

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

KENANGA INVESTMENT BANK BERHAD
(15678-H)

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	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

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 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 (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**

Individual Quarter		Cumulative Quarter	
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**

	Note	Group and Bank	
		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	198,442	101,666
	<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	9,956	9,782
	<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	9,999	10,056
	<u>130,305</u>	<u>180,268</u>
Unquoted Private Debt Securities:		
In Malaysia		
Islamic Corporate Bonds	96,345	96,137
	<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	5,001	5,000
	<u>5,001</u>	<u>5,000</u>
The maturity structure of above securities are as follows:		
Two to five years	5,001	5,000
	<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	<u>(1,679)</u>	<u>(1,663)</u>
Total CET 1 / Tier 1 capital	<u>133,291</u>	<u>132,962</u>
Tier 2 Capital		
Collective allowance and regulatory reserve	<u>1,907</u>	<u>1,696</u>
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>