv) Proposed amendments to the Memorandum and Articles of Association of KIBB.

In addition, KIBB had submitted an application on 3 February 2016 and subsequently updated listing application on 3 June 2016 to Bursa Malaysia Securities Berhad in relation to the Proposed Transfer of Listing Status of KNKH to KIBB.

BNM and SC had vide its letter dated 3 May 2016 and 4 May 2016 respectively, granted approval for the Proposed Internal Reorganisation.

On 1 July 2016, KNKH and KIBB had entered into the Reorganisation Agreement to give effect to the Proposed Internal Reorganisation.

On 10 October 2016, High Court of Malaya has granted order in terms of both KNKH & KIBB Petitions and approved KNKH Special Resolution for the Proposed KNKH capital reduction and repayment and KIBB Special Resolutions for the Proposed KIBB capital reduction and Proposed KIBB Par Value Adjustment.

The transfer of Identified Assets and Liabilities of KNKH to KIBB as well as KNKH Capital Reduction and Repayment had been completed on 1 November 2016.

On 2 November 2016, KNKH was delisted from the Main Market of Bursa Securities and KIBB assumed the listing status of KNKH.

**NOTES TO INTERIM FINANCIAL STATEMENTS**  
**REQUIREMENTS OF PART A, APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA**  
**SECURITIES BERHAD (CONT'D.)**

**B7. Group Borrowings**

		<b>RM'000</b>
Short term loan from financial institutions	Note 1	144,000
MTN	Note 2	45,000

Note 1 : Kenanga Capital Sdn. Bhd., the money lending subsidiary company, obtained unsecured revolving credit facilities from financial institutions in order to finance its own working capital. These facilities have average repayment period of 30 days and the average interest rates charged were 5.74% per annum.

Kenanga Investment Bank Berhad, an investment banking subsidiary, obtained a RM78 million of secured loan facility for 7 years and 6 months from the date of first drawdown of the loan to finance its acquisition of Djaya Plaza. The facility has an interest rate of cost of funds plus 0.5% per annum.

Note 2 : The following are the outstanding unsecured MTN as at 30 September 2016.

<u>Series</u>	<u>Issue Date</u>	<u>Principal</u>	<u>Coupon Rate</u>	<u>Tenure</u>
009	29 June 2016	RM 5 million	4.30%	273 days
010	26 Aug 2016	RM 5 million	4.30%	185 days
011	19 Sept 2016	RM 30 million	4.65%	182 days
012	19 Sept 2016	RM 5 million	4.30%	91 days

**B8. Dividend**

No dividend has been proposed for the current financial period.

**B9. Earnings per share**

The amount used as the numerator for the purposes of calculating the basic earnings per share for the financial period is RM17.8 million representing the profit for the financial period attributable to ordinary equity holders of the parent (30 September 2015: loss for the financial period attributable to ordinary equity holders of the parent: RM6.2 million).

The weighted average number of shares in issue during the financial period including the cancellation of treasury shares held by the Company, used as the denominator in calculating the basic earnings per share for the financial period is 722,546,999 (31 December 2015: 730,220,468).

**NOTES TO INTERIM FINANCIAL STATEMENTS**  
**REQUIREMENTS OF PART A, APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA**  
**SECURITIES BERHAD (CONT'D.)**

**B10. Derivatives**

As at 30 September 2016, derivative financial assets and liabilities are as follows:

<b>Type of Derivatives</b>	<b>Contract/ Notional Value RM'000</b>	<b>Fair Value RM'000</b>
<b><u>Assets</u></b>		
Equity related options	45,417	32,579
Dual currency investment options	252	2
<b><u>Liabilities</u></b>		
Equity related options	242,661	35,510
Dual currency investment options	252	2

As at 31 December 2015, derivative financial assets and liabilities are as follows:

<b>Type of Derivatives</b>	<b>Contract/ Notional Value RM'000</b>	<b>Fair Value RM'000</b>
<b><u>Assets</u></b>		
Equity related options	13,762	2,908
Dual currency investment options	1,588	2
<b><u>Liabilities</u></b>		
Equity related options	1,042,190	72,276
Dual currency investment options	1,588	2

**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.

**NOTES TO INTERIM FINANCIAL STATEMENTS**  
**REQUIREMENTS OF PART A, APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA**  
**SECURITIES BERHAD (CONT'D.)**

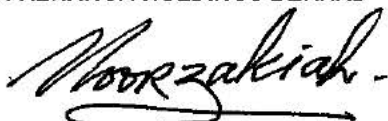
**B11. Gain Arising From Fair Value Changes of Derivative Financial Instruments**

The loss arising from fair value changes of derivative financial instruments for the current quarter amounted to RM 8,778,000. This was arrived at based on the fluctuations in the market prices of the derivative financial instruments or underlying assets which are listed on Bursa Malaysia.

**B12. Realised and Unrealised Retained Profits/(Accumulated Losses) Disclosure:**

	As at 30 September 2016 RM'000	As at 31 December 2015 RM'000
Total (accumulated losses) / retained profits of Company and its subsidiaries:		
- Realised	(182,957)	(240,870)
- Unrealised	19,503	59,296
	(163,454)	(181,575)
Total share of accumulated losses from associates		
- Realised	21	(1,499)
- Unrealised	(548)	(487)
	(527)	(1,986)
Add: Consolidation adjustments	169,902	172,327
Total group accumulated losses as per consolidated accounts	5,921	(11,234)

By Order of the Board  
K & N KENANGA HOLDINGS BERHAD



YM TENGKU DATO' PADUKA NOOR  
ZAKIAH BTE TENGKU ISMAIL  
Chairman